哈电集

HARBIN ELECTRIC CORPORATION

Stock Code: 1133

2022
ANNUAL REPORT

CONTENTS

OVERVIEW OF THE COMPANY	2
FINANCIAL HIGHLIGHTS	4
CHAIRMAN'S STATEMENT	6
MANAGEMENT DISCUSSION AND ANALYSIS	8
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT	17
DIRECTORS' REPORT	23
REPORT OF THE BOARD OF SUPERVISORS	42
CORPORATE GOVERNANCE REPORT	44
INDEPENDENT AUDITORS' REPORT	55
CONSOLIDATION BALANCE SHEET	61
BALANCE SHEET	66
CONSOLIDATION INCOME STATEMENTS	71
INCOME STATEMENTS	74
CONSOLIDATION CASH FLOW STATEMENT	76
CASH FLOW STATEMENT	79
CONSOLIDATION STATEMENTS OF CHANGES IN EQUITY	82
STATEMENTS OF CHANGES IN EQUITY	84
NOTES TO THE FINANCIAL STATEMENTS OF 2022	86
DISCLOSURE OF SIGNIFICANT EVENTS	294
INFORMATION ON THE COMPANY	295
DOCUMENTS AVAILABLE FOR INSPECTION	296

OVERVIEW OF THE COMPANY

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

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

As at 31 December 2022, the total share capital of the Company comprised of 1,706,523,000 shares of which 675,571,000 were H shares traded on the HKSE.

The Company and its subsidiaries are one of the largest manufacturers of power plant equipment in China, with a power plant equipment of production capacity of 30 million kilowatts per annum. The Group's principal activities and products include:

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

- ✧ turnkey construction of power station projects;
- ✧ service for complete sets of thermal and hydro power equipment;
- ✧ import and export of equipment for power stations;
- ✧ after-sales service for power station equipment products;
- ✧ R&D of engineering technology for complete sets of power equipment;
- ✧ R&D of power equipment and its ancillary products;
- ✧ environmental protection engineering services, such as desulfurization, denitrification and dust removal.

The Company actively participates in the construction of "Belt and Road", vigorously develops the international market and advances into the world's high-end power station engineering contracting field, and exports its products to over 50 countries and regions in Asia, Africa, Europe and America.

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

FINANCIAL HIGHLIGHTS

	Unit	**2022**	2021	2020	2019	2018
Operating Income	*RMB'000*	**24,643,794**	21,225,313	23,760,400	22,515,591	25,879,461
Total Profits	*RMB'000*	**205,777**	-4,200,267	76,958	217,143	156,854
Net profits attributable to owners of parent	*RMB'000*	**98,638**	-4,142,448	-7,281	106,173	71,317
Total assets	*RMB'000*	**63,283,531**	60,610,193	57,961,256	55,082,667	56,541,983
Total liabilities	*RMB'000*	**50,909,669**	48,415,507	41,761,206	39,226,502	40,232,952
Minority interests	*RMB'000*	**645,912**	625,992	522,836	276,526	1,282,749
Interests attributable to owners of parent	*RMB'000*	**11,727,950**	11,568,694	15,677,215	15,579,639	15,026,282
Net assets per share	*RMB*	**6.872**	6.779	9.187	9.129	8.805
Earnings per share	*RMB*	**0.058**	-2.427	-0.004	0.062	0.042

	Year ended 31 December 2022		Year ended 31 December 2021	
	Income	**Contribution to operating profit**	Income	Contribution to operating profit
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
New electric power equipment	**11,745,985**	**1,664,397**	8,872,291	358,216
New power system with new energy as the main body	**1,217,460**	**-42,598**	896,299	-211,113
Clean and efficient industrial system	**5,157,594**	**66,600**	4,760,421	-40,723
Project general contracting and trade	**3,147,200**	**118,964**	3,332,655	-2,052,683
Modern manufacturing service industry	**3,178,913**	**991,104**	3,141,445	886,917
Others	**196,642**	**64,964**	222,202	81,409
Total	**24,643,794**	**2,863,431**	21,225,313	-977,977
Expenses not allocated to major products		**-2,657,654**		-3,222,290
Total Profits		**205,777**		-4,200,267

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board, I hereby present the 2022 annual report of Harbin Electric Company Limited (the "Company") and its subsidiaries.

The year 2022 was a crucial year for the transformation and development of the Company. All staff members of the Company actively overcame the adverse external factors, worked hard in unity, overcame difficulties and were determined to make progress. Focusing closely on the development positioning of "three businesses" and the industrial layout of "three systems", the first step of the "three-step" work arrangement, "stabilising the foundation", was vigorously pursued and positive results were achieved in various aspects of corporate reform and development. During the Reporting Period, the Company achieved operating revenue of RMB24.64 billion, representing a year-on-year increase of 16.11%, and profit totalling RMB210 million. The Company have successfully fulfilled the solemn promise to turn losses into profits, and the production and operation situation of the enterprise has been stabilized and improved.

During the Reporting Period, the Company insisted on political leadership, seriously studied and implemented the spirit of General Secretary Xi Jinping's important speeches and instructions and the spirit of the 20th National Congress of the CPC, strengthened top-level planning with strategic thinking, focused on the main responsibility of equipment manufacturing, and further clarified the development strategy of the Company based on the advantages of its professional expertise. The Company unified the thinking and understanding, and consolidated the development strength. We focused on the annual targets and tasks, exerted all our strength, forged ahead, promoted special actions to improve quality and increase efficiency and turn losses into profits, made every effort to reduce "account receivables and inventories", prevented risks, reinforced the management, and improved efficiency, to achieve double growth in scale and efficiency. We insisted on making innovation in science and technology the primary driving force of our development, vigorously implemented the operation of taking the lead in science and technology, increased investment in research and development, and promoted the construction of national-level innovation platforms and original technology sources, and passed the acceptance of major national special research tasks, constantly strengthening the development engine and injecting new development momentum. We continued to optimise our marketing system and with a strong sense of urgency and crisis in market development, maintaining a leading position in the market for large hydropower main units for four consecutive years and making new breakthroughs in the market for large coal power main units. We insisted on serving the national strategy with major projects, and all eight units of the Baihetan Hydropower Station were put into operation, with their performance indicators reaching international leading levels, and the first domestically produced masking main-pump for CAP1000 has passed the engineering durability test assessment, making important contributions to ensuring the safe, stable and effective supply of electricity to the country and stabilising the macro-economic situation.

At present, in the context of the "dual carbon" goal, China is accelerating the construction of a modern energy system, and the hydropower, nuclear power and gas power industries have been presented with development opportunities, providing valuable opportunities for the Company's transformation and development. The Company will insist on strategic and systematic thinking, maintaining strategic focus and boosting development confidence, laying the foundation for long-term benefits, seizing industrial opportunities, insisting on constant attention to technology, quality and service, and focusing on the "seven key points for strong enterprises" of manufacturing, technology, quality, digital, reform, service and talent to strengthen the enterprise. We will also grasp the "seven key points for enterprise development" of learning, solidarity, collaboration, branding, style, hard work and dedication, continuously improve competitiveness, enhance competitive advantages and build a century-old enterprise in China's equipment manufacturing industry.

In 2023, the Company will insist on the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, thoroughly carry out the spirit of the 20th Party Congress, carry out the deployment of the Central Economic Work Conference, and adhere to the general keynote of seeking progress while maintaining stability; fully, accurately and comprehensively implement the new development concept, serve to build a new development pattern, focus on the goal of building a world-class equipment manufacturing enterprise adhere to the direction of high-end, intelligent and green development, and set the development goal of building a world-class equipment manufacturing enterprise; adhere to the development orientation of "three businesses", accelerate the construction of the industrial layout of "three systems", strive to achieve a high level of "effectiveness" in accordance with the "three-step" work arrangement, maintain effective improvement in quality and reasonable growth in quantity, and strive to run at an accelerated pace in high-quality development.

Manufacturing industry is an indispensable part in China at any time. The Party Central Committee, with Comrade Xi Jinping at its core, attaches great importance to the development of the manufacturing industry, especially the development of the equipment manufacturing industry, promoting the importance of manufacturing to an unprecedented new height, and greatly enhancing our confidence and determination to promote the development of manufacturing. With more than 70 years of experience in equipment manufacturing, the Company has excellent talent resources, strong technological research and development capabilities, a complete manufacturing and marketing system, and the strong support of many strategic partners, we are confident and capable of achieving better quality, higher efficiency, stronger competitiveness and greater influence, and of rewarding our shareholders with better results.

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

Chairman

Cao Zhi-an

Harbin, the PRC, 29 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

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

MACRO-ECONOMY AND INDUSTRY DEVELOPMENT

In 2022, in the face of a complex and severe situation and numerous risks and challenges at home and abroad, China efficiently coordinated the prevention and control of the COVID-19 pandemic and economic and social development, increased its efforts in macro-regulation and control, achieving stable economic operation, steady improvement in development quality and maintained stable overall social situation, and has made extremely hard-won new achievements in its development.

In the national energy work conference, it was emphasized that we should give play to the role of coal to ensure the satisfaction of basic needs, solidify the foundation of electricity supply security, commit to adjusting and optimizing the energy structure, strengthen the construction of wind and solar power generation, coordinate hydropower development and ecological protection, and actively develop nuclear power in a safe and orderly manner. According to the relevant statistics from China Electricity Council, as of the end of 2022, the total installed capacity of power generation on a consolidated basis in China was 2.56 billion kilowatts, an increase of 7.8% over the end of the previous year, of which the installed capacity of non-fossil energy power generation was 1.27 billion kilowatts, an increase of 13.8% over the end of the previous year, the percentage of which in the total installed capacity increased to 49.6%, representing an increase of 2.6 percentage points year-on-year, with the power continuing with the trend of green and low carbon transformation. By type, the installed capacity of hydropower generation amounted to 410 million kilowatts, an increase of 6.2% over the end of the previous year (including 45.79 million kilowatts of pumped storage, an increase of 25.8% over the end of the previous year); nuclear power 55.53 million kilowatts, an increase of 4.3% over the end of the previous year; wind power connected to the grid 365 million kilowatts, an increase of 10.6% over the end of the previous year, of which, onshore wind power 335 million kilowatts, an increase of 11.7% over the end of the previous year, and offshore wind power 30.46 million kilowatts, an increase of 15.4% over the end of the previous year; solar power generation connected to the grid 390 million kilowatts, an increase of 25.8% over the end of the previous year; thermal power 1.33 billion kilowatts, an increase of 2.3% over the end of the previous year, of which, the percentage of coal power in the total

PRODUCTION AND OPERATION

In 2022, the Company earnestly studied and implemented a series of important statements by General Secretary Xi Jinping on building the nation into a world power in technology and manufacturing, on peak carbon emission and carbon neutrality, and creating world-class enterprises, adhered to the direction of high-end, intelligent and green development of the industries, focused on its principal business, i.e. equipment manufacturing, relied on and gave play to its advantages in professional expertise, anchored the development goal of building itself into a world-class equipment manufacturing enterprise, adhered to its development orientation of being an equipment manufacturer, a system integrator and an operation and maintenance service provider, built "three systems (i.e. the new power system with new energy as the main body, the green and low-carbon driven system, and the clean and efficient industrial system)" industrial layout, implemented the development idea of "three steps" work arrangement, tackling difficulties, forging ahead with determination and taking serious measures to improve the quality and increase the efficiency, leading to the stability and improvement of the production and operation of the Company and new results having been achieved in the reform and development of the Company.

New contracts

In 2022, the orders of the Company recorded slight increase, thereby realizing RMB33.632 billion worth of duly signed contracts, representing a year-on-year increase of 17.67%, of which RMB17.038 billion (or 50.66%) for new-type power equipment, a year-on-year increase of 10.26% (RMB6.929 billion (or 20.60%) for thermal power equipment, a year-on-year decrease of 26.74%; RMB4.231 billion (or 12.58%) for hydropower equipment, a year-on-year increase of 33.22%; RMB3.404 billion (or 10.12%) for nuclear power equipment, a year-on-year increase of 7.76%; RMB2.028 billion (or 6.03%) for steam equipment, a year-on-year increase of 104.85%); RMB1.376 billion (or 4.09%) for green and low carbon driven equipment, a year-on-year increase of 22.39%; RMB4.826 billion (or 14.35%) for clean and efficient industrial system, a year-on-year decrease of 19.47%; RMB5.671 billion (or 16.86%) for EPC and trading, a year-on-year increase of 168.11%; and RMB4.720 billion (or 14.04%) for modern manufacturing and service industry, a year-on-year increase of 19.89%.

New-type power equipment: In 2022, the formal contract value of the Company's thermal power equipment declined due to the cycle of taking effect of new contracted projects. The Company maintained its leading market share in hydropower equipment, and its competitiveness in the nuclear power conventional island market improved significantly, together with the steam power equipment projects awarded in the previous year carried over into formal orders for this year, resulting in an increase in the formal contract value.

Green and low carbon driven equipment: The Company saw an increase in its orders from the electromotor industry and a steady level of its orders from the marine equipment industry, with an increase in the formal contract value.

Clean and efficient industrial system: The Company saw an increase in its equipment orders, but a decrease in its orders for engineering projects and a decline in the formal contract value.

EPC and trading: The Company continued to increase its efforts in developing the overseas EPC market for power projects and secured orders for a number of EPC projects in Southeast Asia, North America and Europe, resulting in a significant increase in the formal contract value.

Modern manufacturing and service industry: The Company vigorously explored the service market, centering on its development orientation of being an "operation and maintenance service provider", resulting in significant growth in the formal contract value.

Production

In order to ensure the Company's sustainable and healthy development and further reduce operational risks, taking into account the orders on hand, the market situation, customer demand and project progress of the Company, the output of the Company's power generation equipment amounted to 15,267MW in 2022, down by 25.5% over the same period last year, of which 2,697MW were produced by water turbine generator units, down by 71.7% significantly over the same period last year, mainly due to the concentrated production and delivery of large hydropower projects such as Baihetan hydropower station unit in 2021 with a significant increase in production as compared with previous years, while falling back to general level in 2022; and 12,570MW were produced by steam turbine generators, up by 15.0% over the same period last year. Output of steam turbines for power stations was 10,095MW, up by 31.6% over the same period last year and that of boilers for power stations was 14,017MW, up by 3.3% over the same period last year.

Scientific research and innovation

In 2022, the Company invested RMB1.269 billion in science and technology in total, with the R&D investment intensity of 5.20%, and completed 345 scientific research projects and development of 166 new products. The Company received 26

Capital expenditure and significant investments held

In 2022, the Company injected a total of capital expenditures worth RMB564 million for major construction and technological transformation projects. The major projects include:

Advancing the High Temperature Gas-Cooled Reactor Steam Generator High Technology Industrialization Construction Project and the Pressurised Water Reactor Steam Generator Improvement Project in a steady manner; investing in the Dehui 1×40MW Biomass Thermal Power Cogeneration Project; investing in the Wangkui 1×40MW Biomass Thermal Power Cogeneration Project, all of which have now been put into commercial operation.

In 2023, the Company intends to commit an investment of RMB1.638 billion in key construction and technological transformation projects, mainly for the technical measures and technological transformation projects, the pumped storage industry infrastructure reengineering construction project (phase I), state-level power generation equipment research centre R&D base construction project of subsidiaries and continue to invest in the High Temperature Gas-Cooled Reactor Steam Generator High Technology Industrialization Construction Project and the Pressurised Water Reactor Steam Generator Improvement Project.

MAJOR ACQUISITIONS AND SALES OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures of the Company in 2022.

MAJOR FINANCIAL INDEXES

Profit

In 2022, net profit attributable to the owner of the parent company realized by the Company registered RMB98.64 million, representing an increase of 4,241.09 million over the same period last year; earnings per share were RMB0.058.

The increase in profit of the Company was mainly due to the Company's goal of turning around and increasing profitability, deepening quality and efficiency improvement, and significantly improving product profitability. During the period, expenses decreased year-on-year, asset quality continued to be improved and impairment losses significantly decreased.

Operating revenue

In 2022, the Company recorded an operating revenue of RMB24,643.79 million, representing an increase of 16.11% over the same period last year. Of which RMB11,745.98 million (or 47.66%) for new-type power equipment, a year-on-year increase of 32.39% (RMB6,834.07 million (or 27.73%) for thermal power equipment, a year-on-year increase of 37.77%; RMB2,752.83 million (or 11.17%) for hydropower equipment, a year-on-year increase of 0.55%; RMB1,275.7 million (or 5.18%) for nuclear

Expenses for the period

In 2022, the Company incurred expenses of RMB2,780.98 million in the period, a decrease of RMB109.57 million or 3.8% year-on-year. Firstly, the accumulated administrative expenses amounted to RMB1,295.33 million, a decrease of RMB273.09 million year-on-year; secondly, the accumulated selling expenses amounted to RMB623.91 million, a decrease of RMB13.74 million year-on-year; thirdly, the accumulated finance expenses amounted to RMB135.1 million, an increase of RMB121.14 million year-on-year, mainly due to the year-on-year increase in financial expenses as a result of the decrease in the forward exchange settlement of subsidiaries; fourthly, the accumulated research and development expenses amounted to RMB726.64 million, an increase of RMB56.11 million year-on-year. The Company further increased its efforts in supporting technological innovation and maintained a high level of investment in research and development.

Funding source and borrowing status

The Company financed its operation and development with four major funding sources, namely shareholder's funds, trade receivables from customers, bank borrowings and state-funded entrusted loans. The Company arranges borrowings based on each specific project. Except for some exceptions, loans are usually raised by each of the Company's subsidiaries respectively within the annual financing budget. As of 31 December 2022, the balance of the Company's borrowings amounted to RMB7,606.82 million (31 December 2021: RMB7,444.92 million), all of which amounts were borrowed from various financial institutions, such as commercial banks and state-funded entrusted loans, at LPR, and the increase in the borrowings was mainly due to the increase of RMB881.76 million in the state-funded entrusted loans. Among those borrowings, the amount repayable within one year amounted to RMB5,214.92 million, representing a decrease of RMB1,196.94 million as compared with the beginning of the year; the borrowings repayable after one year amounted to RMB2,391.90 million, representing an increase of RMB1,358.84 million as compared to the beginning of the year, mainly due to the increase in long-term policy-based preferential borrowings during the year. As of 31 December 2022, the Company's borrowings were primarily in RMB and there was no amount due. The repayment plan has been made for the borrowings that were not due, with no risk of default.

Monetary capital and cash flows

As of 31 December 2022, the monetary capital of the Company was RMB17,300.79 million, representing an increase of RMB3,698.90 million as compared with the beginning of the year. During the period, the net cash flow generated from operating activities of the Company was RMB4,747.07 million; the net cash flow from investing activities was RMB-660.43 million; the net cash flow from financing activities was RMB-464.07 million. The Company experienced a significant increase in its monetary capital due to factors such as increase in recoveries of payments for goods.

Asset structure and movements

As of 31 December 2022, the total assets of the Company amounted to RMB63,283.53 million, representing an increase of RMB2,673.33 million or 4.4% as compared to the beginning of the year, out of which RMB53,524 million was current assets, accounting for 84.58% of total assets; and RMB9,759.52 million was non-current assets, accounting for 15.42% of total assets.

Liabilities

As of 31 December 2022, total liabilities of the Company amounted to RMB50,909.66 million, representing an increase of RMB2,494.16 million as compared to the beginning of the year, out of which RMB45,858.83 million was current liabilities, accounting for 90.1% of the total liabilities; and RMB5,050.83 million was non-current liabilities, accounting for 9.9% of the total liabilities. As of 31 December 2022, the gearing ratio of the Company was 80.5%. The scale of liabilities increased to some extent due to factors such as increase in contract liabilities and new entrusted loans under state-owned capital operating budget funds.

Owners' interests

As of 31 December 2022, the total equity attributable to the owners of the parent company of the Company amounted to RMB11,727.94 million, representing an increase of RMB159.25 million as compared to the beginning of the year; the net asset value per share was RMB6.87, representing an increase of RMB0.09 as compared with the beginning of the year. During the period, the return rate on net assets of the Company was 1.1%.

GEARING RATIO

As of 31 December 2022, the Company's gearing ratio (non-current liabilities over total shareholders' equity) was 0.41:1, compared with that of 0.33:1 at the beginning of the year.

CONTINGENT LIABILITIES AND PLEDGES

As of 31 December 2022, the Company pledged its assets of RMB90.74 million to secure loans for liquidity.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE

Some of the deposits of the Company are denominated in foreign currencies. As at 31 December 2022, the amount of the Company's deposits in foreign currencies was equivalent to RMB673.48 million. The export business and businesses settled in foreign currencies expose the Company to certain exchange risk.

USE OF FUND-RAISING PROCEEDS

As of 31 December 2022, RMB126 million of the fund-raising proceeds (the "Proceeds") from the domestic share subscription conducted by the Company in 2017 has not been utilized. The Company has fully utilized its remaining proceeds from issuance of shares and bonds in previous years, and no other fund-raising activities were proceeded during the year.

The use of the proceeds is as follows:

Intended use of the proceeds	**Intended amount of the proceeds used** *(RMB100 million)*	**Amount of the proceeds used** *(RMB100 million)*	**Remaining amount of the proceeds** *(RMB100 million)*	**Intended use time**
Investment in a joint venture project on gas turbine	1.8	1.5	0.3	By 24 October 2026
Investment in a nuclear power technology upgrading project	4.86	3.9	0.96	By 31 December 2023
Purchase of raw materials for the production and operation of the nuclear power business	3	3	0	
Purchase of raw materials for the production and operation of the gas turbine business	1.47	1.47	0	
Conducting financial leasing business	1.54	1.54	0	
Total	12.67	11.41	1. 26	

OUTLOOK

In the report on the 20th CPC National Congress, it was proposed that achieving peak carbon emission and carbon neutrality will be an extensive and profound systemic economic and social change, and we should implement the actions for peak carbon emission in a planned and step-by-step manner. We should further promote the energy revolution, strengthen the clean and efficient use of coal, increase the exploration and development of oil and gas resources and increase storage and production, accelerate the planning and construction of new energy systems, coordinate hydropower development and ecological protection, actively develop nuclear power in a safe and orderly manner, and strengthen the construction of energy production, supply, storage and marketing systems to ensure energy security. In the Analysis and Forecast Report on the Situation of Electricity Supply and Demand in China for 2023 released by China Electricity Council, it is pointed out that, driven by the rapid development of new energy power generation, the total installed capacity of power generation newly put into operation in 2023 as well as the installed capacity of non-fossil energy power generation is estimated to reach another record high. It is estimated that for the whole year of 2023, the national newly added installed capacity of power generation will reach around 250 million kilowatts and the newly added installed capacity of non-fossil energy power generation will reach 180 million kilowatts. It is estimated that by the end of 2023, the national total installed capacity of power generation will reach 2.81 billion kilowatts, of which the total installed capacity of non-fossil energy power generation will reach 1.48 billion kilowatts, representing an increase to around 52.5% of the total installed capacity. Hydropower is 420 million kilowatts, grid-connected wind power is 430 million kilowatts, grid-connected solar power is 490 million kilowatts, nuclear power is 58.46 million kilowatts, and biomass power generation is approximately 45 million kilowatts. Both the installed capacity of solar power and that of wind power will exceed the installed capacity of hydropower in 2023.

In 2023, the Company will adhere to the guidance by Xi Jinping's thought of socialism with Chinese characteristics in the new era, fully implement the spirit of the 20th CPC National Congress and the important instructions and comments from General Secretary Xi Jinping, adhere to the direction of high-end, intelligent and green development of the industry, strive to have a deep grasp of the opportunities of the development of the industry, anchor the development goal of building the Company into a world-class equipment manufacturing enterprise, adhere to its development orientation of being an equipment manufacturer, a system integrator and an operation and maintenance service provider, accelerate the building of the "three systems" industrial layout, and implement the "three steps" work arrangement, striving to "achieve results" in a high-level manner. The Company will, sticking closely to the development goal of "one growth, one stability and four enhancements", continue to increase market development efforts, improve efficiency and effectiveness, comprehensively improve risk prevention and control capabilities, and make every effort to achieve a high level of stable growth; coordinate to promote the green and low-carbon industrial transformation, strengthen technological research and development and capacity building in related fields, and further accelerate the development of the new power system with new energy as the main body, the green and low-carbon driven system and the clean and efficient industrial system; resolutely take up the major responsibility for scientific and technological innovation, strengthen technological support for transformation and upgrading, continuously improve our scientific and technological innovation capabilities, continuously increase R&D investment and technological incentives, and comprehensively enhance the core competitiveness of the enterprise; accelerate the digitalization of production, the intelligentization of equipment, the informationization of management, and make every effort to shape new advantages of digitalization empowerment; persistently deepen the reform, vigorously deepen the reform centering on the construction of itself into a world-class enterprise, continuously improve the value creation capacity and operational efficiency of the Company, fully promote the Company to accelerate the realization of its high-quality development, and strive to build itself into a world-class equipment manufacturing enterprise, to reward the shareholders with fabulous performance.

DIRECTORS

Executive Directors

Mr. Cao Zhi-an ("Mr. Cao"), born in 1962, holds a master's degree in engineering and title of senior economist, and is currently an executive Director, chairman of the board of Directors and the secretary of the Party Committee of the Company, and the chairman of the board of Directors and the secretary of the Party Committee of Harbin Electric Corporation* (哈爾濱電氣集團有限公司). Mr. Cao obtained a master's degree in engineering from North China Electric Power University majoring in thermal engineering. He served as the deputy officer of the Personnel and Director Management Department of the State Power Corporation* (國家電力公司), officer of the Ideological and Politics Work Office, officer of the Administrative Office, officer of the Personnel Director Department and assistant to the general manager of the State Grid Corporation of China* (國家電網公司). He served as the deputy general manager and member of the Party Group of the State Grid Corporation of China since April 2006, and served as the Director, general manager and deputy secretary of the Party Group of the China Southern Power Grid Company Limited* (中國南方電網有限責任公司) since July 2015. He has been serving as the chairman of the Board and the secretary of Party Committee of Harbin Electric Corporation since November 2021. He has been serving as an executive Director, the chairman of the board of Directors and the secretary of Party Committee of the Company since December 2021.

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

Mr. Zhang Ying-jian ("Mr. Zhang"), born in 1964, holds a master's degree and is a senior engineer. He is currently an executive director and deputy secretary of the Party Committee of the Company and a director and deputy secretary of the Party Committee of HE. Mr. Zhang graduated from the Department of Thermal Engineering at Tsinghua University with a bachelor's degree in gas turbines and subsequently obtained a master's degree from Harbin Institute of Technology. Mr. Zhang joined HE in 1991. He was formerly a project engineer, project manager, business representative, deputy Director of Harbin Power Station Equipment Import and Export Company, deputy chief engineer, deputy manager of financial planning division and deputy general manager of Harbin Power Engineering Company Limited. He became the deputy general manager of HE in September 2007, a non-executive Director of the Company in January 2013, an executive Director of the Company from March 2013 to January 2021 and a senior vice president of the Company from March 2013 to August 2022. He has been a director and the deputy secretary of the Party Committee of HE since July 2022 and the executive director and the deputy secretary of the Party Committee of the Company since August 2022.

Mr. Sun Zhi-yong ("Mr. Sun"), born in 1963, holds a MBA degree and is a senior economist. He has resigned as an executive Director of the Company. Mr. Sun graduated from Jilin Normal University and received a master's degree in economics from Jilin University and an MBA degree from Guanghua School of Management of Peking University. Mr. Sun had held various positions such as deputy manager of the manager department of Huaneng Finance Company, deputy general manager and deputy party secretary of China Huaneng Technology Development Co., Ltd., deputy general manager and member of the party group of Huaneng Comprehensive Industry Co., Ltd., chairman and party secretary of Huaneng Information Industry Holding Co., Ltd., assistant to the general manager of China Huaneng Group Co., Ltd. He had been the deputy general manager and member of the party group of China Huaneng Group Co., Ltd. in July 2013, and has been the deputy secretary of the party committee of HE in January 2018, deputy secretary of the party committee of the Company in April 2018 and the Director of HE in March 2019. He served as the executive Director of the Company in January 2021, and resigned as the executive Director of the Company in February 2022.

Independent Non-Executive Directors

Mr. He Yu ("Mr. He"), born in 1957, is a senior engineer at researcher level with postgraduate degree and a doctoral degree in management. He is currently an independent non-executive Director of the Company. Mr. He graduated from Huazhong University of Science and Technology, and had held various positions such as deputy general manager of Guangdong Nuclear Power Joint Venture Co., Ltd., deputy general manager, member of the party group, general manager, member of the party committee of China Guangdong Nuclear Power Corporation Co., Ltd.. He served as the chairman of the Board, secretary of the party committee of China General Nuclear Power Corporation (renamed in April 2013, formerly known as China Guangdong Nuclear Power Corporation Co., Ltd.) in April 2010. He retired in July 2020, and served as an independent non-executive Director of the Company since January 2021.

Mr. Hu Jian-min ("Mr. Hu"), born in July 1954, holds a bachelor degree and the title of senior engineer and serves as an independent non-executive Director of the Company and an independent Director of China first heavy industries. Mr. Hu was graduated from Shandong Institute of Technology, majoring in power system relay protection and automation. He served as a chief engineer of Shandong Electric Power Industry Bureau (Shandong Electric Power Group Corporation), deputy general manager and party leadership group member of Huaneng Power International, Inc., deputy chief engineer, assistant to general manager of China Huaneng Group, executive Director and general manager, and secretary of the party committee of Huaneng Hulunbuir Energy Development Co., Ltd.. He has been the chief engineer, deputy general manager, party leadership group member of China Huaneng Group since 2009, and retired in September 2014. He has been an independent Director of China First Heavy Industries since May 2015. He has been appointed as independent non-executive Director of the Company since March 2017.

Mr. Chen Guo-qing ("Mr. Chen"), born in 1964, a senior engineer with postgraduate qualifications. He is now an independent non-executive Director of the Company and a full-time external Director of Central Enterprises. Mr. Chen graduated from Chongqing University and had served as deputy Director and member of the party committee of the Three Gorges Dam Hydropower Station, assistant to the general manager and deputy chief engineer, chief engineer, member of the party committee, deputy general manager, secretary of the party committee and deputy general manager, general manager and deputy secretary of the party committee of China Yangtze Power Co., Ltd. He served as a Director of China Yangtze Power Co., Ltd. from July 2018 to October 2020, a Director of China General Nuclear Power Corporation from December 2018 to January 2021, a full-time external Director of Central Enterprises since July 2020, and an independent non-executive Director of the Company since January 2021.

Mr. Tang Zhi-hong ("Mr. Tang"), born in 1960, is a senior economist with a university degree. He is now an independent non-executive Director of the Company, and an independent non-executive director of Postal Savings Bank of China Co., Ltd. Mr. Tang graduated from Jilin University and had served as secretary of party committee and president of Liaoning Jinzhou branch of the People's Bank of China and Director of Jinzhou branch of the State Administration of Foreign Exchange, vice president of Shenyang branch, president of Lanzhou branch, secretary and president of the party committee of Shanghai branch, secretary and Director of the party committee of the Shenzhen management department of China Merchants Bank, member of the party committee and assistant to the president of China Merchants Bank. He had been the vice president and member of the party committee of China Merchants Bank in May 2006, retired in April 2020, and served as an independent non-executive Director of the Company since January 2021 and an independent non-executive director of Postal Savings Bank of China Co., Ltd. since November 2022.

SUPERVISORS

Supervisors Representing Shareholders

Mr. Qu Zhe ("Mr. Qu"), born in 1962, is a senior engineer with a postgraduate degree. He now serves as a non-independent director of Harbin Electric Corporation Jiamusi Electric Machine Co., Ltd. and has resigned as a shareholder representative Supervisor and Chairman of the Supervisory Committee of the Company. Mr. Qu graduated from Harbin Engineering University (formerly known as Harbin Shipbuilding Engineering Institute) with a master's degree. He served as various positions such as assistant engineer, business representative in Pakistan, engineer and deputy general manager of Harbin Power Station Equipment Import And Export Company, deputy manager of operation and development department, chief engineer, assistant to the general manager, executive deputy general manager, general manager, chairman and party committee secretary of Harbin Power Engineering Company Limited and the deputy general manager of the Company. He served as vice-president of the Company from March 2013 to December 2020, the assistant to the general manager of HE in April 2013 and supervisor representing shareholders and Chairman of the Supervisory Committee of the Company since January 2021. He has served as a non-independent director of Harbin Electric Corporation Jiamusi Electric Machine Co., Ltd. since January 2022, and resigned as a shareholder representative Supervisor and Chairman of the Supervisory Committee of the Company in August 2022.

Mr. Liu Wei-min ("Mr. Liu"), born in 1966, is a senior engineer at researcher level with a postgraduate degree and a master's degree holder. He now serves as supervisor representing shareholders of the Company and the general manager of the audit and supervision department of HE and the Company. Mr. Liu graduated from Xi'an Jiaotong University, and received an MBA degree from Harbin Institute of Technology. Mr. Liu had served as the secretary to the former general manager office of Harbin Turbine, deputy chief economist, deputy director of the administration department and director to the general manager office of Turbine Company, assistant to the general manager and party committee member of HE, deputy general manager of Electric Machinery Company, secretary of the disciplinary committee of Boiler Factory, deputy manager and manager of the audit department of HE and the Company. He has been serving as general managers of the audit and supervision department of HE and the Company since December 2019 and supervisor representing shareholders of the Company since January 2021.

Mr. Zhang Jun ("Mr. Zhang"), born in 1972, is a certified public accountant and senior engineer at researcher level with a postgraduate degree. He now serves as supervisor representing shareholders of the Company, and the chief accountant of Boiler Factory. Mr. Zhang graduated from the Faculty of Business of Heilongjiang, and received an MBA degree from Harbin Institute of Technology. Mr. Zhang served as deputy manager and manager of the financial planning division the Company, deputy general manager of Finance Company, chief accountant of Valve Company, chief accountant of Electric Power Equipment, chief accountant of Harbin Electric Corporation Jiamusi Electric Machine Co., Ltd., and deputy manager of the economic operation department of HE and the Company. He has served as the chief accountant of Boiler Factory since December 2019 and supervisor representing shareholders of the Company since January 2021.

Supervisors Representing Employees

Mr. Yang Yu-long ("Mr. Yang"), born in 1972, is a certified public accountant and senior accountant with a bachelor degree. He now serves as a supervisor representing employees of the Company and the chief accountant of Turbine Company. Mr. Yang graduated from Shenyang University of Technology. He successively served as the deputy manager and manager of the financial planning division of Electric Machinery, deputy general manager, deputy secretary of the Party committee and secretary of the disciplinary committee of Harbin Electric and General Electric Wind Power (Jiangsu) Co., Ltd., deputy chief accountant and manager of the financial planning division of Turbine Company, assistant to the manager of the financial assets department and director of the finance office of HE and the Company. He has served as the chief accountant of Turbine Company since November 2018, and a supervisor representing employees of the Company since January 2021.

Mr. Zhao Xin ("Mr. Zhao"), born in 1978, is a senior accountant, international certified management accountant with a postgraduate degree. He now serves as a supervisor representing employees of the Company and the chief accountant of Electric Machinery Company. Mr. Zhao graduated from Anshan Iron and Steel College and later obtained a master's degree in business administration from Harbin Institute of Technology. Mr. Zhao successively served as the deputy manager of the finance office of Boiler Company, assistant to the manager, assistant to the manager and director of the accounting department of HE and the Company's financial assets department, and the deputy general manager and chief accountant of Finance Company. Since November 2019, he has served as the chief accountant of Electric Machinery Company and a supervisor representing employees of the Company since January 2021.

SENIOR MANAGEMENT

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

Mr. Shen Tong ("Mr. Shen"), born in 1972, is a professor level senior engineer with a postgraduate degree. He now serves as a senior vice president and standing member of the Party committee of the Company, and deputy general manager and standing member of the Party committee of Harbin Electric Corporation. Mr. Shen graduated from Tsinghua University, and subsequently received his master's degree from Tsinghua University. Mr. Shen has successively served as director and deputy

Mr. Yu Long ("Mr. Yu"), born in 1965, holds a master's degree and title of senior engineer at the researcher level, and is currently the vice president of the Company, and the chairman of the board of directors and secretary of the Party Committee of Harbin Boiler Factory Co., Ltd. ("HB"). Mr. Yu graduated from the Department of Thermal Engineering at Tsinghua University with a bachelor's degree in thermal engineering. Since then, Mr. Yu has served as the deputy director, deputy chief engineer and deputy general manager of the design department of HB, secretary of the Party Committee and executive deputy general manager of the steam power division of the Company. In January 2018, he was appointed as the secretary of the Party Committee and general manager of the steam power division of the Company, and in March 2019, he was appointed as the vice chairman, general manager and deputy secretary of the Party Committee of Harbin Boiler Company Limited. He has served as the chairman of the board of directors and secretary of the Party Committee of Harbin Boiler Company Limited since July 2022, and the vice president of the Company since August 2022.

Mr. Liu Zhi-quan ("Mr. Liu"), born in July 1968, is a senior accountant and certified public accountant in China with a doctor's degree and has resigned as a senior vice president of the Company. Mr. Liu graduated from Harbin Institute of Technology, majoring in industrial accounting with a bachelor's degree. He subsequently obtained a doctorate degree from the same university. He has been an assistant to the director, the deputy director and the director of finance department of the Boiler Company, and the deputy chief accountant and head of finance department of the Group. He was appointed as the deputy general manager of the Boiler Company in April 2001. Mr. Liu has been serving as deputy general manager of the Company since September 2006, vice president of the Company since March 2013 and senior vice president of the Company since November 2014. He assumed the post as the company secretary of the Company from January 2012 to January 2013. He resigned as the senior vice president of the Company in April 2022.

Mr. Guo Yu ("Mr. Guo"), born in 1967, is a senior engineer with a university degree. He has resigned as the vice president of the Company. Mr. Guo graduated from Harbin Engineering University (formerly known as Harbin Shipbuilding Engineering Institute). He served as engineer, deputy manager of operation and development department, deputy chief engineer and manager of engineering coordination department, deputy chief engineer, deputy general manager, general manager and member of party committee, party committee secretary and general manager, chairman and general manager and deputy party committee secretary of Harbin Electric International. He has been appointed as the chairman and party committee secretary of Harbin Electric International Company Limited since October 2016. He served as the vice president of the Company in January 2021 and resigned in June 2022.

COMPANY SECRETARY

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

PRINCIPAL ACTIVITIES

The Company is mainly engaged in the manufacture and sales of various kinds of power generation equipment and provision of power station engineering services, and its major businesses currently include: New-type power equipment, mainly including thermal power equipment, hydropower equipment, nuclear power equipment, steam equipment, energy storage equipment, etc.; green and low carbon driven equipment, mainly including electromotor, marine equipment, etc.; clean and efficient industrial system, mainly including environmental protection products, industrial petrochemical equipment, etc.;

2. Reform and transition risks: The Company is engaged in the equipment manufacturing industry, which is considerably influenced by national policies. The country is vigorously promoting the transformation and upgrade of industrial structure and accelerating the development of new energy, green and low-carbon economy, which poses new challenges to the Company's judgment and execution in promoting reform and transformation and adapting to changes in the external environment such as industry development and market competition. In this regard, the Company has coordinated the green and low-carbon transformation of its industry, accelerated the construction of a new power system, a green and low-carbon drive system and a clean and efficient industrial system with new energy as the mainstay, and further enhanced its core competitiveness and sustainable development capability.

3. Market competition risk: The clean energy and low-carbon transformation in the "14th Five-Year Plan" provides rare opportunities for the energy equipment manufacturing industry, and also puts forward urgent requirements for the technological upgrade and leapfrogging of energy equipment manufacturing enterprises. The market competition will then become increasingly fierce. In this regard, the Company will strive for better product, better quality and better service, and win the trust of customers by continuously promoting business and product innovation, technology research and development, improving product competitiveness, increasing market development efforts, and improving service capability levels.

Significant Events Affecting the Company

On 29 January 2021, the share appreciation rights incentive plan and scheme were approved by the shareholders' general meeting of the Company. On the same day, the Board announced that the conditions for granting the share appreciation rights incentive plan and scheme had been fulfilled, and 48.32 million shares appreciation rights were formally granted to 281 participants. According to the share appreciation rights incentive plan and scheme, since the performance of the Company in 2022 does not meet the performance target of the second exercise period of share appreciation right, one third of the number of share appreciation right proposed to grant to each grantee (the second exercise period) is not exercisable.

Compliance with Relevant Laws and Regulations

In 2022, none of non-compliant events occur to the Company with respect to relevant laws and regulations that have a significant impact on the business of the Company. Relevant laws and regulations are listed as follows:

Principal Laws and Regulations	Key scope	Compliance Measures
Civil Code of the People's Republic of China	The Company's business contract signed with customers must comply with basic requirements stipulated in the Civil Code.	1. Business contracts signed by each business department of the Company need to be reviewed by the Company's legal advisers. 2. The legal adviser puts emphasis on reviewing the main terms of the contract subject, contract subject, quantity, quality, price or remuneration, performance period, place, method, liability for breach of contract and dispute resolution, proposes amendments and controls contract legal risk of the Company.

Principal Laws and Regulations	Key scope	Compliance Measures
Securities Law of the People's Republic of China and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited	Relevant regulations required to comply with by the Company as a securities issuer.	The Company appoints professional legal advisers to assist with related work as the securities issuer and formulates related systems to regulate internal governance and information disclosure and other related works.
The Company Law of the People's Republic of China	The Company establishes and regulates its governance structure, organisational structure and operational conduct in accordance with the law.	The Company formulates its Articles of Association in accordance with the Company Law, which must be subject to legal compliance review by the Company's legal advisers. The Company's legal advisers also conduct legal reviews and issue legal opinions on significant matters relating to the Company's operations.
Tendering and Bidding Law of the People's Republic of China	The tendering activities and procurement of the Company must be strictly carried out in accordance with the Tendering and Bidding Law.	1. The Company establishes Harbin Electric Materials Co., Ltd. (哈爾濱電氣物資有限公司) to fully implement the relevant procurement and tendering policies, laws and regulations of the country and higher-level units, and organize and promote the implementation of centralized procurement tendering work. 2. In accordance with the "Administrative Measures on Tendering Procedures" and other regulations, the Company must conduct open tendering or selective tendering if purchases of goods or services reach certain amount.
Labor Law of the People's Republic of China and Labor Contract Law of the People's Republic of China	When entering into or terminating an employer-employment relationship, provisions of the Labor Law and the Labor Contract Law must be followed by both the Company and employees.	A fixed labor contract model and cancelling clauses reviewed by the legal department should be possessed by the human resources department of the Company.

Employees, Major Customers and Suppliers

1. Employees

As of 31 December 2022, the Company had 13,500 employees. The Company had a workforce of 11,672 current employees, of which female employees totaled 1,916, accounting for 16.42%. 1,112 employees aged above 55, accounting for 9.52%; 1,731 employees aged 50–54, accounting for 14.83%, 3,560 employees aged 40–49, accounting for 30.50%, 4,314 employees aged 30–39, accounting for 36.96% and 955 employees aged below 29, accounting for 8.18%.

In 2022, the Company organized 1,174 classes in total for various trainings, with over 64,200 persons participating in.

2. Major suppliers

In 2022, the contract value of the Company's top five suppliers was RMB2,777 million, accounting for 9.66% of the total procurement volume (RMB28,735 million). Among them, the largest supplier had a contract value of RMB870 million, accounting for 3.03% of the total procurement volume of the Company.

3. Major customers

During 2022, the Company's top five customers contributed 23.07% of total operating revenue, of which the largest customer accounted for 5.15% of total operating revenue.

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

RESULTS

As of 31 December 2022, the operating income of the Company amounted to RMB24,643.79 million, and net profit attributable to the owners of the parent company was RMB98.64 million. The results of the Company for the year ended 31 December 2022 are set out in the consolidated income statement of this annual report.

DIVIDEND

Based on the Company's total share capital of 1,706,523,000 shares, the board of directors recommends a final dividend of RMB0.006 per share (tax inclusive) for the year 2022, representing 10.38% of the Company's earnings per share for the year 2022, for a total dividend of RMB10,239,138.00.

The dividends of H-share shareholders will be paid in HKD at the market exchange rate of RMB against HKD published by the People's Bank of China five days prior to 29 March 2023, that is, 1 RMB is equivalent to HK$1.1433, and the dividend of H-share shareholders will be HK$0.00686 per share.

The Company will review and approve the 2022 final dividend distribution plan at the 2022 Annual General Meeting of Shareholders to be held on 25 May 2023.

No shareholder has told the Company to waive or agree to waive any dividend as of 31 December 2022.

CLOSURE OF REGISTER FOR THE PURPOSE OF DIVIDEND PAYMENT

The final dividend for the year of 2022 of the Company will be distributed on 25 July 2023, and the register of members of the Company will be closed from 19 June 2023 to 23 June 2023 (both dates inclusive). Final dividends for the year of 2022 of the Company will be distributed to shareholders whose names appear in the register of members of the Company on 19 June 2023.

In order to be qualified for the final dividends for 2022, all duly completed transfers of shares together with the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's share registrar in Hong Kong, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for the holders of the H Shares only) or the Company's principal place of business in the PRC at 1399 Chuangxinyi Road, Songbei District, Harbin, Heilongjiang Province, the PRC (for the holders of the Domestic Shares only) not later than 4:30 p.m. on 16 June 2023.

DIVIDEND TAX

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

For individual shareholders of H shares who are residents of Hong Kong or Macau and countries which entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on their behalf; for individual shareholders of H shares who are residents of countries which entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on their behalf. Individual shareholders of H shares may apply for refund of excess amount of individual income tax withheld by providing relevant information for approval by taxation authority; for individual shareholders of H shares who are residents of countries which entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective rate stipulated by the relevant tax treaty on behalf of the relevant shareholders; for individual shareholders of H shares who are residents of countries which entered into a tax treaty with the PRC stipulating a dividend tax rate of 20% or has not entered into any tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the relevant shareholders; according to the "PRC Individual Income Tax Law" (《中華人民共和國個人所得稅法》), the Company will withhold and pay dividend income tax at the rate of 10% on behalf of the non-resident corporate shareholders.

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As of 31 December 2022, none of the directors, supervisors and senior management of the Company had any interest or short position in the shares, underlying shares and debentures (as the case may be) of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (SFO)) which was required to be notified to the Company and the Hong Kong Stock Exchange (including interest or short position which any such director, supervisor or senior management is taken or deemed to have under such provisions of the SFO) pursuant to the SFO or which was required to be recorded in the Register kept by the Company pursuant to section 352 of the SFO or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As of 31 December 2022, the Company entered into no service contract specified in Rule 14 of Appendix 16 of the Listing Rules with Directors and Supervisors of the Company.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS OF SIGNIFICANCE

As of 31 December 2022, none of the Directors or Supervisors of the Company has any interest, whether directly or indirectly, in the contracts of significance entered into by the Company.

CONTRACTS OF SIGNIFICANCE WITH THE CONTROLLING SHAREHOLDERS OR THEIR SUBSIDIARIES

On 29 December 2022, the Company, Power Equipment Company and Jiamusi Electric, a subsidiary of Harbin Electric Corporation, renewed the entrusted management agreement, to continue to entrust Jiamusi Electric with all the businesses and assets of Power Equipment Company, with Jiamusi Electric exercising the day-to-day operating and management right of Power Equipment Company.

For details, please refer to the Company's announcement dated 29 December 2022 published on the website of the Hong Kong Stock Exchange.

REMUNERATION OF DIRECTORS AND SUPERVISORS

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

The remuneration of the directors and supervisors of the Company as of 31 December 2022 is as follows:

Unit: RMB

	Fees	Salaries and other benefits	Contribution to retirement benefits scheme	Total
Executive Directors				
Mr. Cao Zhi-an	0.00	0.00	0.00	0.00
Mr. Wu Wei-zhang	0.00	593,700.00	33,782.40	627,482.40
Mr. Sun Zhi-yong	0.00	116,580.00	0.00	116,580.00
Mr. Zhang Ying-jian	0.00	211,000.00	33,782.40	244,782.40
Total	0.00	921,280.00	67,564.80	988,844.80
Independent Non-Executive Directors				
Mr. He Yu	0.00	100,000.00	0.00	100,000.00
Mr. Hu Jian-min	0.00	80,000.00	0.00	80,000.00
Mr. Chen Guo-qing	0.00	0.00	0.00	0.00
Mr. Tang Zhi-hong	0.00	80,000.00	0.00	80,000.00
Total	0.00	260,000.00	0.00	260,000.00
Supervisors				
Mr. Qu Zhe	0.00	481,494.00	22,521.60	504,015.60
Mr. Liu Wei-min	0.00	291,773.00	33,782.40	325,555.40
Mr. Zhang Jun	0.00	211,356.00	33,782.40	245,138.40
Mr. Yang Yu-long	0.00	488,210.00	33,782.40	521,992.40
Mr. Zhao Xin	0.00	848,480.00	33,782.40	892,262.40
Total	0.00	2,331,313.00	157,651.20	2,488,964.20

FIVE HIGHEST PAID PERSONNEL

As of 31 December 2022, the five highest paid personnel in the Company are all senior management of the Company and its subsidiaries. Remuneration of such five personnel were all over HK$1 million but below HK$1.5 million.

Unit: RMB

	Fees	Salaries and other benefits	Contribution to retirement benefits scheme	Total
Total remuneration of the five highest paid personnel	0.00	4,764,688.00	168,912.00	4,933,600.00

CONTINGENT LIABILITIES – GUARANTEES

As of 31 December 2022, total internal guarantees in favour of the Company made by the Company and its subsidiaries amounted to RMB1,808.25 million. No external guarantee was provided.

PERMITTED INDEMNITY PROVISION

As provided by applicable laws, each director of the Company is entitled to be indemnified by respective companies for all costs, charges, losses, fees and liabilities which arise from or are connected to the execution and performance of their duties according to the Articles of Association of the Company. The provision becomes effective in the financial year ended 31 December 2022 and remains in effect as at the date of this report.

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

SIGNIFICANT INVESTMENT IN SECURITIES

During the year ended 31 December 2022, the Company had no significant investment in securities of subsidiaries.

On 23 November 2022, Harbin Electric Machinery Co., Ltd., a subsidiary of the Company, subscribed for 39,401,103 shares issued by China Southern Power Grid Energy Storage Co., Ltd. (南方電網儲能有限公司), at a subscription price of RMB12.69 per share for a total amount of RMB500 million, which constitutes a discloseable transaction of the Company. For details, please refer to the Company's announcement dated 23 November 2022 published on the website of the Hong Kong Stock Exchange.

STAFF REMUNERATION, RETIREMENT AND BENEFITS SCHEME

In 2022, the total salaries of the Company amounted to RMB1,657.52 million.

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

The employees of the Company participate in the government-established and state-managed retirement benefits schemes of the PRC. At the same time, the Company has adopted an enterprise annuity system in accordance with the relevant regulations, and the Company was required to contribute a certain percentage of its employees' remuneration to the retirement benefits scheme. The Company is not allowed use the forfeited contributions (if any) to reduce the existing contribution level, and no contributions to any retirement benefit schemes have been forfeited during the year ended 31 December 2022.

FIXED ASSETS

As of 31 December 2022, the fixed assets of the Company amounted to RMB5,984.86 million.

PROFITS AVAILABLE FOR DISTRIBUTION

As of 31 December 2022, the total undistributed profits of the Company amounted to RMB4,698.59 million. Movements in the undistributed profits of the Company during the year are set out in the consolidated statement of changes in equity to the financial statements.

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

As of 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

MAJOR LITIGATION

During 2022, the Company had no major litigation.

TAX POLICIES

According to the provisions of Administrative Measures with regard to the Recognition of High and New Technology Enterprises 《高新技術企業認定管理辦法》 jointly issued by the Ministry of Science and Technology, the Ministry of Finance and the State Administration for Taxation of the PRC on 14 April 2008 and the Administrative Guidance with Regard to the Recognition of High and New Technology Enterprises (《高新技術企業認定管理工作指引》) jointly issued by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on 8 July 2008, corporations including the Company and its affiliates, including Harbin Electrical Machinery Company Limited, Harbin Boiler Company Limited, Harbin Turbine Company Limited, Harbin Electric Power Equipment Company Limited and HE Harbin Power Plant Valve Company Limited were re-recognised as High and New Technology Enterprises, and shall continue to enjoy a 15% preferential income tax rate, which is significant to their long-term development.

Under the Opinions of Central Committee of the Communist Party of China and the State Council on the Comprehensive Revitalization of Historical Industrial Bases of the Northeast Regions (《中共中央國務院關於全面振興東北地區等老工業基地的若干意見》) in 2016, the Company will continue to enjoy the relevant favourable policies in supporting such revitalization for historical industrial bases of the northeast regions.

In accordance with regulations of the State Administration of Taxation, the rate for tax rebate applicable to the Company's new export products contracts is 13% effective from 1 April 2019.

Pursuant to the Announcement of the General Administration of Taxation of the Ministry of Finance on the Expansion of the Scope of the Policy on the Refund of Value Added Tax Credits (財政部稅務總局關於擴大全額退還增值稅留抵稅額政策行業範圍的公告) in 2022, the Company is entitled to a refund of the newly-added credits and a one-time refund of the existing tax credits.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

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

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

The Company confirmed that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of such connected transactions and continuing connected transactions.

As of 31 December 2022, the Company carried out the following connected transactions and continuing connected transactions (other than connected transactions that are exempted under Rule 14A.33 of the Listing Rules):

Connected Transactions

Nil.

Continuing Connected Transactions

1. Product and Service Framework Agreement between the Company and HE

On 24 December 2019, the Company entered into a product and service framework agreement with HE, pursuant to which, the Company and its subsidiaries and HE and its subsidiaries would provide products and services to each other during the three financial years from 1 January 2020 to 31 December 2022.

During the financial year from 1 January to 31 December 2022, the transaction cap for providing services by the Company and its subsidiaries to HE and its subsidiaries was RMB2 million, while the actual transaction amount was RMB0 million; the transaction cap for selling products was RMB170 million, while the actual transaction amount was RMB35.132 million; the transaction cap for receiving services from HE and its subsidiaries was RMB72 million, while the actual transaction amount was RMB51.792 million; the transaction cap for purchasing products was RMB65 million, while the actual transaction amount was RMB33.802 million. The amounts of such transactions did not exceed the cap.

2. Financial Service Framework Agreement between the Company and HE

On 24 December 2019, the Company entered into a financial service framework agreement with HE, pursuant to which, HE Finance Company Limited (the "Finance Company"), a subsidiary of the Company, would provide financial services including depository services, loan services and other financial services to the HE and its subsidiaries, from 31 December 2019 to 30 December 2022.On 20 December 2022, the Company renewed the Financial Services Framework Agreement with HE.

During the financial year from 1 January to 31 December 2022, the accumulated maximum daily balance of loan services provided by Finance Company to the HE and its subsidiaries was RMB170 million (31 December: 230 million), while the actual transaction amount was RMB150 million; the transaction cap of service fees and handling fees for other financial services provided by the Finance Company to HE and its subsidiaries was RMB0 million, while the actual transaction amount was nil. The amount of such transaction did not exceed the cap.

3. EPC Framework Agreement between the Company and HE

On 14 February 2020, the Company entered into an EPC framework agreement with HE, pursuant to which, Harbin Electric International, a wholly-owned subsidiary of the Company, would provide EPC services to HE and its subsidiaries according to the terms and conditions contained in the EPC framework agreement, from 9 April 2020 to 31 December 2022.

During the financial year from 1 January to 31 December 2022, the annual cap of EPC service fees was RMB1,000 million, while the actual transaction amount was RMB15.195 million. The amount of such transaction did not exceed the cap.

4. *Technology Development Framework Agreement between the Company and Harbin Power Equipment National Engineering Research Centre Co., Ltd. ("Engineering Research Centre")*

On 27 April 2020, the Company entered into a technology development framework agreement with the Engineering Research Centre, a related subsidiary of the Company, pursuant to which, the Company would entrust the Engineering Research Centre to carry out technology development in accordance with the terms and conditions contained in the technology development framework agreement, from 27 April 2020 to 31 December 2022.

During the financial year from 1 January to 31 December 2022, the annual cap of technology development expenses was RMB100 million, while the actual transaction amount was RMB29.471 million. The amount of such transaction did not exceed the cap.

Confirmation on Continuing Connected Transactions

The Independent Non-Executive Directors of the Company have reviewed the continuing connected transactions (as defined in the Listing Rules) and confirmed that:

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

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

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

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

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

DETAILS OF SHARE CAPITAL

Shareholding Structure

As of 31 December 2022, the total share capital of the Company comprised 1,706,523,000 shares, of which 1,030,952,000 Domestic Shares (state-owned corporate shares) were held by the HE (representing 60.41% of the entire share capital) and 675,571,000 H shares were held by overseas holders of H shares (representing 39.59% of the entire share capital).

Equity Interests of Substantial Shareholders

As of 31 December 2022 and up to the date of this annual report, the shareholders having an interest and short positions in 5% or more of the issued share capital of the Company of the relevant classes as recorded in the register of interests in shares and short positions required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the "SFO") were as follows:

Long positions in the shares of the Company:

Date	Name of shareholders	Class of shares	Number of shares	Capacity	Percentage of the relevant class of share capita	Percentage of entire share capital
As of 31 December 2022	Harbin Electric Corporation	State-owned legal person shares	1,030,952,000	Beneficial Owner	100%	60.41%

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as of 31 December 2022.

Holding Range of Shareholders

The Company has sufficient public float. As at 31 December 2022, the top ten registered shareholders holding the largest quantity of shares were as follows:

No.	Name of Shareholder	Number of Shares	Percentage of Shares Held	Remarks
1	HARBIN ELECTRIC CORPORATION	1,030,952,000	60.41%	Shares owned by stated owned legal person
2	HKSCC NOMINEES LIMITED	627,521,805	36.77%	H share
3	TANG KEUNG LAM	28,000,000	1.64%	H share
4	TANG'S INVESTMENTS LIMITED	17,000,000	1.00%	H share
5	LI CHI SING	376,000	0.02%	H share
6	YIP CHOK CHIU	360,000	0.02%	H share
7	CHEUNG YUM TIN	200,000	0.01%	H share
8	HO YUN HUNG	200,000	0.01%	H share
9	CHAN CHEUK YIN	140,000	0.01%	H share
10	LEE LAI HAR	140,000	0.01%	H share

Analysis of Shareholding of Holders of H Shares

Based on the register of members as at 31 December 2022, the shareholding of holders of H shares as follows:

Range	Number of Shareholders	Number of Shares Held	Percentage to Issued H Shares
1–1,000	7	1,195	0.00%
1,001–5,000	28	100,000	0.01%
5,001–10,000	35	284,000	0.04%
10,001–100,000	37	1,138,000	0.17%
100,001–above	10	674,047,805	99.77%
Total	117	675,571,000	100.00%

SHARE ISSUANCE

On 28 December 2022, the Company entered into the Domestic Shares Subscription Agreement with Harbin Electric Corporation, the controlling shareholder, pursuant to which the Company agreed to issue and the controlling shareholder agreed to subscribe in cash for new Domestic Shares at a total subscription price of approximately RMB1.7 billion (the "Issuance"). The Company will convene an Extraordinary General Meeting and a H Shares Class Meeting on 12 April 2023 to consider and, if thought fit, approve, among other things, the Domestic Shares Subscription, the Special Mandate and the proposed amendments to the Articles (as the case may be). For details, please refer to the circular of the Company dated 20 March 2023 published on the website of the Hong Kong Stock Exchange. Details of the issue of shares are as follows:

Reasons for Issue

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

Type of Issue

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

Numbers and Total Nominal Value

The Issuance shall not exceed 556,009,000 new Domestic Shares. The number of new Domestic Shares to be issued is calculated by dividing the amount of the total subscription price in Hong Kong dollars equivalent to approximately RMB1.70 billion (equivalent to approximately HK$1.91 billion based on the agreed exchange rate) by the Final Subscription Price and rounded down to the nearest thousand. The par value of each share is RMB1.

Issue Price

The Initial Subscription Price, being HK$3.43 per new Domestic Share, was determined after arm's length negotiations between the Company and the Subscriber at the average closing price of the H Shares of the Company on the 20 trading days immediately preceding the date of the Domestic Share Subscription Agreement plus a premium of 10%, rounded off to the nearest two decimal places. The Final Subscription Price is determined with reference to the Initial Subscription Price. In the event that the Closing Price is higher than the Initial Subscription Price, the Company is entitled to adjust the Final Subscription Price to the value of the Closing Price, subject to the maximum price of HK$3.60 per new Domestic Share (being the initial Subscription Price plus a premium of 5%, rounded off to the nearest 2 decimal places). In the event that the Closing Price is

The Net price of Each Share Certificate

To be determined based on the actual issuance.

Description of Subscriber

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

Market Price of The Securities on the Date of Issue

To be determined based on the actual issuance.

Use of Proceeds

It is the intention of the Company to use the net proceeds from the Domestic Share Subscription for replenishing the general working capital of the Group, such that the asset-liability ratio and capital structure can be improved and the financial expenses and financial risks can be reduced. Over the next three years, the Company intends to use net proceeds of approximately RMB500 million per annum as liquidity for the Group's daily operations in such areas. In addition, given the decrease in the Group's gearing ratio (i.e. total assets divided by total liabilities) in recent years, the remaining net proceeds of approximately RMB200 million are intended to be used for ordinary administrative expenses and repayment of borrowings.

MODEL CODE

The Company, having made specific enquiry to the Directors, confirms that all directors complied with the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules throughout the period.

ENVIRONMENT, SOCIETY AND GOVERNANCE

In 2022, the Company continued to realize its social responsibility of "Friendly environment, Warm Home". The Company attached great importance to the harmony and unity of economy and ecology, deeply implemented the concept of green development, strictly carried out relevant environmental protection policies, vigorously promoted energy conservation and emission reduction, deepened development in the environmental protection industry, and actively promoted the development of new energy industries; adhered to people-oriented, scientifically built the staff team, protected the rights and interests of its employees, and cared for the lives of employees; maintained effective communication with suppliers, customers, market investors and other stakeholders, took into account the interests of related parties, created a mutually beneficial and win-win relationship, and continued to promote the healthy development of the Company; insisted on giving back to the society and vigorously supported social welfare undertakings, establishing a responsible corporate image.

The Company has been, in strict accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and other relevant requirements, in full compliance with the rules set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and, where appropriate, has adopted the recommended best practices as specified therein. Mr. Sun Zhi-yong has resigned from the position as an executive Director on 15 February 2022, on 26 August 2022, the Board of the Company appointed Mr. Zhang Ying-jian as an executive Director in accordance with the authorization of the annual general meeting, and during such period, the number of the Board members was below the quorum as required under the Articles of Association of the Company.

Details of which are set out in Corporate Governance Report of the annual report and Environmental, Social and Governance Report 2022.

The Environmental, Social and Governance Report 2022 will be published simultaneously with the 2022 Annual Report of the Company. If shareholders require a paper copy of the Environmental, Social and Governance Report 2022, please contact the Company.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial statements, continuing connected transactions, internal control and risk management of the Company for the year ended 31 December 2022, and discussed with the Board the financial reporting procedures as well as the internal control system of the Company.

AUDITOR

The financial statements of the Company for the year ended 31 December 2022 have been audited by Da Hua Certified Public Accountants LLP ("Da Hua Certified Public Accountants"), and the remuneration for its audit services was RMB2.20 million. The financial statements of the Company for the past three years have all been audited by Da Hua Certified Public Accountants.

Da Hua Certified Public Accountants is qualified and willing to continuously serve as an auditor of the Company, and the Board proposed to re-appoint Da Hua Certified Public Accountants as the auditor for the Company's 2023 financial statements at the general meeting. A resolution in relation to re-appointing the firm and authorizing the Board to fix their remuneration is to be proposed at the 2022 annual general meeting of the Company.

REPORT OF THE BOARD OF SUPERVISORS

To all shareholders:

For the year ended 31 December 2022, all members of the Board of Supervisors ("the Board of Supervisors") of the Company duly performed their functions with taking the interests of the Company and all shareholders into account in accordance with the relevant regulations of the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association of the Company. The Board of Supervisors has carried out a supervision on the performance of the functions and powers of the directors and senior managers of the Company, attended or sat in on all the Shareholders' meetings and Board meetings of the Company, actively participated in the examination and verification of the Company's major decision-making matters, and inspected the Company's operations and finances on an irregular basis, which promoted the Company's work in a smooth manner.

In 2022, the Board of Supervisors convened two meetings. The main work contents are as follows:

No.	Summary
1	To review the Company's 2021 annual results
2	To review the Company's 2022 interim results

The Supervisors attended 1 Shareholders' annual general meeting and 8 Board meetings in person, supervised the procedures of and matters in the meeting, and put forward relevant opinions and suggestions in a responsible manner.

For all related works of the Company in 2022, the Board of Supervisors gave the following independent opinions:

1. During the Period, the Company strictly complied with the nation's laws and regulations, operated in accordance with the procedures regulating listing companies, and duly executed various resolutions passed at the general meetings. The Company achieved satisfying results from all works during the year, and achieved stable and healthy development.

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

3. The Board of Supervisors has reviewed the Company's financial system and conditions and considered that the Company's financial system has an integrated structure and a sound system, and the financial works have been operated orderly according to the internal control system and risk management. Relevant information such as annual financial report to be proposed by the Board of Directors for approval at the Annual General Meeting has objectively and truly reflected the financial position and operating results of the Company. Statutory surplus reserve made in the year has complied with the provisions of the laws and regulations and the Articles of Association of the Company.

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

In 2023, the Board of Supervisors will continue to effectively perform its supervisory duties in accordance with the relevant regulations of the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association of the Company to ensure the operation of the Company in accordance with the law, and protect the interests of the Company and Shareholders.

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

Harbin Electric Company Limited
The Board of Supervisors
29 March 2023

Composition of Board of Directors

As at the beginning of 2022, the ninth session of the Board of Directors had 7 directors, of whom 4 were independent non-executive directors. Members of the Board of Directors of the Company were:

Executive directors: Mr. Cao Zhi-an (Chairman), Mr. Wu Wei-zhang, Mr. Sun Zhi-yong

Independent non-executive directors: Mr. He Yu, Mr. Hu Jian-min, Mr. Chen Guo-qing, Mr. Tang Zhi-hong

On 15 February 2022, Mr. Sun Zhi-yong resigned as an executive Director of the Company due to change of work arrangements; on 26 August 2022, the Board of the Company appointed Mr. Zhang Ying-jian as an executive Director in accordance with the authorization of the annual general meeting. The members of the Board of the Company have been changed to:

Executive directors: Mr. Cao Zhi-an (Chairman), Mr. Wu Wei-zhang, Mr. Zhang Ying-jian

Independent non-executive directors: Mr. He Yu, Mr. Hu Jian-min, Mr. Chen Guo-qing, Mr. Tang Zhi-hong

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

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

Independent non-executive directors

In 2022, the independent non-executive directors of the Company were: Mr. He Yu, Mr. Hu Jian-min, Mr. Chen Guo-qing, Mr. Tang Zhi-hong.

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

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

Meetings of the Board of Directors

During 2022, the Board convened 10 meetings to discuss and make decision on the major issues in the production and operation of the Company, including the Company's overall strategy, investment plan, operation and financial performance, 5 of which were regular meetings that directors presented in person or by authorized proxy. The Independent non-executive Directors of the Company did not have dissenting opinions regarding any of the Company's decisions. Attendances of the meetings are as follows:

Attendance of Directors at meetings of the Board of Directors in 2022

Name of Director	Number of Attendance Required	Number of Attendance in Person/	Number of Attendance by Alternate Director
Mr. Cao Zhi-an	10	8	2
Mr. Wu Wei-zhang	10	10	0
Mr. Sun Zhi-yong	2	0	2
Mr. Zhang Ying-jian	4	4	0
Mr. He Yu	10	10	0
Mr. Hu Jian-min	10	10	0
Mr. Chen Guo-qing	10	10	0
Mr. Tang Zhi-hong	10	10	0

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

Shareholders' General Meetings

On 27 May 2022, the Company convened an annual general meeting of Shareholders, and all the Directors attended the general meeting.

Attendance of Directors at general meeting in 2022

Name of Director	Number of Attendance Required	Attendances in Person
Mr. Cao Zhi-an	1	1
Mr. Wu Wei-zhang	1	1
Mr. Sun Zhi-yong	0	0
Mr. Zhang Ying-jian	0	0
Mr. He Yu	1	1
Mr. Hu Jian-min	1	1
Mr. Chen Guo-qing	1	1
Mr. Tang Zhi-hong	1	1

Da Hua Certified Public Accountants (special general partnership), the auditors of the Company, and Beijing HAIWEN & PARTNERS, the PRC legal advisors of the Company, both attended at the annual general meeting by representatives.

Term of Directors

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

Duties and Performance of the Board and the Management

The Board of Directors shall exercise its functions and powers under authorization by the relevant laws and regulations and general meetings, including convening general meetings, reporting in general meeting, implementing the resolutions of the general meeting, determining the Company's business plan and investment plan, preparing the Company's annual financial budget, final accounts, profit distribution plan, and the appointment and removal of major personnel. In 2022, the Board of the Company made decisions discreetly after solemn discussions, and encouraged all directors to commit their duties by different methods, such as holding board meetings and communication. The Company encourages the directors with different opinions to express their own concerns and discuss these matters in sufficient depth. Every Director has devoted sufficient time and effort to explore the development of the Company, ensuring the correctness of the Company's development strategy and direction, so as to safeguard the interests of shareholders.

The management of the Company is authorized by the Board to be responsible for the management of the Company's operations and day-to-day affairs, and to report to the Board. In 2022, the management of the Company took its responsibilities seriously and conscientiously by strictly implementing the resolutions passed by the Board and actively promoting various works on the production and operation of the Company, achieving positively improving corporate operation while remaining stable as well as new results in various works on the reform and development of the Company.

Training of the Directors

During 2022, the Company actively organized the trainings for the Directors, and reported the daily business briefing and market information of the Company, which greatly strengthened the knowledge and skills necessary for all the Directors, to ensure the Directors continue to contribute to the Board with comprehensive information and where necessary.

During 2022, the directors of the Company participated in a special online class giving courses on "Doing a good job in works on peak carbon emission and carbon neutrality and promoting high quality development of the enterprises" organized by the China E-learning Academy for Leadership under the Organization Department of the Central Committee of the CPC, to keep abreast of the latest national policy requirements; attended a seminar on strengthening continuous professional development for corporate governance professionals organized by The Hong Kong Chartered Governance Institute and conducted training on "market value management and equity incentive". In 2022, the directors of the Company received an aggregate of above 100 hours of training courses. These courses further enhanced the directors' skills and knowledge, enabling them to make greater contributions to the development of the Company.

CHAIRMAN AND PRESIDENT

The Chairman of the Company was Mr. Cao Zhi-an.

The President of the Company was Mr. Wu Wei-zhang.

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

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

SPECIAL COMMITTEES UNDER THE BOARD

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

During 2022, the meetings convened by the special committees under the Board included 1 Nomination Committee meeting, 3 Remuneration Committee meetings, 8 Audit Committee meetings, and 8 Strategy Development Committee meetings. Each Director has attended the meetings of the committee in which he/she acted as a member in person, and had a thorough discussion on the related issues, providing quality, constructive opinions and advices. Attendances of the meetings are as follows:

Attendance of Directors at meetings of special committees under the Board in 2022

	Nomination Committee			Remuneration Committee			Audit Committee			Strategy Development Committee		
Name of Director	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. Cao Zhi-an	1	1	100%	0	0		0	0		0	0	
Mr. Wu Wei-zhang	0	0		0	0		0	0		8	8	100%
Mr. Sun Zhi-yong	0	0		0	0		0	0		0	0	
Mr. Zhang Ying-jian	0	0		0	0		0	0		0	0	
Mr. He Yu	1	1	100%	3	3	100%	8	8	100%	8	8	100%
Mr. Hu Jian-min	1	1	100%	3	3	100%	8	8	100%	8	8	100%
Mr. Chen Guo-qing	1	1	100%	3	3	100%	8	8	100%	8	8	100%
Mr. Tang Zhi-hong	1	1	100%	3	3	100%	8	8	100%	8	8	100%

Nomination Committee

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

Prior to 15 February 2022, the members of the Nomination Committee included Mr. Cao Zhi-an, Mr. Sun Zhi-yong, Mr. He Yu, Mr. Hu Jianmin, Mr. Chen Guo-qing and Mr. Tang Zhi-hong; and two thirds of the members of the Nomination Committee were independent non-executive directors, Chairman of the Company, Mr. Cao Zhi-an being the chairman of the Committee. Mr. Sun Zhi-yong resigned as a member of the Nomination Committee on 15 February 2022 and Mr. Zhang Ying-jian was appointed as a member of the Nomination Committee on 26 August 2022. As of 31 December 2022, the members of the Nomination Committee included Mr. Cao Zhi-an, Mr. Zhang Ying-jian, Mr. He Yu, Mr. Hu Jianmin, Mr. Chen Guo-qing and Mr. Tang Zhi-hong; and two thirds of the members of the Nomination Committee were independent non-executive directors, Chairman of the Company, Mr. Cao Zhi-an being the chairman of the Committee.

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

In 2022, the Nomination Committee convened one meeting and accomplished the following key tasks:

No.	Summary of Work
1	Nominating Executive Directors, Senior Vice Presidents and Vice Presidents of the Company

Remuneration Committee

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

As of 31 December 2022, the members of the Remuneration Committee were Mr. He Yu, Mr. Hu Jianmin, Mr. Chen Guo-qing and Mr. Tang Zhi-hong, all of whom are independent non-executive Directors, and Mr. He Yu, an independent non-executive director, being the chairman of the Committee.

In 2022, the Remuneration Committee convened a total of 3 meetings and accomplished the following key tasks:

No.	Summary of Work
1	Considering the amendments to the administrative measures of the Company on performance appraisal
2	Considering the implementation of the Company's H share appreciation rights incentive plan
3	Considering the implementation of remunerations for heads of subsidiaries for 2021

Audit Committee

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

As of 31 December 2022, the members of the Audit Committee were Mr. Tang Zhi-hong, Mr. He Yu, Mr. Hu Jianmin and Mr. Chen Guo-qing, all of whom are independent non-executive directors, Mr. Tang Zhi-hong, an independent non-executive director, being the chairman of the Committee.

In 2022, the Audit Committee held a total of 8 meetings and accomplished the following key tasks:

No.	Summary of Work
1	Considering the Annual Report of the Company for 2021
2	Considering the Company's profit distribution plan for 2021
3	Considering the Company's self-assessment report of 2021 on internal control and risk management
4	Considering the Company's Interim Report of 2022
5	Considering the Company and its subsidiaries' loan matters
6	Considering the matters in relevant Connected Transactions
7	Considering the subsidiaries' purchases of shares
8	Considering the Company's works on comprehensive risk management

The Audit Committee has reviewed the financial statements included in the 2022 Annual Report, confirmed that these financial statements were prepared in accordance with China Accounting Standards and fairly presented the financial positions and results of the Company for the year ended 31 December 2022.

Strategy Development Committee

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

As of 31 December 2022, the members of the Strategy Development Committee were Mr. Wu Wei-zhang, Mr. He Yu, Mr. Hu Jianmin, Mr. Chen Guo-qing and Mr. Tang Zhi-hong and Mr. Wu Wei-zhang, an executive director, was the chairman of the Committee.

In 2022, the Strategy Development Committee held a total of 8 meetings and accomplished the following key tasks:

No.	Summary of Work
	Considering the Company's strategic plan
1	Considering the Company's strategic development plan
2	Considering the Company and its subsidiaries' investment matters
3	Considering the 2021 Corporate Governance Report of the Company
4	Considering the disposal of equity interests in subsidiaries
5	Considering the changes of the business scope and the amendment to the Articles of Association of the subsidiaries

The Strategy Development Committee has reviewed this report and confirmed that: the Company strived to maintain corporate governance of high standard and believed that quality governance is a key to long-term success and sustainable development of the Company's business. In 2022, the Company fully complied with the provisions in the Corporate Governance Code contained in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong and, when appropriate, adopted the recommended best practices as specified therein, except that on 15 February 2022, Mr. Sun Zhi-yong resigned as an executive Director of the Company, on 26 August 2022, the Board of the Company appointed Mr. Zhang Ying-jian as an executive Director in accordance with the authorization of the annual general meeting, and during such period, the number of the Board members fell below the quorum as required under the Articles of Association of the Company.

AUDITORS AND THEIR REMUNERATION

In 2022, the audit business remuneration of Da Hua Certified Public Accountants (special general partnership), the auditor of the Company, was RMB2.2 million. Save for that, Da Hua Certified Public Accountants provided no material non-audit services to and charged no fees from the Company.

Da Hua Certified Public Accountants (special general partnership), together with the Audit Committee of the Board have

COMPANY SECRETARY

In 2022, Mr. Ai Li-song was appointed as the Company Secretary of the Company, and Mr. Tung Tat Chiu, Michael, Joint Secretary of the Company, will assist Mr. Ai to carry out the duties as the Company Secretary. In 2022, Mr. Ai participated in no less than 15 hours of professional training.

SHAREHOLDERS RIGHTS

Pursuant to the Articles of Association, upon the requisition in writing of holders of 10% or more shares issued by the Company with voting rights, the Board shall convene an interim general meeting within two months. When the Company convenes an annual general meeting, shareholders holding 3% or more of the total shares carrying the voting right of the Company are entitled to propose new proposals to the Company in writing. The Company shall include in the agenda of that meeting those matters contained in the proposal that fall within scope of the responsibility of the general meeting.

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

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

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

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

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

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

INFORMATION DISCLOSURE AND MANAGEMENT OF INVESTOR RELATIONS

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

In 2022, the Company through spot meeting and teleconference communicated, with a view to updating the investors' information on the Company's latest development and prospects, and in turn strengthening the relationship with the investors.

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

In 2022, the Company has reviewed the risk management and internal control system as well as risks and has completed its self-assessment report on internal control and risk management and then approved by the Audit Committee of the Board.

The Board of Directors and the Audit Committee confirm that: as of 31 December 2022, the risk management and internal control system has operated effectively; the Company has adopted effective monitoring mechanism to rectify the issues in time; and the Company has properly complied with the provisions on the risk management and internal control system in the Corporate Governance Code.

D.H.S.Z [2023] NO. 004954

To the shareholders of Harbin Electric Company Limited:

I. AUDIT OPINION

We have audited the accompanying financial statements of Harbin Electric Company Limited (hereafter, the "Company"), which comprise the consolidated and parent company's balance sheets as at 31 December, 2022, the consolidated and parent company's income statements as at 31 December, 2022, the consolidated and parent company's cash flow statements, and the consolidated and parent company's statements of changes in equity, as well as notes to the financial statements.

We believe that the attached financial statements are prepared in all material respects which in accordance with the Accounting Standards for Business Enterprises, and fairly reflect the consolidated and parent company's financial position of Company as at 31 December 2022, the Company's operating results and cash flow.

II. BASIS OF FORMING THE AUDIT OPINION

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

III. KEY AUDIT ITEMS

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

We confirm that the following items are the key audit items that need to be communicated in the audit report.

1. Revenue Recognition

2. Impairment of Accounts Receivable

1. Revenue Recognition

1.1 Description

Please refer to Note 4 (29) and Note 8, Note 50 of the financial statements. Harbin Electric recognized operating income of RMB24,643,794,215.80 in 2022. Harbin Electric recognizes revenue according to the performance period and the performance time point respectively. The completeness and accuracy of revenue recognition has a significant impact on Harbin Electric's operating results. At the same time, the recognition of revenue according to the performance period involves significant judgments and estimates by the management, which may affect whether Harbin Electric recognizes revenue in the appropriate accounting period according to the performance period. Therefore, we identified the related revenue recognition as a key audit matter.

1.2 Audit Response

Our important audit procedures for Harbin Electric's revenue recognition include:

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

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

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

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

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

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

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

2. Impairment of Accounts Receivable

2.1 Description

Please refer to notes IV(XI) and VIII Notes (IV), (V), (VI) and notes (VII) of the financial statements. As of December 31, 2022, the total balance of Harbin Electric's notes receivable, accounts receivable, and other receivables was RMB16,709,489,541.57 and the total bad debt provision was RMB5,411,023,467.17. As the determination of the recoverability of receivables requires management to identify items and objective evidences that have been impaired, assess the expected future cash flows and determine their present value, it involves management's use of significant accounting estimates and judgments, and should be The collectability of receivables is important to financial statements. Therefore, we identified the impairment of receivables as a key audit matter.

2.2 Audit Response

The important audit procedures we have implemented for the impairment of receivables include:

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

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

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

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

2.2.5 We had assessed whether the management's accounting treatment and presentation and disclosure of impairment of receivables in the financial statements on December 31, 2022 were appropriate.

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

V. OTHER INFORMATION

Harbin Electric Company Limited's management (hereinafter referred to as management) is responsible to other information which includes information covered in Harbin Electric's 2022 Annual Report, but does not include financial statements and our audit reports.

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

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

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

VI. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

VII. AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

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

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

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

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

5. Evaluate the overall presentation, structure and content of the financial statements and to assess whether the financial statements reflect the relevant transactions and events fairly.

6. Obtain audit evidence sufficient and appropriate about the financial information of the entities or business activities in Harbin Electric to express an opinion on the financial statements. We are responsible for directing, supervising and performing group audits. We accept full responsibility for our audit opinion.

We communicate with those in charge of governance regarding matters such as the planned scope and timing of the audit and significant audit findings, including any significant internal control deficiencies identified during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements related to independence and communicate with those charged with governance all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were most important to the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless laws and regulations prohibit public disclosure of these matters, or in rare circumstances where we determine that a matter should not be communicated in our audit report if the adverse consequences of communicating a matter in our audit report are reasonably expected to outweigh the benefits in the public interest.

Da Hua Certified Public Accountants
(Special General Partnership)

China Certified Public Accountant: Lifei Wang

China Certified Public Accountant: Xiaogang Fan

CONSOLIDATION BALANCE SHEET

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

Items	*Notes*	December 31, 2022	January 1, 2022
Current assets:			
Cash and bank	(I)	**17,300,785,271.18**	13,601,882,949.85
△Settlement reserve			
△Due from banks and other financial institutions	(II)		1,160,000,000.00
Transactional financial assets	(III)	**202,376,414.36**	1,586,755.20
☆Financial assets at fair value through profit and loss			
Derivative assets			
Notes receivable	(IV)	**1,542,259,070.99**	2,673,559,748.96
Accounts receivable	(V)	**7,445,375,580.96**	7,247,643,005.32
Receivables for financing	(VI)	**2,145,369.50**	
Prepayments	(VII)	**4,893,228,667.72**	4,053,396,852.51
△Premium receivable			
△Reinsurance premium receivable			
△Reinsurance reserve receivable			
Other receivables	(VIII)	**2,319,174,604.73**	1,320,694,485.73
Including: Dividend receivable			
△Buying back the sale of financial assets	(IX)	**1,170,000,000.00**	1,600,000,000.00
Inventories	(X)	**9,404,890,448.68**	9,277,188,524.26
Including: raw materials		**2,696,392,291.07**	2,929,891,292.03
Merchandise inventories (finished goods)		**261,843,643.64**	392,202,142.70
Contract assets	(XI)	**8,309,814,549.85**	9,376,793,737.57
Held-for-sale assets			
Current portion of non-current assets	(XII)	**294,952,361.15**	532,462,521.58
Other current assets	(XIII)	**639,006,924.66**	655,929,163.44
Total current assets		**53,524,009,263.78**	51,501,137,744.42

CONSOLIDATION BALANCE SHEET (CONTINUED)

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

Items	*Notes*	December 31, 2022	January 1, 2022
Non-current assets:			
△Loans and advances issued	(XIV)		31,200,000.00
Debt investments			
☆Available-for-sale financial assets			
Other debt investments			
☆ Held-to-maturity investments			
Long-term receivables	(XV)	**398,961,054.90**	251,453,934.46
Long-term equity investments	(XVI)	**377,317,390.52**	380,662,063.58
Other equity instruments investments	(XVII)	**845,123,706.24**	

CONSOLIDATION BALANCE SHEET (CONTINUED)

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

Items	*Notes*	December 31, 2022	January 1, 2022
Current liabilities:			
Short-term borrowings	(XXVII)	**4,812,857,850.77**	5,223,060,625.25
△Borrowings from central bank			68,654,568.37
△Placement from banks and other financial institutions			
Transactional financial liabilities			
☆Financial liabilities at fair value through profit and loss			
Derivative liabilities			
Notes payable	(XXVIII)	**7,048,462,096.55**	7,257,666,848.12
Accounts payable	(XXIX)	**13,796,665,716.93**	13,875,963,319.42
Advances from customers	(XXX)	**1,422,059.69**	
Contract liabilities	(XXXI)	**17,428,435,136.82**	15,045,611,306.96
△Securities sold under agreement to repurchasej/C0 1 Tf0 Tc 0 TCS 8743.123.62lepositTf0.0p0B6 3,319.428 Tc 1.028 0 Td(Placement f			
△△			
媥筏袞碡綆焓垏		娶芟麆螪譠祛躨纕鼞畤隟県娟琯售椸潳菹祛猞セ襶藿隟械唱趪膫譨膫顙膮飉蛹	

CONSOLIDATION BALANCE SHEET (CONTINUED)

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

Items	Notes	December 31, 2022	January 1, 2022
Non-current liabilities:			
△Reserve of insurance contract			
Long-term borrowings	(XXXVIII)	**2,391,903,973.83**	1,033,066,644.43
Bonds payable			
including: preferred stocks			
perpetual debts			
Lease liabilities	(XXXIX)	**88,421,052.65**	
Long-term payable	(XL)	**22,101,896.71**	20,419,794.29
Long-term employee benefits payable	(XLI)	**345,492,088.56**	386,096,909.56
Provisions	(XLII)	**1,949,943,875.77**	2,259,633,261.28
Deferred income	(XLIII)	**236,321,218.22**	264,222,683.35
Deferred tax liabilities		**10,224,586.23**	
Other non-current liabilities	(XLIV)	**6,423,408.10**	
Including: authorized reserve fund			
Total non-current liabilities		**5,050,832,100.07**	3,963,439,292.91
Total liabilities		**50,909,668,579.12**	48,415,507,283.09

CONSOLIDATION BALANCE SHEET (CONTINUED)

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

Items	Notes	December 31, 2022	January 1, 2022
Equity:			
Paid-in capital	(XLV)	**1,706,523,000.00**	1,706,523,000.00
State-owned capital			
State-owned legal person's capital		**1,030,952,000.00**	1,030,952,000.00
Collectively owned capital			
Private capital			
Foreign capital		**675,571,000.00**	675,571,000.00
#Less: payback capital			
Paid-in capital (share capital)–net value		**1,706,523,000.00**	1,706,523,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual debt			
Capital reserve	(XLVI)	**4,338,736,992.12**	4,338,736,992.12
Less: treasury shares			
Other comprehensive income		**49,765,047.57**	-8,899,799.96
Including: Currency translation reserve		**-2,714,672.67**	-9,378,391.12
Specialized reserve	(XLVII)	**45,479,801.06**	43,527,398.71
Surplus reserve	(XLVIII)	**888,849,702.10**	809,136,649.47
Including: statutory surplus reserve		**888,849,702.10**	809,136,649.47
Other surplus reserve			
#Reserve fund			
#Corporate development fund			
#Return of investment			
△General risk reserve			
Retained earnings	(XLIX)	**4,698,595,292.71**	4,679,669,917.68
Equity attributable to parent company		**11,727,949,835.56**	11,568,694,158.02
* Minority interests		**645,912,117.38**	625,991,779.56
Total owner's equity		**12,373,861,952.94**	12,194,685,937.58
Total liabilities and owner's equity		**63,283,530,532.06**	60,610,193,220.67

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

BALANCE SHEET

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

Items	Notes	2022/12/31	2022/1/1
Current assets:			
Cash and bank		**1,150,744,221.28**	1,992,189,687.39
△Settlement reserve			
△Due from banks and other financial institutions			
Transactional financial assets			
☆Financial assets at fair value through profit and loss			
Derivative assets			
Notes receivable		**64,000,000.00**	38,405,509.64
Accounts receivable	(I)	**1,748,802,187.16**	2,191,437,434.21
Receivables for financing			
Prepayments		**5,002,313,977.14**	6,659,797,508.92
△Premium receivable			
△Reinsurance premium receivable			
△Reinsurance reserve receivable			
Other receivables	(II)	**762,800,554.50**	795,512,401.18
Including: dividends receivable		**21,286,403.99**	21,286,403.99
△Buying back the sale of financial assets			
Inventories		**775,104,571.73**	316,601,707.56
Including: raw materials			
Merchandise inventories (finished goods)			
Contract assets		**1,274,440,765.65**	828,564,315.04
Held-for-sale assets			
Current portion of non-current assets			
Other current assets		**219,488,300.87**	294,105,057.37
Total current assets		**10,997,694,578.33**	13,116,613,621.31

BALANCE SHEET (CONTINUED)

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

Items	Notes	2022/12/31	2022/1/1
Non-current assets:			
△Loans and advances issued			
Debt investments			
☆Available-for-sale financial assets			
Other debt investments			
☆Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	(III)	**8,813,359,042.57**	7,276,698,783.49
Other equity instruments investments		**152,000,000.00**	152,000,000.00
Other non-current financial assets			
Investment property		**6,482,298.44**	7,458,049.44
Fixed assets		**637,482,663.77**	670,447,009.20
Including: Original value of fixed assets		**923,654,692.38**	920,343,951.62
Accumulated depreciation		**286,172,028.61**	249,896,942.42
Fixed assets depreciation reserves			
Construction in progress			199,304.40
productive biological assets			
Oil and gas assets			
The right-of-use assets			
Intangible assets		**89,772,412.72**	97,031,768.21
Development disbursements		**70,123,208.19**	24,485,109.60
Goodwill			
Long-term deferred expenses			
Deferred tax assets			
Other non-current assets			
Including: authorised reserve material			
Total non-current assets		**9,769,219,625.69**	8,228,320,024.34
Total assets		**20,766,914,204.02**	21,344,933,645.65

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

BALANCE SHEET (CONTINUED)

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

Items	Notes	2022/12/31	2022/1/1
Current liabilities:			
Short-term borrowings		**398,730,000.00**	1,048,730,000.00
△Borrowings from central bank			
△Placement from banks and other financial institutions			
Transactional financial liabilities			
☆Financial liabilities at fair value through profit and loss			
Derivative liabilities			
Notes payable		**222,720,801.66**	336,349,263.76
Accounts payable		**4,449,159,955.49**	5,032,778,122.88
Advances from customers			
Contract liabilities		**5,898,964,071.53**	6,494,533,887.27
△Securities sold under agreement to repurchase			
△Deposits and placements from other financial institutions			
△Securities brokering			
△Securities underwriting			
Employee benefits payable		**112,667,312.52**	112,397,236.80
Including: salary payable		**105,771,601.84**	105,771,601.84
Welfare benefits payable			
#Including: Employee bonus and welfare fund			
Taxes and surcharges payable		**3,908,441.51**	5,396,240.49
Including: taxes payable excluding surcharges		**3,908,441.51**	5,396,240.49
Other payables		**315,581,328.57**	813,220,181.34
Including: dividends payable		**5,873.71**	5,376.14
△Fees and commissions payable			
△Reinsurance amounts payable			
Held-for-sale liabilities			
Current portion of non-current liabilities			800,000,000.00
Other current liabilities			
Total current liabilities		**11,401,731,911.28**	14,643,404,932.54

BALANCE SHEET (CONTINUED)

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

Items	Notes	2022/12/31	2022/1/1
Non-current liabilities:			
△Reserve of insurance contract			
Long-term borrowings		**2,480,000,000.00**	750,000,000.00
Bonds payable			
including: preferred stocks			
perpetual debts			
Lease liabilities			
Long-term payable			
Long-term employee benefits payable			
Provisions		**51,256,970.85**	51,256,970.85
Deferred income		**58,542,690.10**	38,648,973.34
Deferred tax liabilities			
Other non-current liabilities			
Including: authorized reserve fund			
Total non-current liabilities		**2,589,799,660.95**	839,905,944.19
Total liabilities		**13,991,531,572.23**	15,483,310,876.73

BALANCE SHEET (CONTINUED)

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

Items	Notes	2022/12/31	2022/1/1
Equity:			
Paid-in capital		**1,706,523,000.00**	1,706,523,000.00
State-owned capital			
State-owned legal person's capital		**1,030,952,000.00**	1,030,952,000.00
Collectively owned capital			
Private capital			
Foreign capital		**675,571,000.00**	675,571,000.00
#Less: payback capital			
Paid-in capital (share capital)-net value		**1,706,523,000.00**	1,706,523,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual debt			
Capital reserve		**3,625,820,100.48**	3,625,820,100.48
Less: treasury shares			
Other comprehensive income			
Including: Currency translation reserve			
Specialized reserve			
Surplus reserve		**725,622,057.70**	645,909,005.07
Including: statutory surplus reserve		**725,622,057.70**	645,909,005.07
Other surplus reserve			
#Reserve fund			
#Corporate development fund			
#Return of investment			
△General risk reserve			
Retained earnings		**717,417,473.61**	-116,629,336.63
Total owner's equity		**6,775,382,631.79**	5,861,622,768.92
Total liabilities and owner's equity		**20,766,914,204.02**	21,344,933,645.65

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

CONSOLIDATION INCOME STATEMENTS

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

Items	Notes	Current Period	Prior Period
1. Revenue		**24,984,261,415.23**	21,569,761,574.55
Including: operating revenue	(L)	**24,643,794,215.80**	21,225,312,673.12
△Interest income	(LI)	**340,467,199.43**	344,448,901.43
△Premium earned			
△Fees and commissions income			
2. Total cost		**24,746,152,616.39**	25,265,460,929.82
Including: operating cost	(L)	**21,780,363,716.94**	22,203,289,221.55
△Interest expenses	(LI)	**15,449,717.68**	8,707,374.94
△Fees and commissions expenses	(LII)	**77,557.00**	88,948.32
△Cash surrender amount			
△Net expenses of claim settlement			
△Net provisions for insurance reserves			
△Policy dividend expenses			
△Reinsurance expenses			
Taxes and surcharges	(LIII)	**169,280,840.08**	162,821,235.78
Selling expenses	(LIV)	**623,905,440.69**	637,642,567.16
Administrative expenses	(LV)	**1,295,326,666.40**	1,568,420,576.11
Research and development expenses	(LVI)	**726,641,980.52**	670,530,779.51
Financial expenses	(LVII)	**135,106,697.08**	13,960,226.45
Including: interest expenses		**243,366,883.60**	217,051,183.83
Interest income		**39,853,821.40**	36,998,158.16
Net exchange loss ("-" for net proceeds)		**-91,282,588.56**	-182,901,643.18
Other costs and expenses			
Add: Other income	(LVIII)	**148,370,309.20**	199,239,987.33
Investment income ("-" for loss)	(LIX)	**39,180,200.28**	44,892,619.81
Including: investment income from associates and joint ventures		**10,692,995.08**	14,009,966.57
Income from derecognition of financial assets at amortised cost			
△Gain on foreign exchange ("-" for loss)		**57,521.53**	542.24
Net exposure hedging returns ("-" for losses)			
Gain from fair-value changes ("-" for loss)	(LX)	**789,659.16**	
Credit losses ("-" for loss))	(LXI)	**-331,571,253.69**	-478,423,715.20
Impairment on assets ("-" for loss)	(LXII)	**57,980,876.51**	-422,701,680.68
Proceeds from asset disposal ("-" for loss)	(LXIII)	**2,785,668.86**	62,017,794.98

CONSOLIDATION INCOME STATEMENTS (CONTINUED)

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

Items	Notes	Current Period	Prior Period
3. Operating profits ("-" for loss)		**155,701,780.69**	-4,290,673,806.79
Add: non-operating income	(LXIV)	**56,170,684.16**	66,649,191.71
Including: Government grants		**9,590,163.94**	15,591,086.05
Less: non-operating expenses	(LXV)	**6,095,779.97**	-23,757,772.06
4. Profit before tax ("-" for loss)		**205,776,684.88**	-4,200,266,843.02
Less: income tax	(LXVI)	**76,348,414.01**	-99,400,458.43
5. Net profit ("-" for net loss)		**129,428,270.87**	-4,100,866,384.59
(1) By ownership			
Net profit attributable to parent company		**98,638,427.66**	-4,142,448,248.42
* Profit/loss attributable to minority share-holders		**30,789,843.21**	41,581,863.83
(2) By going concern basis			
Continuous operating profit and loss		**129,428,270.87**	-4,100,866,384.59
Termination of the business profit and loss			
6. Other comprehensive income after tax		**58,617,543.53**	-165,785,487.23
Other comprehensive income after tax attributable to parent company	(LXIVII)	**58,664,847.53**	-165,834,269.48
(1) Comprehensive income not to be reclassified as profit or loss		**57,939,321.96**	-19,847,328.02
1. Remeasure the change in net liabilities or net assets of defined beneficiary plans			
2. Shares in other comprehensive income that the investee cannot reclassify into profit or loss under the equity method			
3. Net gain on equity instruments at fair value through other comprehensive income		**57,939,321.96**	-19,847,328.02
4. Fair value changes in enterprise's own credit risk			
5. Others			

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

Items	Notes	Current Period	Prior Period
(2) Other comprehensive income to be reclassified as profit or loss		**725,525.57**	-145,986,941.46
1. Share of other comprehensive income of an associate			
2. Net gain on debt instruments at fair value through other comprehensive income		**-478,296.00**	493,242.75
☆3. Gain or loss from fair value changes of available-for-sale financial assets			
4. The amount of financial assets reclassified into other comprehensive income			
☆5. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
6. Other debt investment credit impairment provision			
7. Cash flow hedging reserve		**-5,459,896.88**	-142,432,057.13
8. Currency translation reserve		**6,663,718.45**	-4,048,127.08
9. Other profit or loss to be reclassified			
* Other comprehensive income after tax attributable to minority share-holders		**-47,304.00**	48,782.25
7. Total comprehensive income		**188,045,814.40**	-4,266,651,871.82
Total comprehensive income attributable to parent company		**157,303,275.19**	-4,308,282,517.90
* Total consolidated income attributable to minority share-holders		**30,742,539.21**	41,630,646.08
8. Earnings per share:			
Basic earnings per share		**0.058**	-2.427
Diluted earnings per share		**0.058**	-2.427

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

INCOME STATEMENTS

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

Items	Notes	Current Period	Prior Period
1. Revenue		**5,780,472,264.27**	4,669,999,063.51
Including: operating revenue	(IV)	**5,780,472,264.27**	4,669,999,063.51
△Interest income			
△Premium earned			
△Fees and commissions income			
2. Total cost		**6,055,578,445.04**	4,999,666,007.82
Including: operating cost	(IV)	**5,724,368,531.89**	4,651,581,359.97
△Interest expenses			
△Fees and commissions expenses			
△Cash surrender amount			
△Net expenses of claim settlement			
△Net provisions for insurance reserves			
△Policy dividend expenses			
△Reinsurance expenses			
Taxes and surcharges		**10,731,491.15**	17,608,885.20
Selling expenses		**24,310,321.50**	47,588,435.64
Administrative expenses		**175,269,873.42**	144,501,701.28
Research and development expenses		**50,201,166.65**	91,073,162.62
Financial expenses		**70,697,060.43**	47,312,463.11
Including: interest expenses		**88,970,988.73**	75,019,187.97
Interest income		**25,146,592.81**	35,149,027.20
Net exchange loss ("-" for net proceeds)		**-10,674.93**	-25,143.84
Other costs and expenses			
Add: Other income		**4,159,165.07**	6,506,156.68
Investment income ("-" for loss)	(V)	**1,634,089,624.12**	294,141,015.85
Including: investment income from associates and joint ventures		**11,263,147.95**	16,060,389.12
Income from derecognition of financial assets at amortised cost			
△Gain on foreign exchange ("-" for loss)			
Net exposure hedging returns ("-" for losses)			
Gain from fair-value changes ("-" for loss)			
Credit losses ("-" for loss))		**-447,788,783.88**	-363,510,264.48
Impairment on assets ("-" for loss)		**-2,412,920.90**	-211,047,711.22
Proceeds from asset disposal ("-" for loss)			
3. Operating profits ("-" for loss)		**912,940,903.64**	-603,577,747.48
Add: non-operating income		**1,313,108.15**	924,843.00
Including: Government grants			
Less: non-operating expenses		**0.02**	-34,700,000.00

INCOME STATEMENTS (CONTINUED)

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

Items	Notes	Current Period	Prior Period
4. Profit before tax ("-" for loss)		**914,254,011.77**	-567,952,904.48
Less: income tax		**494,148.90**	489,653.45
5. Net profit ("-" for net loss)		**913,759,862.87**	-568,442,557.93
Continuous operating profit and loss		**913,759,862.87**	-568,442,557.93
Termination of the business profit and loss			
6. Other comprehensive income after tax			-19,847,328.02
(1) Comprehensive income not to be reclassified as profit or loss			-19,847,328.02
1. Remeasure the change in net liabilities or net assets of defined beneficiary plans			
2. Shares in other comprehensive income that the investee cannot reclassify into profit or loss under the equity method			
3. Net gain on equity instruments at fair value through other comprehensive income			-19,847,328.02
4. Fair value changes in enterprise's own credit risk			
5. Others			
(2) Other comprehensive income to be reclassified as profit or loss			
1. Share of other comprehensive income of an associate			
2. Net gain on debt instruments at fair value through other comprehensive income			
☆3. Gain or loss from fair value changes of available-for-sale financial assets			
4. The amount of financial assets reclassified into other comprehensive income			
☆5. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
6. Other debt investment credit impairment provision			
7. Cash flow hedging reserve			
8. Currency translation reserve			
9. Other profit or loss to be reclassified			
7. Total comprehensive income		**913,759,862.87**	-588,289,885.95
8. Earnings per share:			
Basic earnings per share			
Diluted earnings per share			

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

CONSOLIDATION CASH FLOW STATEMENT

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

Items	Current Period	Prior Period
1. Cash flows from operating activities:		
Cash received from sales and services	**30,821,412,822.45**	24,511,352,247.87
△Net increase in deposits and placements from financial institutions	**281,301,610.77**	-102,064,659.24
△Net increase in due to central banks	**-68,654,568.37**	-37,970,466.63
△Net increase in placement from financial institutions		
△Cash received from premiums of original insurance contracts		
△Net amount of reinsurance business		
△Net increase in insured's deposits and investments		
△Net increase in disposal of financial assets at fair value through profit and loss		
△Cash received from interests, fees and commissions	**215,869,310.14**	344,444,380.14
△Net increase of placement from banks and other financial institutions		
△Net increase in repurchasing		
△Net cash received from agent sales of securities		
△Net increase in repurchase funds	**400,000,000.00**	
Taxes and surcharges refunds	**540,970,202.27**	327,111,594.81
Other cash receipts related to operating activities	**978,684,382.48**	996,338,479.57
Total cash inflows from operating activities	**33,169,583,759.74**	26,039,211,576.52
Cash paid for goods and services	**23,057,949,076.85**	20,022,137,548.77
△Net increase in loans and advances	**39,606,983.18**	-560,175,970.78
△Net increase in deposits with central banks and other financial institutions	**79,626,544.47**	-12,523,282.53
△Cash paid for claim settlements on original insurance contracts		
△Net increase of due from banks and other financial institutions	**-1,310,000,000.00**	540,000,000.00
△Cash paid for interest, fees and commissions	**-1,691,463.83**	16,777,296.65
△Cash paid for policy dividends		
Cash paid to and for employees	**2,581,619,169.14**	2,498,130,635.79
Taxes and surcharges cash payments	**1,526,195,293.70**	1,117,167,897.70
Other cash payments related to operating activities	**2,449,206,351.03**	1,384,154,694.14
Total cash outflows from operating activities	**28,422,511,954.54**	25,005,668,819.74
Net cash flows from operating activities	**4,747,071,805.20**	1,033,542,756.78

CONSOLIDATION CASH FLOW STATEMENT (CONTINUED)

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

Items	Current Period	Prior Period

CONSOLIDATION CASH FLOW STATEMENT (CONTINUED)

Items	Current Period	Prior Period
3. Cash flows from financing activities:	**–**	–
Cash received from investments by others	**4,888,840.00**	36,367,940.00
Including: cash received by subsidiaries from minority shareholders' investments		
Cash received from borrowings	**4,175,095,724.38**	4,759,620,782.31
Other cash receipts related to other financing activities	**397,850,000.00**	10,000,000.00
Total cash inflows from financing activities	**4,577,834,564.38**	4,805,988,722.31
Cash repayments for debts	**4,745,699,765.52**	5,124,260,047.40
Cash payments for distribution of dividends, profit and interest expenses	**282,026,116.29**	325,040,273.21
Including: dividends or profit paid by subsidiaries to minority shareholders	**300,000.00**	–
Other cash payments related to financing activities	**14,178,193.42**	14,463,191.01
Total cash outflows from financing activities	**5,041,904,075.23**	5,463,763,511.62
Net cash flows from financing activities	**-464,069,510.85**	-657,774,789.31
4. Effect of foreign exchange rate changes on cash and cash equivalents	**33,007,963.21**	-27,602,084.47
5. Net increase in cash and cash equivalents	**3,655,584,012.92**	1,322,923,947.70
Add: beginning balance of cash and cash equivalents	**12,620,970,173.01**	11,298,046,225.31
6. Ending balance of cash and cash equivalents	**16,276,554,185.93**	12,620,970,173.01

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

CASH FLOW STATEMENT

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

Items	Notes	Current Period	Prior Period
1. Cash flows from operating activities:		**–**	–
Cash received from sales and services		**5,203,945,733.94**	5,263,858,537.36
△Net increase in deposits and placements from financial institutions			
△Net increase in due to central banks			
△Net increase in placement from financial institutions			
△Cash received from premiums of original insurance contracts			
△Net amount of reinsurance business			
△Net increase in insured's deposits and investments			
△Net increase in disposal of financial assets at fair value through profit and loss			
△Cash received from interests, fees and commissions			
△Net increase of placement from banks and other financial institutions			
△Net increase in repurchasing			
△Net cash received from agent sales of securities			
Taxes and surcharges refunds		**23,285,018.39**	41,730,882.77
Other cash receipts related to operating activities		**122,425,966.46**	575,090,933.83
Total cash inflows from operating activities		**5,349,656,718.79**	5,880,680,353.96
Cash paid for goods and services		**5,586,104,690.92**	4,916,691,061.49
△Net increase in loans and advances		**–**	
△Net increase in deposits with central banks and other financial institutions		**–**	
△Cash paid for claim settlements on original insurance contracts		**–**	
△Net increase of due from banks and other financial institutions		**–**	
△Cash paid for interest, fees and commissions		**–**	
△Cash paid for policy dividends		**–**	
Cash paid to and for employees		**118,726,691.50**	137,630,225.31
Taxes and surcharges cash payments		**184,973,392.40**	28,305,742.25
Other cash payments related to operating activities		**582,115,965.30**	687,162,116.90
Total cash outflows from operating activities		**6,471,920,740.12**	5,769,789,145.95
Net cash flows from operating activities		**-1,122,264,021.33**	110,891,208.01

CASH FLOW STATEMENT (CONTINUED)

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

Items	*Notes*	Current Period	Prior Period
2. Cash flows from investing activities:			–
Cash received from withdraw of investments		**2,000,000.00**	581,562,413.05
Cash received from investment income		**1,715,485,090.04**	403,581,511.06
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**–**	
Net cash received from disposal of subsidiaries and other business units		**–**	
Other cash receipts related to investing activities		**–**	5,050,402.78
Total cash inflows from investing activities		**1,717,485,090.04**	990,194,326.89
Cash paid for fixed assets, intangible assets and other long-term assets		**14,040,040.48**	13,577,045.23
Cash payments for investments		**1,615,200,000.00**	143,500,000.00
△Net increase in pledged loans		**–**	
Net cash paid for acquiring subsidiaries and other business units		**–**	
Other cash payments related to investing activities		**–**	
Total cash outflows from investing activities		**1,629,240,040.48**	157,077,045.23
Net cash flows from investing activities		**88,245,049.56**	833,117,281.66

CASH FLOW STATEMENT (CONTINUED)

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

Items	*Notes*	Current Period	Prior Period

CONSOLIDATION STATEMENTS OF CHANGES IN EQUITY

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

Items	Current period													
	Equity attributable to parent company													
		Other equity instruments												
	Paid-in capital	Preferred stock	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	△General risk provision	Retained earnings	Subtotal	Minority interests	Total owner's equity
1. Ending balance of last year	1,706,523,000.00				4,338,736,992.12		-8,899,799.96	43,527,398.71	809,136,649.47		4,679,669,917.68	11,568,694,158.02	625,991,779.56	12,194,685,937.58
Add: increase/decrease due to changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Increase/decrease due to corrections of errors in Prior Period	–	–	–	–	–	–		–	–	–	–	–	–	–
Others														
2. Beginning balance of current year	1,706,523,000.00				4,338,736,992.12		-8,899,799.96	43,527,398.71	809,136,649.47		4,679,669,917.68	11,568,694,158.02	625,991,779.56	12,194,685,937.58
3. Increase/decrease for current year "-" for decrease							58,664,847.53	1,952,402.35	79,713,052.63		18,925,375.03	159,255,677.54	19,920,337.82	179,176,015.36
(1) Total comprehensive income							58,664,847.53				98,638,427.66	157,303,275.19	30,742,539.21	188,045,814.40
(2) Owner's contributions and withdrawals of capital													4,088,829.37	4,088,829.37
1. Common stock contributed by owners													4,088,829.37	4,088,829.37
2. Capital contributed by other equity instruments holders														
3. Share-based payment recorded in owner's equity														
4. Others														
(3) Accrual and utilization of specialized reserve								1,952,402.35				1,952,402.35	293,327.71	2,245,730.06
1. Accrual of specialized reserve								29,301,504.44				29,301,504.44	1,266,981.05	30,568,485.49
2. Utilization of specialized reserve								-27,349,102.09				-27,349,102.09	-973,653.34	-28,322,755.43
(4) Profits distribution									79,713,052.63		-79,713,052.63		-15,204,358.47	-15,204,358.47
1. Appropriation of surplus reserve									79,713,052.63		-79,713,052.63			
Including: statutory surplus reserve									79,713,052.63		-79,713,052.63			
Discretionary surplus reserve														
#Reserve fund														
#Corporate development fund														
#Return of investment														
△2. Accrual of general risk reserve														
3. Distribution to owner/shareholder													-15,204,358.47	-15,204,358.47
4. Others														
(5) Transfer within owner's equity														
1. Capital reserve transferred to paid-in capital														
2. Surplus reserve transferred to paid-in capital														
3. Recover of loss by surplus reserve														
4. Defined benefit plan changes carried forward to retained earnings														
5. Other comprehensive income carried forward to retained earnings														
6. Others														
4. Ending balance of current year	1,706,523,000.00				4,338,736,992.12		49,765,047.57	45,479,801.06	888,849,702.10		4,698,595,292.71	11,727,949,835.56	645,912,117.38	12,373,861,952.94

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

CONSOLIDATION STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

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

Prior period

Items	Equity attributable to parent company													Minority interests	Total owner's equity
	Other equity instruments				Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	△General risk provision	Retained earnings	Subtotal			
	Paid-in capital	Preferred stock	Perpetual bonds	Others											
1. Ending balance of last year	1,706,523,000.00				4,341,412,461.31		-20,928,123.89	41,743,525.66	809,136,649.47		8,799,327,500.41	15,677,215,012.96		522,835,501.95	16,200,050,514.91
Add: increase/decrease due to changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–		–	–
Increase/decrease due to corrections of errors in Prior Period	–	–	–	–	–	–		–	–	–	–	–		–	–
Others															
2. Beginning balance of current year	1,706,523,000.00				4,341,412,461.31		-20,928,123.89	41,743,525.66	809,136,649.47		8,799,327,500.41	15,677,215,012.96		522,835,501.95	16,200,050,514.91
3. Increase/decrease for current year "-" for decrease					-2,675,469.19		-12,028,323.93	1,783,873.05			-4,119,657,582.73	-4,108,520,854.94		103,166,277.61	-4,005,354,577.33
(1) Total comprehensive income							-165,634,268.48				-4,142,446,246.42	-4,308,282,517.90		41,630,646.08	-4,266,651,871.82
(2) Owner's contributions and withdrawals of capital					-2,675,469.19						219,425,012.11	216,749,542.92		69,312,990.07	286,062,532.99
1. Common stock contributed by owners														67,638,413.95	67,638,413.95
2. Capital contributed by other equity instruments holders															
3. Share-based payment recorded in owner's equity															
4. Others					-2,675,469.19						219,425,012.11	216,749,542.92		1,674,576.12	218,424,119.04
(3) Accrual and utilization of specialized reserve								1,783,873.05				1,783,873.05		82,319.30	1,866,192.35
1. Accrual of specialized reserve								27,893,296.53				27,893,296.53		1,111,823.84	29,005,120.37
2. Utilization of specialized reserve								-26,109,423.48				-26,109,423.48		-1,029,504.54	-27,138,928.02
(4) Profits distribution											-18,771,753.01	-18,771,753.01		-7,869,677.84	-26,641,430.85
1. Appropriation of surplus reserve															
Including: statutory surplus reserve															
Discretionary surplus reserve															
#Reserve fund															
#Corporate development fund															
#Return of investment															
△2. Accrual of general risk reserve															
3. Distribution to owner/shareholder											-18,771,753.01	-18,771,753.01		-7,869,677.84	-26,641,430.85
4. Others															
(5) Transfer within owner's equity							177,862,593.41				-177,862,593.41				
1. Capital reserve transferred to paid-in capital															
2. Surplus reserve transferred to paid-in capital															
3. Recover of loss by surplus reserve															
4. Defined benefit plan changes carried forward to retained earnings															
5. Other comprehensive income carried forward to retained earnings							177,862,593.41				-177,862,593.41				
6. Others															
4. Ending balance of current year	1,706,523,000.00				4,338,736,992.12		-8,899,799.96	43,527,398.71	809,136,649.47		4,679,669,917.68	11,568,694,158.02		625,991,779.56	12,194,685,937.58

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

STATEMENTS OF CHANGES IN EQUITY

(Apart from special notes

Items	Current period											
	Equity attributable to parent company											
		Other equity instruments										
	Paid-in capital	Preferred stock	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	Δ General risk provision	*Retained earnings	Subtotal
1. Ending balance of last year	1,706,523,000.00				3,625,820,100.48				645,909,005.07		-116,629,336.63	5,861,622,768.92
Add: increase/decrease due to changes in accounting policies	-	-			-	-	-	-	-	-		-
Increase/decrease due to corrections of errors in Prior Period	-	-			-	-	-	-	-	-		-
Others												
2. Beginning balance of current year	1,706,523,000.00				3,625,820,100.48				645,909,005.07		-116,629,336.63	5,861,622,768.92
3. Increase/decrease for current year "-" for decrease									79,713,052.63		834,046,810.24	913,759,862.87
(1) Total comprehensive income											913,759,862.87	913,759,862.87
(2) Owner's contributions and withdrawals of capital												
1. Common stock contributed by owners												
2. Capital contributed by other equity instruments holders												
3. Share-based payment recorded in owner's equity												
4. Others												
(3) Accrual and utilization of specialized reserve												
1. Accrual of specialized reserve												
2. Utilization of specialized reserve												
(4) Profits distribution									79,713,052.63		-79,713,052.63	
1. Appropriation of surplus reserve									79,713,052.63		-79,713,052.63	
Including: statutory surplus reserve									79,713,052.63		-79,713,052.63	
Discretionary surplus reserve												
#Reserve fund												
#Corporate development fund												
#Return of investment												
2. Accrual of general risk reserve												
3. Distribution to owner/shareholder												
4. Others												
(5) Transfer within owner's equity												
1. Capital reserve transferred to paid-in capital												
2. Surplus reserve transferred to paid-in capital												
3. Recover of loss by surplus reserve												
4. Defined benefit plan changes carried forward to retained earnings												
5. Other comprehensive income carried forward to retained earnings												
6. Others												
4. Ending balance of current year	1,706,523,000.00				3,625,820,100.48				725,622,057.70		717,417,473.61	6,775,382,631.79

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

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

Prior period

Items	Equity attributable to parent company											Subtotal
	Other equity instruments				Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	△General risk provision	Retained earnings	
	Paid-in capital	Preferred stock	Perpetual bonds	Others								
1. Ending balance of last year	1,706,523,000.00	-	-	-	3,625,820,100.48	-	-158,015,265.39	-	645,909,005.07	-	429,022,555.61	6,249,259,395.77
Add: increase/decrease due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Increase/decrease due to corrections of errors in Prior Period	-	-	-	-	-	-	-	-	-	-	-	-
Others												-
2. Beginning balance of current year	1,706,523,000.00	-	-	-	3,625,820,100.48	-	-158,015,265.39	-	645,909,005.07	-	429,022,555.61	6,249,259,395.77
3. Increase/decrease for current year "-" for decrease	-	-	-	-	-	-	158,015,265.39	-	-	-	-545,651,932.24	-387,636,666.85
(1) Total comprehensive income							-19,847,328.02				-568,442,557.93	-588,289,885.95
(2) Owner's contributions and withdrawals of capital	-	-	-	-	-	-	-	-	-	-	219,425,012.11	219,425,012.11
1. Common stock contributed by owners	-											
2. Capital contributed by other equity instruments holders	-											
3. Share-based payment recorded in owner's equity	-											
4. Others											219,425,012.11	219,425,012.11
(3) Accrual and utilization of specialized reserve							-	-				-
1. Accrual of specialized reserve												-
2. Utilization of specialized reserve												-
(4) Profits distribution	-	-	-	-	-	-	-	-	-	-	-18,771,753.01	-18,771,753.01
1. Appropriation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
Including: statutory surplus reserve												-
Discretionary surplus reserve												-
#Reserve fund												-
#Corporate development fund												-
#Return of investment												-
2. Accrual of general risk reserve												-
3. Distribution to owner/shareholder											-18,771,753.01	-18,771,753.01
4. Others												-
(5) Transfer within owner's equity	-	-	-	-	-	-	177,862,593.41	-	-	-	-177,682,593.41	-
1. Capital reserve transferred to paid-in capital												-
2. Surplus reserve transferred to paid-in capital												-
3. Recover of loss by surplus reserve												-
4. Defined benefit plan changes carried forward to retained earnings												-
5. Other comprehensive income carried forward to retained earnings							177,862,593.41				-177,682,593.41	-
6. Others												-
4. Ending balance of current year	1,706,523,000.00	-	-	-	3,625,820,100.48	-	-	-	645,909,005.07	-	-116,629,336.63	5,861,622,768.92

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

NOTES TO THE FINANCIAL STATEMENTS OF 2022

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

I. INFORMATION ABOUT THE COMPANY

(I) History, place of registration, organizational form and address of headquarters

Harbin Electric Co., LTD. (hereinafter referred to as the "company" or "the company") is by the original state-owned enterprise Harbin Electric Group Co., LTD. (hereinafter referred to as the "Harbin electric group") and its original Harbin motor factory, Harbin boiler factory, Harbin steam turbine factory reorganization, the company on October 6,1994, and on November 5,1994 approved by the state restructuring for listed in Hong Kong co., LTD.

The original total share capital of the Company is RMB1,189,151,000 of which Harbin Electric Group holds RMB720,000,000 accounting for 60.55% of its total share capital, and the overseas issued H shares is RMB469,151,000 accounting for 39.45% of its total share capital, and was listed on the Stock Exchange of Hong Kong on December 16,1994. According to the resolution of the general meeting of shareholders and the approval of the China Securities Regulatory Commission and the Hong Kong Stock Exchange, the company allocated 93.83 million H shares in 2005, including 85.3 million new shares and 8.53 million shares of state-owned shares. After the completion of the H-share placement, the share capital of the Company is changed to RMB1,274,451,000. With the resolution of the 2005 annual general meeting of shareholders and the China Securities Regulatory Commission [2007] No.6, the company issued 112.59 million overseas listed foreign shares (H shares) in February 2007, including 102.355 million shares and 10.235 million shares. According to the approval of the State-owned Assets Supervision and Administration Commission of the State Council [2006] No.1492, the company in the allocation of H shares, the 10.235 million shares of state-owned legal person shares held by Harbin Electric Group transferred to the National Council for Social Security Fund. On March 2,2007, the Company received the new share capital of RMB102,355,000.00 paid by overseas raised shareholders in currency, and the registered capital and share capital of the Company became RMB1,376,806,000.00. Among them, state-owned legal person shares are 701,235,000.00 yuan, accounting for 50.93% of the total share capital, and H shares are 675,571,000.00 yuan issued overseas, accounting for 49.07% of the total share capital. On December 1,2017, the general meeting of shareholders passed the motion, agreeing to issue new domestic shares to Harbin Electric Group, including 329,717,000 new shares. On December 6,2017, the Company received the new share capital of RMB329,717,000.00 paid by Harbin Electric Group in currency, and the registered capital and share capital were changed to RMB1,706,523,000.00. Among them, state-owned legal person shares are 1,030,952,000.00 yuan, accounting for 60.41% of the total share capital, and overseas issued H shares are 675,571,000.00 yuan, accounting for 39.59% of the total share capital.

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

Legal representative: Zhian Cao

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

I. INFORMATION ABOUT THE COMPANY (CONTINUED)

(II) Nature of business and main business of the enterprise

The company belongs to the generator and generator set manufacturing industry, mainly engaged in the production, sales of power generation equipment and the general contracting of power station projects.

At present, the main business segments are: manufacturing of large-scale thermal power, hydropower, nuclear power and auxiliary equipment, turnkey engineering of power station project, development, design and manufacturing of leading products such as ship power plant and electrical drive device.

(III) Name of parent company and group headquarters

The parent company of the company is Harbin Electric Corporation.

(IV) Approval of financial statements

The financial statements were approved by the board of directors on March 29, 2023.

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2022 follows:

Subsidiary name
Harbin Steam Turbine Plant Co., Ltd.
Harbin Electric Power Technology and Trade Co., Ltd.
Harbin Electric International Engineering Co., Ltd.
Harbin Electric Machinery Factory Co., Ltd.
HE Power Generation Equipment National Engineering Research Center Co., Ltd.
Harbin Power Plant Valve Co., Ltd. of HE Group
Harbin Boiler Factory Co., Ltd.
Harbin Electric Power Equipment Co., Ltd.
HE Group (Qinhuangdao) Heavy Equipment Co., Ltd.
Harbin Electric Group Finance Co., Ltd.
Harbin Harbin Electric Co., Ltd.
HE Group Shanxi Environmental Protection Engineering Co., Ltd.
Chengdu Sanlia Technology Co., Ltd.
HEC Leasing (Tianjin) Co., Ltd.
HE Group Biomass Power Generation (Wangkui) Co., Ltd.
HE Group Biomass Power Generation (Dehui) Co., Ltd.
Harbin Electric Science & Technology Co., Ltd.
Harbin Electric Matertials Co., Ltd.

The subsidiaries established by the Company in China are all limited liability companies, and none of them have publicly issued share capital and debt securities. For details, please refer to “Note 7. Consolidated Financial Statements” and “Note 9.

III. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

Our company is based on continuous operation, and based on actual transactions and events, our affiliated enterprise units shall comply with the "Enterprise Accounting Standards – Basic Standards" issued by the Ministry of Finance, specific enterprise accounting standards, application guidelines for enterprise accounting standards, interpretation of enterprise accounting standards, and other relevant regulations (hereinafter collectively referred to as the "current enterprise accounting standards"), And the China Securities Regulatory Commission's "Rules for Information Disclosure and Reporting of Companies that Offer Securities to the Public No. 15 – General Provisions on Financial Reporting", as well as the disclosure provisions of the Hong Kong Stock Exchange's "Listing Rules for Securities" and the Hong Kong Companies Ordinance, prepare financial statements.

Our company has evaluated the performance based operating ability within 12 months from the end of this report period and has not found any significant issues or situations that raise significant doubts about our ability to continue as a going concern. Therefore, this financial statement is prepared based on the assumption of going concern.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Specific accounting policies and accounting estimates

The company determines specific accounting policies and accounting estimates according to the characteristics of production and operation, mainly reflected in the valuation method of inventory, the method of expected credit losses of receivables, depreciation of fixed assets and amortization of intangible assets, and the recognition point of income, etc.

(II) Statement of compliance with accounting standards for Business Enterprises

The financial statements prepared by the Company comply with the requirements of accounting standards for Business Enterprises and truly and completely reflect the company's financial position, operating results, cash flow and other relevant information during the reporting period.

(III) Accounting period

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

(IV) Reporting currency

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

(V) Accounting basis and valuation principles

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

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

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

1. The terms, conditions and economic impact of various transactions in the process of enterprise merger are realized step by step to conform to one or more of the following situations, and multiple transactions are treated as package transactions.

(1) These transactions are simultaneous or in consideration of mutual influence;

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

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

(4) One trade is uneconomical alone, but it is economic when considered together with other trades.

2. Business consolidation under the same control

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

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

If the merger is finally realized through multiple transactions, the transaction shall be treated as a transaction that obtains control right; on the control right date, the difference between the sum of the initial investment cost of the long-term equity investment and the book value and the book value of the new shares paid on the merger date; if the capital reserve is insufficient to write down, the retained earnings shall be adjusted. For the equity investment held before the merger date, the accounting income recognized by the equity method or the accounting treatment until the disposal of the accounting treatment until the accounting treatment is transferred to the current profit and loss.

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

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

3. Business combinations involving entities not under common control

The purchase date refers to the date on which the Company actually obtains the control over the purchased party, that is, the date on which the net assets of the control of the purchased party or the production and operation decision is transferred to the Company. The Company generally considers a transfer of control when the following conditions are met:

(1) The enterprise merger contract or agreement has been approved by the internal authority of the Company.

(2) If the enterprise merger matter needs to be approved by the relevant competent authorities of the state, it has been approved.

(3) Necessary property right transfer procedures have been handled.

(4) The Company has paid most of the combined price and has the ability and plan to pay the surplus amount.

(5) In fact, the Company has controlled the financial and operating policies of the purchaser, and enjoys the corresponding benefits and assumes the corresponding risks.

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

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

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

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

3. Business combinations involving entities not under common control (Continued)

Business consolidation under different control achieved step-by-step through multiple exchange transactions, belongs to a package transaction, accounting of transactions as a transaction that takes control; is not a package deal, where the equity investments held before the merger date are accounted for by the equity method, in the sum of the book value of the equity investment held by the purchaser before the purchase date and the new investment cost on the purchase date, as the initial investment cost of the investment; other comprehensive income recognized by the equity investment held prior to the purchase date for the accounting of the equity method, use the disposal of the investment on the same basis as the direct disposal of the relevant assets or liabilities by the invested unit. If the equity investment held before the merger date is calculated by the recognition of financial instruments and the measurement criteria, the sum of the fair value of the equity investment on the merger date plus the new investment cost shall be taken as the initial investment cost on the merger date. The difference between the fair value of the original held equity and the book value and the change in the cumulative fair value originally included in the other comprehensive income shall all be transferred into the investment income of the current period on the merger date.

4. The related fees incurred for consolidation

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

5. Scope of consolidation

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

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

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

6. Procedure of consolidation

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

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

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

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

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

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

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

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

6. Procedure of consolidation (Continued)

1) Acquisition of subsidiaries or business

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

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

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

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

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

6. Procedure of consolidation (Continued)

1) Acquisition of subsidiaries or business (Continued)

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

2) Disposal of subsidiaries or business

① General treatment

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

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

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

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

6. Procedure of consolidation (Continued)

2) Disposal of subsidiaries or business (Continued)

② Step-by-step disposal of subsidiaries

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

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

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

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

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

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

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

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

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

6. *Procedure of consolidation (Continued)*

3) *Acquisition of minority stake of subsidiaries*

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

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

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

(VII) Classification of joint venture arrangements and accounting treatment

1. *Joint venture arrangements classification*

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

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

(VII) Classification of joint venture arrangements and accounting treatment (Continued)

1. *Joint venture arrangements classification (Continued)*

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

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

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

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

2. *Joint venture accounting treatment*

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

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

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

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

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

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

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

(VII) Classification of joint venture arrangements and accounting treatment (Continued)

2. Joint venture accounting treatment (Continued)

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

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

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

(VIII) Determination of cash and cash equivalents

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

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

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

1. Foreign currency transactions

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

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

2. Conversion of foreign currency financial statements

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

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

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

(X) Financial instruments (Continued)

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

(1) Classified as financial assets measured at amortized cost

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

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

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

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

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

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

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

(X) Financial instruments (Continued)

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

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

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

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

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

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

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

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

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

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

(X) Financial instruments (Continued)

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

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

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

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

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

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

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

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

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

(X) Financial instruments (Continued)

2. Classification and measurement of financial liabilities

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

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

The subsequent measurement of financial liabilities depends on their classification:

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

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

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

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

(X) Financial instruments (Continued)

2. Classification and measurement of financial liabilities (Continued)

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

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

1) Ability to eliminate or significantly reduce accounting mismatches.

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

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

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

(X) Financial instruments (Continued)

2. Classification and measurement of financial liabilities (Continued)

(2) Other financial liabilities

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

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

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

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

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

3. Conditions for termination of financial assets and financial liabilities

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

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

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

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

(X) Financial instruments (Continued)

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

(2) Conditions for termination of financial liabilities

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

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

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

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

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

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

(X) Financial instruments (Continued)

4. Confirmation conditions and measurement methods for financial asset transfer

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

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

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

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

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

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

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

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

(X) Financial instruments (Continued)

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

(X) Financial instruments (Continued)

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

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

6. *Impairment of financial instruments*

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

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

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

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

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

(2) The time value of money;

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

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

(X) Financial instruments (Continued)

6. Impairment of financial instruments (Continued)

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

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

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

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

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

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

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

(X) Financial instruments (Continued)

7. Offset of financial assets and financial liabilities

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

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

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

(XI) Hedge instruments

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

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

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

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

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

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

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

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

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

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

(XI) Hedge instruments (Continued)

2. Method of fair value hedges accounting

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

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

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

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

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

(XI) Hedge instruments (Continued)

3. Method of Cash flow hedges accounting

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

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

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

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

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

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

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

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

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

(XI) Hedge instruments (Continued)

4. Overseas net investment hedging

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

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

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

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

5. Termination of hedge accounting

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

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

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

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

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

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

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

(XII) Accounts receivable (Continued)

(1) Accounts receivable

The determination and accounting treatment methods for expected credit losses on accounts receivable are detailed in Note 4/(X)6. Impairment of Financial Instruments.

The company determines the credit losses on accounts receivable individually if sufficient evidence of expected credit losses can be evaluated at a reasonable cost on a single instrument basis.

When there is insufficient evidence to evaluate the expected credit losses at a reasonable cost on a single instrument basis, the company refers to historical credit loss experience, current conditions, and judgment on future economic conditions to classify accounts receivable into analytical groups based on credit risk characteristics and calculate expected credit losses on a group basis.

The company combines the accounts receivable according to similar credit risk characteristics (aging), and based on all reasonable and evidence-based information, including forward-looking information, the provision for bad debts of the accounts receivable is estimated as follows:

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

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

(XII) Accounts receivable (Continued)

(2) Other receivables

The determination and accounting treatment methods for expected credit losses on other receivables are detailed in Note 4/(X)6. Impairment of Financial Instruments.

The company determines the credit losses on other receivables individually if sufficient evidence of expected credit losses can be evaluated at a reasonable cost on a single instrument basis.

When there is insufficient evidence to evaluate the expected credit losses at a reasonable cost on a single instrument basis, the company refers to historical credit loss experience, current conditions, and judgment on future economic conditions to classify other receivables into analytical groups based on credit risk characteristics and calculate expected credit losses on a group basis.

The company combines the other receivables according to similar credit risk characteristics (aging), and based on all reasonable and evidence-based information, including forward-looking information, the provision for bad debts of the other receivables is estimated as follows:

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

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

(XIII) Inventories (Continued)

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

After a full inspect of the inventory at the end of the period, the provision for decline in value of inventories shall be withdrawn or adjusted at the lower of the cost of inventory and the net realizable value.

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

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

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

(XIV) Contract assets

Where the Company has transferred the goods to the customer and has the right to receive the consideration, and the right depends on other factors other than the passage of time, it is recognized as contract assets. The Company's unconditional (i. e., depending solely on the passage of time) right to collect consideration from the customer is presented separately as receivables.

See this Note (IX) for the determination method and accounting treatment method of the Company's expected credit loss of the contract assets 6. Impairment of financial instruments.

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

(XV) Long-term equity investments

1. Determination of the investment cost

(1) For the long-term equity investment formed by the enterprise merger, the specific accounting policies are detailed in this Note IV/(IV) The accounting treatment method of the enterprise merger under the same control and not under the same control.

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

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

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

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

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

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

(XV) Long-term equity investments (Continued)

2. *Subsequent measurement and recognition of profit or loss*

(1) Cost method

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

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

(2) Equity method

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

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

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

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

(XV) Long-term equity investments (Continued)

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

(2) Equity method (Continued)

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

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

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

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

(XV) Long-term equity investments (Continued)

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

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

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

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

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

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

(XV) Long-term equity investments (Continued)

4. *Conversion of long-term equity investment accounting method*

(1) Fair value measurement transfers to equity method accounting

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

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

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

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

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

(XV) Long-term equity investments (Continued)

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

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

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

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

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

(3) Equity method accounting transfers to fair value measurement

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

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

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

(XV) Long-term equity investments (Continued)

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

(4) Cost method transfers to equity method

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

(5) Cost method transfers to fair value measurement

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

5. *Disposal of long-term equity investments*

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

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

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

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

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

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

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

(XV) Long-term equity investments (Continued)

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

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

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

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

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

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

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

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

(XV) Long-term equity investments (Continued)

6. Impairment test method and accrual method for impairment preparation

On the balance sheet date, if there is a similar situation w( )0.5 (a)7.2 ( )ran

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

(XVI) Investment property (Continued)

When the use of investment property is changed to self-use, the company will convert the investment property

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

(XVII) Fixed assets (Continued)

2. Initial measurement of fixed assets (Continued)

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

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

3. Subsequent measurement and disposal of fixed assets

(1) Depreciation for fixed assets

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

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

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

Categories	Depreciation period	Residual value (%)	Annual depreciation rate (%)
Houses and buildings	15—30	3	3.23–6.47
Machinery and equipment	7—15	3	6.47–13.86
Transportation equipment	5—6	3	16.17–19.40
Electronic equipment	5—10	3	9.70—19.40
Office equipment	5—9	3	10.78–19.40
Others	5—9	3	10.78–19.40

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

(XVII) Fixed assets (Continued)

3. Subsequent measurement and disposal of fixed assets (Continued)

(2) Subsequent expenditure on fixed assets

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

(3) Disposal of fixed assets

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

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

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

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

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

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

(XVIII) Construction in progress

1. *Categories of construction in progress*

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

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

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

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

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

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

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

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

(XIX) Borrowing costs

1. *Criteria for recognition of capitalized borrowing costs*

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

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

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

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

(2) borrowing costs have been incurred;

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

2. *Capitalization period of borrowing costs*

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

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

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

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

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

(XIX) Borrowing costs (Continued)

3. Suspension of capitalization period

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

4. Calculation method of capitalization amount of borrowing costs

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

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

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

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

(XX) Right to use assets

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

1) The initial measurement amount of the lease liability;

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

3) The initial direct costs incurred by the company;

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

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

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

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

(XXI) Intangible assets

1. Initial measurement of intangible assets

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

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

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

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

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

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

(XXI) Intangible assets (Continued)

2. *Subsequent measurement of intangible assets*

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

(1) *Intangible assets with finite useful life*

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

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

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

(2) *Intangible assets with uncertain service life*

If an intangible asset can not be foreseen to bring economic benefits to an enterprise, it shall be regarded as an intangible asset with uncertain service life. For intangible assets with uncertain service life, they are not amortized during the holding period, and the life of intangible assets is reviewed at the end of each period. If it is still uncertain after the review at the end of the period, the impairment test shall be continued in each accounting period.

3. *Provision for impairment of intangible assets*

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

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

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

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

(XXI) Intangible assets (Continued)

3. Provision for impairment of intangible assets (Continued)

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

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

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

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

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

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

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

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

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

(XXI) Intangible assets (Continued)

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

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

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

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

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

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

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

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

(XXII) Long-term prepaid expenses

Long-term prepaid expenses are expenses which have occurred but will benefit over 1 year and shall be amortized over the current period and subsequent periods.

The long-term deferred expenses incurred by the company shall be measured at the actual cost and amortized on an average basis for the expected period of benefit. For the long-term deferred expenses that cannot benefit the subsequent accounting period, the amortized value of the project shall be included into the current profit and loss when determined.

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

(XXIII) Contract liabilities

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

(XXIV) Employee Remuneration

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

1. Short-term remuneration

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

2. Retirement benefits

(1) Defined contribution scheme

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

(2) Defined benefit scheme

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

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

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

(XXIV) Employee Remuneration (Continued)

2. Retirement benefits (Continued)

(2) Defined benefit scheme (Continued)

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

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

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

3. Dismissal benefits

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

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

(XXIV) Employee Remuneration (Continued)

4. *Other long-term employee benefits*

Other long-term employee benefits refer to all employee benefits other than short-term compensation, post-employment benefits, and termination benefits. For other long-term employee benefits that meet the conditions of the defined contribution plan, the amount to be contributed during the accounting period in which the employee provides services to the Company shall be recognized as a liability and included in the current profit and loss or related asset costs. For other long-term employee benefits not covered by the above situation, an independent actuary shall use the expected cumulative benefit unit method to calculate the benefit obligation generated by the defined benefit plan on the balance sheet date, and attribute it to the period in which the employee provides services, and include it in the current profit and loss or related asset costs.

(XXV) Lease liability

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

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

2) Variable lease payments depending on index or ratio;

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

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

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

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

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

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

(XXVI) Share-based payments

1. *Type of Share-based payments*

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

2. *Confirmation methods for equity instruments*

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

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

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

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

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

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

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

(XXVI) Share-based payments (Continued)

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

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

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

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

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

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

(XXVII) Bond payable

1. *General corporate bonds*

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

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

2. *Convertible corporate bonds*

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

(XXVIII) Estimated liabilities

1. *Recognition criteria for estimated liabilities*

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

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

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

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

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

(XXVIII) Estimated liabilities (Continued)

2. Method of measuring the various estimated liabilities

The Company's estimated liabilities are initially measured at the best estimate of the expenditure required to perform the relevant current obligations.

When determining the best estimate, the company considers factors such as risks, uncertainties and time value of money related to contingent events. For the significant impact of the time value of money, the best estimate is determined by discounting the relevant future cash outflows.

The best estimates are handled as follows:

If there is a continuous range (or interval) of the required expenditure, and the likelihood of occurrence of various results within the range is the same, the best estimate is determined by the average of the intermediate value of the range, that is, the upper and lower limits.

The expenses required does not have a successive range (or band), or although there is a successive range (or band), the possibilities of occurrence of each result are not the same, if the contingency is related to individual item, the best estimate should be determined as the most likely amount; where the contingency is related to a number of items, the best estimate should be calculated and determined according to the possible results and the relevant possibilities.

Where some or all of the expenditure required to settle an estimated liability is expected to be reimbursed by a third party, the reimbursement is separately recognized as an asset when it is virtually certain that the reimbursement will be received. The amount recognized for the reimbursement is limited to the carrying amount of the liability recognized.

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

(XXIX) Safety production fee

The provision of Group's machinery production enterprise safety production costs is based on the actual sales revenue in last year, which is extracted monthly by taking excess regressive manner in accordance with the following standard:

1. Operating income of CNY10 million and below, accrued 2.35%;

2. Operating income of CNY10 million to CNY100 million, accrued 1%;

3. Operating income of CNY100 million to CNY1,000 million, accrued 0.2%;

4. Operating income of CNY1,000 million to CNY5,000 million, accrued 0.1%;

5. Operating income above CNY5,000 million, accrued 0.05%.

The provision of production safety fee is recognized in profit and loss for the current period and "special reserve" account shown separately under owner's equity. When using the reserve for maintaining production safety fee, the amount will be debited from the "special reserve" if the fee is expenses nature. When using the reserve for maintaining production safety fee of fixed asset, the amount will be debited from the "construction-in-progress" item for the amount recorded in the cost of related assets. When the status of the project is ready for intended use, the costs of such Production safety fee should be recognized as fixed assets. Meanwhile, "special reserve" will be offset by the cost forming fixed asset. If the balance of "special reserve" is inadequate for offsetting purpose, the production safety fee will be recognized in profit and loss for the year.

(XXX) Revenue

1. The general principle of revenue recognition

The Company has fulfilled its performance obligation under the contract, that is, when the customer obtains control of the relevant commodity or service, it recognizes revenue according to the transaction price apportioned to the performance obligation.

Performance obligation refers to the commitment of the company to transfer clearly distinguishable goods or services to the customer in the contract.

To acquire the control right of relevant goods refers to to be able to dominate the use of the goods and obtain almost all the economic benefits from them.

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

(XXX) Revenue (Continued)

1. *The general principle of revenue recognition (Continued)*

The Company evaluates the contract on the commencement date of the contract, identifies each individual performance obligation contained in the contract, and determines whether each individual performance obligation is to be performed within a certain period of time or at a certain point. If one of the following conditions is met, it is a performance obligation to be performed within a certain period of time, and the Company shall recognize revenue within a certain period of time according to the progress of performance: (1) The customer obtains and consumes the economic benefits brought by the Company's performance at the same time as the Company's performance; (2) The customer can control the goods under construction during the performance of the contract by the Company; (3) The commodities produced by the Company during the performance of the Contract have irreplaceable uses, and the Company is entitled to collect payment for the accumulated performance to date throughout the contract period. Otherwise, the Company recognizes revenue at the point at which the customer acquires control of the relevant goods or services.

For performance obligations performed within a certain period of time, the Company adopts the input method to determine the appropriate performance progress according to the nature of goods and services. The output method determines the performance progress according to the value of the goods transferred to the customer (the input method determines the performance progress according to the input of the company to fulfill the performance obligations). If the performance progress cannot be reasonably determined and the company is expected to be compensated for the costs already incurred, the revenue shall be recognized according to the amount of costs already incurred until the performance progress can be reasonably determined.

2. *The principle of revenue treatment for specific transactions*

(1) Contract with sales return clause

When the customer acquires control of the relevant goods, revenue is recognized on the basis of the amount of consideration it is expected to be entitled to receive as a result of the transfer of the goods to the customer (i.e., excluding the amount expected to be repayable as a result of the return of sales) and liabilities are recognized on the basis of the amount expected to be repayable as a result of the return of sales.

The carrying amount of the goods expected to be returned at the time of sale, less the expected costs to be incurred in recovering the goods (including the impairment of the value of the returned goods), is accounted for under "Return costs receivable".

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

(XXX) Revenue (Continued)

2. The principle of revenue treatment for specific transactions (Continued)

(2) Contract with quality assurance clause

Assess whether this quality assurance provides a separate service in addition to assuring the customer that the goods sold meet established standards. If the company provides additional services, it will be treated as a single performance obligation and will be accounted for in accordance with the income standards; Otherwise, the quality assurance liability shall be accounted for in accordance with the accounting standards for contingencies.

(3) Sales contract with additional purchase option from the customer

The Company evaluates whether the option provides a material right to the customer. If a material right is provided, the transaction price shall be apportion to the performance obligation as a single performance obligation, and the corresponding revenue shall be recognized when the customer exercises the purchase option to obtain control of the relevant commodity in the future, or when the option expires. If the individual selling price of the customer's additional purchase option cannot be directly observed, it shall be reasonably estimated after taking into account all relevant information such as the difference between the discount the customer would receive if the customer exercised the option and if the customer did not exercise the option.

(4) Contract granting a license to intellectual property to a customer

Assess whether the intellectual property license constitutes a single performance obligation, and if so, further determine whether it is to be performed within a certain period of time or at a certain point. If an intellectual property license is granted to the customer and a royalty is agreed to be charged according to the actual sales or use of the customer, the revenue shall be recognized at the later of the following two items: the subsequent sales or use of the customer actually occurs; The company performs relevant performance obligations.

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

(XXX) Revenue (Continued)

2. The principle of revenue treatment for specific transactions (Continued)

(5) After sale repurchase

1) A contract with a repurchase obligation as a result of a forward arrangement with the customer: in this case, the customer does not acquire control of the relevant commodity at the point of sale and is therefore accounted for as a lease transaction or financing transaction. Among them, the repurchase price is lower than the original selling price as a lease transaction, according to the accounting standards for enterprises of the relevant provisions of the lease accounting treatment; If the repurchase price is not lower than the original selling price, it shall be regarded as a financing transaction, and the financial liability shall be recognized when the payment is received from the customer, and the difference between the payment and the repurchase price shall be recognized as interest expense, etc., during the repurchase period. If the Company fails to exercise the repurchase right when it expires, it shall terminate the recognition of financial liabilities and recognize income at the same time when the repurchase right expires.

2) The contract of repurchase obligation generated at the request of the customer: if the customer has significant economic motivation after evaluation, the after-sales repurchase shall be treated as a lease transaction or financing transaction and shall be accounted for in accordance with the provisions of this Article 1); Otherwise, it will be treated as a sales transaction with a sales return clause.

(XXXI) Contractual costs

1. Contract performance costs

The costs incurred by the company for the performance of the contract that do not fall within the scope of other enterprise accounting standards other than the income standard and meet the following conditions as a contract performance cost are recognized as an asset:

(1) This cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing costs (or similar costs), the costs clearly borne by the customer, and other costs incurred only by the contract;

(2) This cost increases the resources of the company to fulfill its performance obligations in the future.

(3) The cost is expected to be recovered.

The asset is presented in inventory or other non-current assets based on whether the amortization period at the time of initial recognition exceeds a normal business cycle.

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

(XXXI) Contractual costs

2. *Contract acquisition costs*

If the incremental cost incurred by the company in obtaining the contract is expected to be recovered, it is recognized as an asset as the cost of obtaining the contract. Incremental cost refers to the cost that the company will not incur without obtaining the contract, such as sales commission, etc. If the amortization period of the contract acquisition cost is less than one year, the company will account for the current profits and losses when incurred.

3. *Amortization of contract costs*

The assets related to contract costs are amortized at the time when the performance obligations are performed or in accordance with the progress of performance of the performance obligations, and are included into the current profit and loss, using the same basis for the recognition of the goods or services income related to the assets.

4. *Contract costs impairment*

For assets related to contract costs whose carrying amount is higher than the difference between the remaining price expected to be obtained by the transfer of goods or services related to the asset and estimate costs that will occur in order to transfer the relevant goods or services, the Company will make provision for impairment for the excess and recognize it as asset impairment loss.

After the impairment provision is accrued, if the factors of impairment in the previous period change, so that the above two differences are higher than the asset's book value, the asset impairment provision previously accrued shall be transferred back to the current profit and loss, but the book value of the transferred asset shall not exceed the book value of the asset on the reversal date without presuming the provision for impairment.

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

(XXXII) Government grants

1. Type

Government grants are monetary assets and non-monetary assets that the company obtains from the government free of charge, but exclude capital invested by the government as the owner of the business. They are divided into government grants related to assets and government grants related to income.

For government grants that the government document does not specify the grant object, the company is divided into government grants related to assets or government grants related to the income according to the actual grant object. For details of the relevant judgment basis explanation, please refer to other current liabilities/other non-current liabilities/non-operating income items in Note VIII of this financial statement.

Government grants related to assets refer to government grants acquired by the company for the purpose of purchasing or constructing or otherwise forming long-term assets. Government grants related to income refer to government grants other than government grants related to assets.

2. Government grant confirmation

If there is evidence at the end of the period that the company can meet the relevant conditions stipulated in the financial support policy and is expected to receive financial support funds, the government grant shall be confirmed according to the amount receivable. In addition, government grants are confirmed when they are actually received.

If the government grant is a monetary asset, it shall be measured according to the amount received or receivable. If the government grant is a non-monetary asset, it shall be measured at the fair value. If the fair value cannot be obtained reliably, it shall be measured in nominal amount (CNY 1). Government grants measured in nominal amounts are directly included into the current profit and loss.

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

(XXXII) Government grants (Continued)

3. Accounting treatment method

Government subsidies related to assets should be offset against the book value of related assets or recognized as deferred income. If the government subsidies related to assets are recognized as deferred income, they are included into the current profit and loss in a reasonable and systematic manner within the useful life of the assets constructed or purchased.

A government grant related to income is used for compensation for related expenses or losses to be incurred by the Company in subsequent periods, the grant shall be recognized as deferred income. And in the period of confirming the related cost, expense or loss, it shall be included into the current profit and loss or offset related costs. For the compensation of related costs and losses already incurred by the company, it shall be directly included into the current profit and loss or offset related costs.

The government grant related to the daily activities of the company is included into other income or offset related costs. If it is not related to the daily activities of the company, it is included into non-operating income.

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

(XXXIII) Deferred income tax assets and liabilities (Continued)

3. When the following conditions are met at the same time, the deferred income tax assets and deferred income tax liabilities are listed as the net amount after offset

(1) The enterprise has the legal right to settle the current income tax assets and current income tax liabilities on a net basis;

(2) The deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection authority on the same taxpayer or related to different taxpayers, however, in the future period in which each of the important deferred income tax assets and liabilities are reversed, the taxpayer involved intends to settle the current income tax assets and liabilities on a net basis or acquire assets and liquidate liabilities simultaneously.

In general, in individual financial statements, current income tax assets and liabilities and deferred income tax assets and deferred income tax liabilities are presented in net amount after offset. In the consolidated financial statements, among the enterprises included into the scope of consolidation, one party's current income tax assets or deferred income tax assets and the other party's current income tax liabilities or deferred income tax liabilities are generally not offset, unless the company involved has the legal right of a net amount to settle and intends to settle in net amount.

(XXXIV) Leases

On the contract start date, the company evaluates whether the contract is a lease or includes a lease. If one of the parties in a contract transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or includes a lease.

1. Spin-off of lease contract

When the contract contains multiple separate leases at the same time, the company will split the contract and separate the individual leases for accounting treatment.

When the contract includes both lease parts and non-lease parts, the company will split the lease and non-lease parts, and the lease parts will be accounted for in accordance with the lease standard, and the non-lease parts shall be accounted for in accordance with other applicable corporate accounting standards.

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

(XXXIV) Leases (Continued)

2. Merger of lease contracts

When two or more contracts including leases concluded into by the company at the same time or at a similar time with the same party or their related parties meet one of the following conditions, they will be combined into one contract for accounting treatment:

(1) The two or more contracts are concluded based on the overall business purpose and constitute a package of transactions, and the overall business purpose cannot be understood unless considered as a whole.

(2) The amount consideration of one of the two or more contracts depends on the pricing or performance of other contracts.

(3) The asset use rights transferred from the two or more contracts constitute a separate lease.

3. The accounting treatment of the company as the lessee

At the beginning of the lease period, the company recognizes the right to use assets and lease liabilities for the lease. For the accounting policies of right to use assets and lease liabilities, please refer to Right to use assets of IV(XX).

4. The accounting treatment of the company as the lessor

(1) Classification of lease

The company divides the lease into finance lease and operating lease on the lease start date. Finance lease refers to a lease that substantially transfers almost all the risks and rewards related to the ownership of leased assets, and its ownership may or may not be transferred eventually. Operating lease refers to other lease other than finance lease.

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

(XXXIV) Leases (Continued)

4. The accounting treatment of the company as the lessor (Continued)

(1) Classification of lease (Continued)

If a lease has one or more of the following situations, the company is generally classified as a finance lease:

1) At the end of the lease term, the ownership of the leased asset is transferred to the lessee.

2) The lessee has the option to purchase the leased asset. The purchase price concluded is sufficiently low compared to the fair value of the leased asset when the option is expected to be exercised, so that it can be reasonably determined at the date of commencement of the lease that the lessee will exercise the option.

3) Although the ownership of the assets is not transferred, the lease period accounts for most of the useful life of the leased assets.

4) At the start of the lease, the present value of the lease receipt is almost equivalent to the fair value of the leased asset.

5) The nature of the leased assets is special and only the lessee can use them without major renovation.

If a lease has one or more of the following signs, the company may also be classified as a finance lease:

1) If the lessee cancels the lease, the loss caused by the cancellation of the lease to the lessor shall be borne by the lessee.

2) The gains or losses resulting from the fluctuation in the fair value of the residual value of the assets belong to the lessee.

3) The lessee has the ability to continue to the lease to the next period for a rent far below the market level.

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

(XXXIV) Leases (Continued)

4. The accounting treatment of the company as the lessor (Continued)

(2) Accounting treatment of finance lease

On the beginning of the lease period, the company confirms the finance lease receivables for the finance lease and terminates the recognition of the finance lease assets.

At the initial measurement of finance lease receivables, the sum of the unguaranteed residual value and the current value of the lease receipts that have not been received at the beginning of the lease period discounted at the interest rate included into the lease is taken as the book value of the finance lease receivables. Lease receipts include:

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

2) Variable lease payments depending on index or ratio;

3) When it is reasonably determined that the lessee will exercise the purchase option, the lease receipt includes the exercise price of the purchase option;

4) The lease term reflects the situation where the lessee will exercise the option to terminate the lease, and the lease receipt includes the amount that the lessee needs to pay to exercise the option to terminate the lease;

5) The residual value of the guarantee provided to the lessor by the lessee, a party related to the lessee and an independent third party who is financially capable of performing the guarantee obligation.

The company calculates and confirms the interest income in each period of the lease period according to the fixed lease interest rate. The variable lease payments obtained that are not included into the net measurement of the lease investment are included into the current profit and loss when they actually occur.

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

(XXXIV) Leases (Continued)

4. The accounting treatment of the company as the lessor (Continued)

(3) Accounting treatment of operating lease

The company uses the straight-line method or other systematic and reasonable methods in each period of the lease period to confirm the lease receipts of operating leases as the rental income. The initial direct expenses related to operating leases are capitalized and apportioned on the same basis as the rental income recognized during the lease period and included into the current profit and loss in installments; the variable lease payments obtained that are not included into the lease receipts and related to operating leases are included into the current profit and loss when they actually occur.

(XXXV) Classified as assets held for sale

1. Confirmation Standard held for sale

The Company recognizes component (or non-current assets) which meet the following conditions as assets held for sale:

(1) Based on the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions;

(2) The sale is very likely to happen, that is, the company has already made a resolution on a sales plan, approved by the regulatory authorities (if applicable) and obtained a certain purchase commitment. It is expected that the sale will be completed within one year.

The confirmed purchase commitment refers to the legally binding purchase agreement signed by the company and other parties. The agreement contains important terms such as transaction price, time and strict penalty for breach of contract, which makes the possibility of major adjustment or cancellation of the agreement extremely small.

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

(XXXV) Classified as assets held for sale (Continued)

2. Accounting method held for sale

If the book value of a non-current asset or disposal group held for sale is higher than the fair value minus the net value of the sale expense, the company shall reduce the book value to the fair value minus the net value of the sale expense, and the amount of the write-down shall be recognized as the impairment loss of the assets, and shall be included in the profits and losses of the current period, while provision shall be made for impairment of the assets held for sale.

For non-current assets or disposal groups that are classified as holding for sale on the date of acquisition, the comparison at the time of initial measurement assumes that they are not classified as holding for sale, the amount of initial measurement and the net amount of fair value minus the cost of sale, measured at the lower of both.

The above principle applies to all non-current assets, but does not include investment real estate that uses the fair value model for subsequent measurement, biological assets measured net of fair value minus selling expenses, assets formed by employee compensation, and deferred income tax assets, financial assets regulated by the relevant accounting standards of financial instruments and rights arising from insurance contracts regulated by the relevant accounting standards of insurance contracts.

(XXXVI) Fair value measurement

1. Financial instruments not measured at fair value

Financial assets and liabilities not measured at fair value mainly include: receivables, short-term borrowings, payables, non-current liabilities and long-term borrowings due within one year, equity instrument investments that are not quoted in active markets and whose fair value cannot be reliably measured.

The difference between the book value of the above financial assets and liabilities not measured at fair value and the fair value is very small, or in accordance with the provisions of the "Recognition and Measurement of Financial Instruments" standards, the equity instrument investment that is not quoted in the active market and its fair value cannot be reliably measured is measured at cost.

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

(XXXVI) Fair value measurement (Continued)

2. Financial instruments measured at fair value

The company's financial assets and liabilities measured at fair value mainly include: financial assets or financial liabilities measured at fair value and whose changes are recorded into current profits and losses, and financial assets available for sale.

When the fair value is classified into three levels as a whole, it is based on the lowest level of the three levels of each important input value used in the fair value measurement. The three levels are defined as follows:

Level 1: the unadjusted quotation of the same asset or liability available on the measurement date in the active market;

Level 2: it is the directly or indirectly observable input value of the relevant asset or liability in addition to the input value of level 1;

The second level of input values include: 1) quotation of similar assets or liabilities in active markets; 2) quoted prices of the same or similar assets or liabilities in inactive markets; 3) Other observable input values other than quoted prices, including observable interest rates and yield curves, implied volatility and credit spreads during normal quoted prices intervals; 4) Input values for market verification, etc.

Level 3: it is the unobservable input value of the related asset or liability.

V. DESCRIPTION OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF MAJOR PREVIOUS ERRORS

(I) Changes in accounting policies

1. *The impact of the implementation of accounting Standards for Business Enterprises Interpretation No. 15 on the Company*

On December 31, 2022, the Ministry of Finance issued the Interpretation of Accounting Standards for Business Enterprises No. 15 (Accounting and Accounting (2022) No. 35, hereinafter referred to as "Interpretation No. 15"), Explanation No. 15 "Accounting treatment on the external sales of products or by-products produced by enterprises before fixed assets reach the scheduled serviceable state or in the process of research and development (hereinafter referred to as "trial operation sales")" and "Judgment on loss contracts" will come into effect on January 1, 2022. The change of accounting policy has no impact on the corresponding period and initial period of the company's financial statements in the previous period.

2. *The impact of the implementation of accounting Standards for Business Enterprises Interpretation No. 16 on the Company*

On December 13, 2022, the Ministry of Finance issued the Interpretation of Accounting Standards for Business Enterprises No. 16 (Accounting and Accounting (2022) No. 31, hereinafter referred to as "Interpretation No. 16"), explaining the accounting treatment of the three items No. 16: "The accounting treatment of deferred income tax related to assets and liabilities arising from a single transaction is not applicable to the initial recognition exemption" will take effect on January 1, 2023, allowing enterprises to implement the accounting treatment related to this matter in advance from the year of issuance, and the company will implement the accounting treatment related to this matter in the current year; The contents of "Accounting treatment on the income tax impact of dividends related to financial instruments classified as equity instruments by the issuer" and "Accounting treatment on the modification of cash-settled share-based payment to equity-settled share-based payment by the enterprise" shall come into force as of the date of publication, and the change of accounting policy has no impact on the company's financial statements.

(II) Change in accounting estimates

There is no change in important accounting estimates in this period.

(III) Correction of significant prior period errors

During the reporting period, there was no correction of accounting errors in the previous period using the retrospective restatement method.

VI. TAXATION

The principal taxable items of the Company and its subsidiaries are as follows:

(I) Turnover tax and additional taxes

Tax Type	Tax basis	Tax rate	Note

VI. TAXATION (CONTINUED)

(II) Business income taxes (Continued)

Note 1: Harbin Electric Company Limited (the Company)

On 7 August, 2020, the Company obtained the High and New Technology Enterprise certificate (Number: GR202023000278) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau (黑龍江省國家稅務局) and Heilongjiang Local Tax Bureau (黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

Note 2: Harbin Turbine Company Limited and its subsidiaries

On 7 August, 2020, Harbin Turbine Company Limited obtained the High and New Technology Enterprise certificate (Number: GR202023000237) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau (黑龍江省國家稅務局) and Heilongjiang Local Tax Bureau (黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

On 7 August, 2020, Harbin Turbine Ancillary Equipment Engineering Company Limited, the subsidiary of Harbin Turbine Company Limited obtained the High and New Technology Enterprise certificate (Number: GR202023000008) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau (黑龍江省國家稅務局) and Heilongjiang Local Tax Bureau (黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

Note 3: Harbin Electrical Machinery Company Limited and its subsidiaries

On 7 August 2020, Harbin Electrical Machinery Company Limited obtained the High and New Technology Enterprise certificate (Number: GR202023000122) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau (黑龍江省國家稅務局) and Heilongjiang Local Tax Bureau (黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

On 27 September 2020, Harbin Electric Machinery Co., Ltd.'s subsidiary Harbin National Hydropower Equipment Engineering Technology Research Center Co., Ltd. obtained the High and New Technology Enterprise certificate (Number: GR202023000071) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau (黑龍江省國家稅務局) and Heilongjiang Local Tax Bureau (黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

Note 4: Harbin Power Equipment National Engineering Research Centre Co., Ltd

On 7 August 2020, Harbin Power Equipment National Engineering Research Centre Co., Ltd obtained the High and New Technology Enterprise certificate (Number: GR202023000085) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳) , Heilongjiang State Tax Bureau (黑龍江省國家稅務局) and Heilongjiang Local Tax Bureau (黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

VI. TAXATION (CONTINUED)

(II) Business income taxes (Continued)

Note 5: HE Harbin Power Plant Valve Company Limited

On 7 August 2020, HE Harbin Power Plant Valve Company Limited obtained the High and New Technology Enterprise certificate (Number: GR202023000352) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau (黑龍江省國家稅務局) and Heilongjiang Local Tax Bureau (黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

Note 6: Harbin Boiler Company Limited and its subsidiary

On 7 August 2020, the company obtained the High and New Technology Enterprise certificate (Number: GR202023000103) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau (黑龍江省國家稅務局) and Heilongjiang Local Tax Bureau (黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

On 27 November 2018, Harbin Boiler Preheater Company Limited the subsidiary of Harbin Boiler Company Limited obtained the High and New Technology Enterprise certificate (Number: GR201823000093) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau (黑龍江省國家稅務局) and Heilongjiang Local Tax Bureau (黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

Note 7: Harbin Electric Power Equipment Company Limited

On 7 August 2020, Harbin Electric Power Equipment Company Limited obtained the High and New Technology Enterprise certificate (Number: GR202023000203) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau (黑龍江省國家稅務局) and Heilongjiang Local Tax Bureau (黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

Note 8: Harbin Electric Corporation (QHD) Heavy Equipment Company Limited

Harbin Electric Corporation (QHD) Heavy Equipment Company Limited received High and New Technology Enterprises Certificate (高新技術企業證書) jointly issued by Hebei Provincial Department of Science and Technology, Department of Finance of Hebei Province, Hebei Provincial State Taxation Bureau, and Hebei Provincial Local Taxation Bureau on 2 Dec 2019. The relevant certificate number is GR201913002647, which is effective for 3 years and entitle the company to pay Enterprise Income Tax at a rate of 15% within the period.

Note 9: Harbin Electric International Company Limited

On 27 December 2019, Harbin Electric International Company Limited was recognized as Advanced Technology Service Enterprises (技術先進型服務企業). Relevant certificate number was JF20162301100003. The company paid Enterprise Income Tax at a rate of 15% this year in accordance with Cai Shui [2009] No.63.

VII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

Subsidiary situation

In this period, 38 subsidiaries were included in the scope of consolidated financial statements, mainly including:

Name of subsidiaries	Type	Level	Shareholding ratio (%)	Proportion of voting rights (%)	Company nature	Paid-in capital
Harbin Turbine Company Limited	1	2	100.00	100.00	limited liability company	1,300,332,892.68
Harbin Power Technology & Trade Inc.	1	2	55.56	55.56	limited liability company	27,000,000.00
Harbin Electric International Company Limited	1	2	100.00	100.00	limited liability company	750,000,000.00
Harbin Electric Machinery Co., Ltd.	1	2	100.00	100.00	limited liability company	709,236,879.74
Hadian Power Generation Equipment State Engineering Research Centre Co., Ltd.	1	2	75.00	75.00	limited liability company	160,000,000.00
HE Harbin Power Plant Valve Company Limited	1	2	45.00	45.00	limited liability company	177,777,600.00
Harbin Boiler Company Limited	1	2	100.00	100.00	limited liability company	746,852,893.28
Harbin Electric Power Equipment Co., Ltd.	1	2	100.00	100.00	limited liability company	1,070,000,000.00
Harbin Electric Corporation (QHD) Heavy Equipment Company Limited	1	2	34.00	34.00	limited liability company	2,050,000,061.08
Harbin Electric Corporation Finance Company Limited	2	2	55.00	55.00	limited liability company	1,500,000,000.00
Harbin Electric (H.E) Corporation	1	2	100.00	100.00	limited liability company	20,000,000.00
Hadian Group Shanxi Environmental Protection Engineering Co., Ltd.	1	2	51.00	51.00	limited liability company	98,000,000.00
Chengdu Sanliya Technology Company	1	2	40.70	40.70	limited liability company	53,126,540.00
Harbin Electric Leasing (Tianjin) Co., Ltd.	1	2	80.00	80.00	limited liability company	500,000,000.00
Harbin Electric Group Biomass Power Generation (Wangkui) Co., Ltd.	1	2	100.00	100.00	limited liability company	136,100,000.00
Harbin Electric Group Biomass Power Generation (Dehui) Co., Ltd.	1	2	100.00	100.00	limited liability company	138,910,000.00
Harbin Electric Science and Technology Co., Ltd.	1	2	100.00	100.00	limited liability company	20,000,000.00
Harbin Electric Materials Co., LTD	1	2	100.00	100.00	limited liability company	30,000,000.00

Type of enterprise: 1. Domestic non-financial subsidiary; 2. Domestic financial subsidiary; 3. Overseas subsidiary; 4. Public institution; 5. Infrastructure unit.

VII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Subsidiary situation (Continued)

Compared with the previous period, the number of subjects included in the scope of consolidated financial statements of the current period increased by 2 households and decreased by 0 households, among which:

Subsidiaries newly incorporated into the scope of merger during the current period, special purpose entities, operating entities that form control rights through entrusted management or leasing.

Name	Reason for change
Harbin Electric Science and Technology Co., Ltd.	Investment establishment
Harbin Electric Materials Co., LTD	Investment establishment

VIII. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(If there is no special indication, the following amounts are in RMB, and the opening balances are all on January 1, 2022)

(I) Cash and bank

Items	Closing balance	Opening balance
Cash	**3,095,219.73**	2,008,116.65
Bank deposit	**16,168,210,059.73**	12,657,216,256.36
Other currency	**1,194,479,991.72**	942,658,576.84
Undue interest receivable		
Subtotal	**17,365,785,271.18**	13,601,882,949.85
Less: Provision for credit impairment (note)	**65,000,000.00**	
Total	**17,300,785,271.18**	13,601,882,949.85
Among: the total amount of money deposited abroad	**419,390,807.17**	70,242,581.71

Note: According to the Measures for the Management of Provisions for Loan Losses of Commercial Banks, Harbin Electric Finance Company has set aside RMB65,000.00 yuan for bad debts of time deposits deposited in Harbin Bank Co., LTD.

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

(I) Cash and bank (Continued)

The details of monetary funds that are restricted in use due to mortgage, pledge or freezing, and that are placed abroad and restricted in repatriation are as follows:

Items	Closing balance	Opening balance
The bank acceptance deposit	**281,482,080.00**	304,737,181.59
Guarantee deposit		
Time deposits or notice deposits for security purposes	**20,000,000.00**	
The central bank's legal deposit reserve	**752,193,140.84**	637,921,395.25
The court froze the deposit	**35,555,864.41**	38,254,200.00
Subtotal	**1,089,231,085.25**	980,912,776.84
Less: Provision for credit impairment		
Total	**1,089,231,085.25**	980,912,776.84

As of December 31, 2022, the Company's monetary funds deposited abroad amounted to RMB419,390,807.17, mainly the balance of funds allocated to overseas project sites by Harbin Electric International Engineering Co., Ltd. and Harbin Electric Machinery Factory Co., LTD., the Company's subsidiaries.

(II) Due from banks and other financial institutions

Items	Closing balance	Opening balance
Call loan to other banks		750,000,000.00
Call loan to non-bank financial institutions		560,000,000.00
Less: loan loss reserves		150,000,000.00
The book value of loans to other banks		1,160,000,000.00

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

(III) Transactional financial assets

Items	Fair value at the end of year 2022	Fair value at the beginning of year 2022
Financial assets classified as measured at fair value through profit or loss	**202,376,414.36**	1,586,755.20
Including: Debt instrument investment		
Equity instrument investment		
Others	**202,376,414.36**	1,586,755.20
Financial assets designated as measured at fair value through profit or loss		
Including: Debt instrument investment		
Others		
Total	**202,376,414.36**	1,586,755.20

(IV) Notes receivable

1. Notes receivable shown as classification

	Closing balance			Opening balance		
Type	Carrying amount	Bad debt provision	Book value	Carrying amount	Bad debt provision	Book value
Bank acceptance	**744,704,122.17**		**744,704,122.17**	1,650,938,235.85		1,650,938,235.85
Business acceptance	**805,146,413.78**	**7,591,464.96**	**797,554,948.82**	1,022,621,513.11		1,022,621,513.11
Total	**1,549,850,535.95**	**7,591,464.96**	**1,542,259,070.99**	2,673,559,748.96		2,673,559,748.96

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

(IV) Notes receivable (Continued)

2. The notes receivable that have been endorsed at the end of the period and have not yet expired at the balance sheet date

Type	The amount has been terminated at the end of year 2022	The amount has not been terminated at the end of year 2022
Bank acceptance	**1,668,053,261.72**	
Business acceptance		**35,452,401.56**
Total	**1,668,053,261.72**	**35,452,401.56**

(V) Accounts receivable

The company accounts receivable aging analysis confirmation basis is: according to the contract order Confirmation Project Income Confirmation time determination accounts receivable aging, under normal circumstances, the recovery accounts receivable first confirmation belongs to the contract project, the receivables attributable to a contract are first used to settle early claims, and when the early claims are settled, they are then used to settle subsequent claims, that is, in chronological order, first to settle old claims and then to settle them, new accounts, that is, the first occurrence of the principle of recovery.

1. Accounts receivable shown by aging

Aging	Closing balance	Opening balance
Within 1 year	**4,733,433,105.49**	4,640,228,704.28
1–2 years	**1,560,475,463.06**	1,610,962,970.55
2–3 years	**739,175,172.72**	596,602,000.90
Over 3years	**412,291,839.69**	399,849,329.59
net amount	**7,445,375,580.96**	7,247,643,005.32

Note: The credit period given to customers varies, generally depending on the financial strength of individual customers. In order to effectively manage the credit risk associated with accounts receivable, we regularly evaluate the credit of our customers

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

(V) Accounts receivable (Continued)

2. *Accounts receivable shown by method of provisioning for bad debts*

Type	Closing balance					Opening balance				
	Carrying Amount		Bad debt provision			Carrying Amount		Bad debt provision		
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Book value	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Book value
Accounts receivable with single item provision for bad debts	2,033,882,106.57	16.30	1,332,648,801.67	65.52	701,233,304.90	1,583,436,677.18	13.43	974,343,230.62	61.53	609,093,446.56
Accounts receivable with provision for bad debts by combination	10,446,461,339.77	83.70	3,702,319,063.71	35.44	6,744,142,276.06	10,207,775,887.87	86.57	3,569,226,329.11	34.97	6,638,549,558.76
Including: Accounts receivable with provision for bad debts based on aging analysis method	10,446,461,339.77	83.70	3,702,319,063.71	35.44	6,744,142,276.06	10,207,775,887.87	86.57	3,569,226,329.11	34.97	6,638,549,558.76
Total	12,480,343,446.34	–	5,034,967,865.38	40.34	7,445,375,580.96	11,791,212,565.05	–	4,543,569,559.73	38.53	7,247,643,005.32

3. *Accounts receivable with single item provision for bad debts*

Debtor	Accounts receivable	Bad debt provision	Expected credit loss rate (%)	Reason for accrual
Harbin Guanghan Power Technology Development Co., LTD	360,297,500.00	21,651,937.50	6.01	Key engineering product
Huasheng Jiangquan Group Co. LTD	340,410,000.00	340,410,000.00	100	May not be recoverable
703Research Institute of China Shipbuilding Industry Corporation	311,706,555.40	42,173,550.00	13.53	Key engineering product
State Ministry of Water and Irrigation, Republic of Sudan	275,379,634.83	275,379,634.83	100	May not be recoverable
Indian Coastal Energy Corporation	133,111,756.66	133,111,756.66	100	May not be recoverable
Xinjiang Zhundong Tebian Energy Co. LTD	59,207,484.50	47,365,987.60	80	Recovery difficulty
Yunnan Huadian Zhenxiong Power Generation Co. LTD	58,000,000.00	58,000,000.00	100	May not be recoverable

Debtor	Accounts receivable	Bad debt provision	Expected credit loss rate (%)	Reason for accrual
State Power Company of Sudan	54,322,696.30	54,322,696.30	100	May not be recoverable
Sudan Department of Electric DAMS	38,549,061.00	38,549,061.00	100	May not be recoverable
Datong Coal Mine Group Shuozhou Coal Power Co. LTD	33,560,000.00	33,560,000.00	100	May not be recoverable
Guizhou Huadian Tangzhai Power Generation Co. LTD	33,250,000.00	33,250,000.00	100	May not be recoverable
Power China Shandong Electric Power Construction Co. LTD	32,500,000.00	32,500,000.00	100	May not be recoverable
Datang Environmental Industry Group Co., LTD. Leizhou Project branch	27,384,367.22	21,907,493.78	80	Recovery difficulty
Inner Mongolia Chuangyuan Metal Co. LTD	24,196,000.00	19,356,800.00	80	Recovery difficulty
Hongyu of Inner Mongolia	17,510,000.00	17,510,000.00	100	May not be recoverable
Inner Mongolia Jinlian Aluminum				

Debtor	Accounts receivable	Bad debt provision	Expected credit loss rate (%)	Reason for accrual
State Grid Jilin Electric Power Co., LTD Changchun Power Supply Company	7,135,421.09			No recovery risk
State Grid Heilongjiang Electric Power Co. LTD	6,437,152.02			No recovery risk
The Shokan project	6,265,180.82	6,063,248.22	96.78	Not all is expected to be recovered
Erdos Green Energy Photoelectric Co. LTD	5,860,000.00	5,860,000.00	100	May not be recoverable
Punjub Thermal Power (Private) Limited	4,202,775.89			No recovery risk
Ilya				

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

(V) Accounts receivable (Continued)

4. *Accounts receivable accruing bad debt provision in credit risk characteristic portfolio*

Accounts receivables accruing bad debt provision by applying aging analysis:

	Closing balance			Opening balance		
	Carrying Amount			Carrying Amount		
Type	Amount	Percentage (%)	Bad debt Provision	Amount	Percentage (%)	Bad debt Provision
Within 1 year (1 year included)	4,744,697,091.82	45.43	232,940,665.70	4,525,823,090.04	44.33	222,714,727.95
1–2 years (2 years included)	1,873,273,275.37	17.93	466,335,346.94	1,937,022,420.03	18.98	472,022,587.93
2–3 years (3 years included)	1,039,823,998.94	9.95	516,153,561.04	1,077,983,425.50	10.56	520,074,107.77
Over 3 years	2,788,666,973.64	26.69	2,486,889,490.03	2,666,946,952.30	26.13	2,354,414,905.46
Total	10,446,461,339.77	–	3,702,319,063.71	10,207,775,887.87	–	3,569,226,329.11

5. *The situation of provision, return or withdraw the bad debt provision*

The bad debt provision of this year was CNY 1,509,436,460.00, return or recover bad debts for CNY 1,083,024,375.64.

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

(V) Accounts receivable (Continued)

6. The important write-off of accounts receivable in this period

Debtor	Nature of accounts receivable	Write-off amount	Reasons for writing off	Fulfillment of verification procedures	Is it due to a related transaction
Harbin Boiler Factory Industrial Boiler Company	Money for completion	6,521,738.24	The enterprise is unable to pay off its debts and has no enforceable property	The board of directors and the Party committee of the company shall review	No
Zunhua Xinli Energy Development Co. LTD	Money for completion	21,800.90	In the bankruptcy and liquidation stage of the enterprise, our company did not obtain the creditor's rights.	The board of directors and the Party committee of the company shall review	No
Geling Power Equipment (China) Co., LTD	Money for completion	273,144.00	The company has applied for bankruptcy to the court, the bankruptcy property distribution plan has been implemented, and the company has not confirmed that the creditor's rights can be realized	The board of directors and the Party committee of the company shall review	No
Guizhou Huadian Tangzhai Power Generation Co. LTD	Arrears	190,530.95	Long aging recovery is difficult	By internal decision of the company	No
Inner Mongolia Energy Power Generation Xing 'an Thermoelectric Co. LTD	Arrears	2,928.46	Long aging recovery is difficult	By internal decision of the company	No
Erdos Shuangxin Electric Power Co. LTD	Arrears	102,380.00	Long aging recovery is difficult	By internal decision of the company	No
Eastern Hope Baotou Rare Earth Aluminum Co. LTD	Arrears	153,200.00	Long aging recovery is difficult	By internal decision of the company	No

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

(V) Accounts receivable (Continued)

6. The important write-off of accounts receivable in this period (Continued)

Debtor	Nature of accounts receivable	Write-off amount	Reasons for writing off	Fulfillment of verification procedures	Is it due to a related transaction
Changchun Thermal Power Plant of Huaneng Jilin Power Generation Co. LTD	Arrears	99,363.00	Long aging recovery is difficult	By internal decision of the company	No
Fuxin Jinshan Coal Gangue Thermal power Co. LTD	Arrears	99,620.00	Long aging recovery is difficult	By internal decision of the company	No
Harbin Thermoelectric Co. LTD	Arrears	10,000.00	Long aging recovery is difficult	By internal decision of the company	No
Guoneng Shuangyashan Power Generation Co. LTD	Arrears	6,800.00	Long aging recovery is difficult	By internal decision of the company	No
China Machinery and Equipment Engineering Co., LTD	Arrears	200,000.00	Long aging recovery is difficult	By internal decision of the company	No
China Water Resources and Electric Materials Co., LTD	Arrears	10,800.00	Long aging recovery is difficult	By internal decision of the company	No
China Power Engineering Co., LTD	Arrears	236,079.50	Long aging recovery is difficult	By internal decision of the company	No
Guodian North China International Power Engineering (Beijing) Co., LTD	Arrears	45,497.00	Long aging recovery is difficult	By internal decision of the company	No
State Power Investment Group Chongqing Yuanda Energy Saving Technology Service Co. LTD	Arrears	11,600.00	Long aging recovery is difficult	By internal decision of the company	No
Guangdong Kaineng Environmental Protection Energy Co., LTD	Arrears	2,719,000.00	Lose a lawsuit	By internal decision of the company	No
Daqing oilfield Materials Group	Arrears	94,465.94	Long aging recovery is difficult	By internal decision of the company	No
Jilin Thermal Power Plant of Guodian Northeast Electric Power Co. LTD	Arrears	34,380.00	Long aging recovery is difficult	By internal decision of the company	No
Liaoning Huadian Tieling Power Generation Co. LTD	Arrears	96,704.75	Long aging recovery is difficult	By internal decision of the company	No
Shenyang Huarun Thermoelectric Co. LTD	Arrears	35,000.00	Long aging recovery is difficult	By internal decision of the company	No

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

(V) Accounts receivable (Continued)

6. The important write-off of accounts receivable in this period (Continued)

Debtor	Nature of accounts receivable	Write-off amount	Reasons for writing off	Fulfillment of verification procedures	Is it due to a related transaction
Hohhot Power Plant	Arrears	127,943.06	Long aging recovery is difficult	By internal decision of the company	No
Shaanxi Weihe Power Generation Co. LTD	Arrears	38,915.22	Long aging recovery is difficult	By internal decision of the company	No
Xi'an Guoyuan Power Engineering Co. LTD	Arrears	65,300.00	Long aging recovery is difficult	By internal decision of the company	No
Shanxi Zhangze Electric Power Co., LTD. Zhangze Power Generation Branch	Arrears	6,500.00	Long aging recovery is difficult	By internal decision of the company	No
Zhangqiu Langgou thermal Power Plant	Arrears	85,369.99	Long aging recovery is difficult	By internal decision of the company	No
Guangzhou Dongfang Electric Power Co. LTD	Arrears	2,635.20	Long aging recovery is difficult	By internal decision of the company	No
Guangzhou Zhujiang Electric Power Co. LTD	Arrears	30,932.21	Long aging recovery is difficult	By internal decision of the company	No
Guangzhou Paper Group Co. LTD	Arrears	16,780.00	Long aging recovery is difficult	By internal decision of the company	No
Guodian Quanzhou Power Generation Co. LTD	Arrears	21,050.00	Long aging recovery is difficult	By internal decision of the company	No
Maanshan Iron & Steel Co., LTD. Thermal power plant	Arrears	11,800.00	Long aging recovery is difficult	By internal decision of the company	No
Laiwu Iron & Steel Co. LTD	Arrears	83,360.15	Long aging recovery is difficult	By internal decision of the company	No
Shandong Shengyue Petrochemical Engineering Construction Co. LTD	Arrears	35,880.00	Long aging recovery is difficult	By internal decision of the company	No
Materials Branch of Tangshan Jidong Electric Power Maintenance Co., LTD. (Douhe)	Arrears	14,890.00	Long aging recovery is difficult	By internal decision of the company	No
Hebei Xibaipo Power Generation Co. LTD	Arrears	41,985.01	Long aging recovery is difficult	By internal decision of the company	No
Bihaizhou (Beijing) Energy Saving and Environmental Protection Equipment Co., LTD	Arrears	36,625.50	Long aging recovery is difficult	By internal decision of the company	No

Debtor	Nature of accounts receivable	Write-off amount	Reasons for writing off	Fulfillment of verification procedures	Is it due to a related transaction

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

(V) Accounts receivable (Continued)

6. The important write-off of accounts receivable in this period (Continued)

Debtor	Nature of accounts receivable	Write-off amount	Reasons for writing off	Fulfillment of verification procedures	Is it due to a related transaction
Tangshan Jidong Electric Power Maintenance Co. LTD	Arrears	27,000.00	Long aging recovery is difficult	By internal decision of the company	No
Huaneng Nanjing Jinling Power Generation Co. LTD	Arrears	290,000.00	Long aging recovery is difficult	By internal decision of the company	No
Luoyang Yichuan Longquan Hangkou Self – provided power generation Co. LTD	Arrears	199,220.00	Long aging recovery is difficult	By internal decision of the company	No
Jiangsu Nuclear Power Co. LTD	Arrears	71,250.00	Long aging recovery is difficult	By internal decision of the company	No
Harbin Zhongrui Power Station Equipment Co., LTD	Arrears	149,200.00	Long aging recovery is difficult	By internal decision of the company	No
State energy Group Taizhou Power Generation Co. LTD	Arrears	42,000.00	Long aging recovery is difficult	By internal decision of the company	No
Huaneng Ruijin Power Generation Co. LTD	Arrears	10,000.00	unrecoverable	By internal decision of the company	No
Huaneng International Power Co., LTD. Yuhuan Power plant	Arrears	62,050.00	unrecoverable	By internal decision of the company	No
Wanneng Tongling Power Generation Co. LTD	Arrears	250,000.00	unrecoverable	By internal decision of the company	No
Shandong Zhonghe Thermoelectric Co. LTD	Arrears	40,109.00	unrecoverable	By internal decision of the company	No
Guodian Materials Group Co., LTD. Shanghai Branch	Arrears	34,920.00	unrecoverable	By internal decision of the company	No
Shanxi Zhangshan Power Generation Co. LTD	Arrears	5,472.02	unrecoverable	By internal decision of the company	No
Changchun Thermal Power Plant of Huaneng Jilin Power Generation Co. LTD	Arrears	30,000.00	unrecoverable	By internal decision of the company	No
Zhanjiang Zhongyue Energy Co., LTD	Arrears	34,040.00	unrecoverable	By internal decision of the company	No
Salazi Power Plant of Shenhua Shendong Electric Power Co. LTD	Arrears	115,880.05	unrecoverable	By internal decision of the company	No

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

(V) Accounts receivable (Continued)

6. The important write-off of accounts receivable in this period (Continued)

Debtor	Nature of accounts receivable	Write-off amount	Reasons for writing off	Fulfillment of verification procedures	Is it due to a related transaction
Shanxi Datang International Yuncheng Power Generation Co. LTD	Arrears	3,919.27	unrecoverable	By internal decision of the company	No
Shajiao A Power Plant of Guangdong Electric Power Development Co., LTD	Arrears	11,920.00	unrecoverable	By internal decision of the company	No
Datang Shimen Power generation Co. LTD	Arrears	15,120.00	unrecoverable	By internal decision of the company	No
Guodian Taizhou Power Generation Co. LTD	Arrears	213,100.19	unrecoverable	By internal decision of the company	No
Huaneng Huaiyin Second Power Generation Co. LTD	Arrears	1,825.20	unrecoverable	By internal decision of the company	No
Shanxi Tianshi Electric Power Co. LTD	Arrears	77,221.20	unrecoverable	By internal decision of the company	No
Shenhua Materials Group South China Co. LTD	Arrears	98,745.00	unrecoverable	By internal decision of the company	No
Shenhua Shendong Electric Power Co. LTD	Arrears	45,885.00	unrecoverable	By internal decision of the company	No
Xilin thermal Power Plant of Inner Mongolia Energy Power Generation Investment Group Co. LTD	Arrears	5,300.00	unrecoverable	By internal decision of the company	No
Huozhou power plant	Payment for goods	572,900.00	The amount owed is not sufficient to cover the cost of clearing	By internal decision of the company	No

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

(V) Accounts receivable (Continued)

6. The important write-off of accounts receivable in this period (Continued)

Debtor	Nature of accounts receivable	Write-off amount	Reasons for writing off	Fulfillment of verification procedures	Is it due to a related transaction
China Power Finance Co., LTD	Payment for goods	150,000.00	The amount owed is not sufficient to cover the cost of clearing	By internal decision of the company	No
Spare parts	Payment for goods	312,127.69	The amount owed is not sufficient to cover the cost of clearing	By internal decision of the company	No
SGIS Songshan Co., Ltd.	Quality guarantee	210,000.00	Too old to collect	Application for verification report, Harbin	No
Changzhou Xidan Transformer Co., LTD	Quality guarantee	45,000.00	Too old to collect	Application for verification report, Harbin	No
Tianjin Shenlan Electronic Control Equipment Technology Co., LTD	Quality guarantee	37,500.00	Too old to collect	Application for verification report, Harbin	No
Equipment Department of Maanshan Iron & Steel Co., LTD	Quality guarantee	75,876.64	Too old to collect	Application for verification report, Harbin	No
Hubei Xinye Steel Co. LTD	Quality guarantee	173,007.33	Too old to collect	Application for verification report, Harbin	No
Shenyang Heavy Machinery Factory	Quality guarantee	56,000.00	Too old to collect	Application for verification report, Harbin	No

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

(V) Accounts receivable (Continued)

6. The important write-off of accounts receivable in this period (Continued)

Debtor	Nature of accounts receivable	Write-off amount	Reasons for writing off	Fulfillment of verification procedures	Is it due to a related transaction
Shenyang Heavy Machinery Co. LTD	Quality guarantee	190,000.00	Too old to collect	Application for verification report, Harbin	No
Shenyang Heavy Machinery Group Co. LTD	Quality guarantee	127,600.00	Too old to collect	Application for verification report, Harbin	No
Shenyang Heavy Machinery Co. LTD	Quality guarantee	126,000.00	Too old to collect	Application for verification report, Harbin	No
Shenyang Heavy Machinery Co. LTD	Quality guarantee	296,000.00	Too old to collect	Application for verification report, Harbin	No
Shenyang Heavy Machinery Co. LTD	Quality guarantee	69,400.00	Too old to collect	Application for verification report, Harbin	No
Shenyang Heavy Machinery Group Co. LTD	Quality guarantee	122,500.00	Too old to collect	Application for verification report, Harbin	No
Materials Branch of Shenyang Heavy Machinery Co., LTD	Quality guarantee	870,000.00	Too old to collect	Application for verification report, Harbin	No
Shenyang Heavy Machinery Co. LTD	Quality guarantee	638,400.00	Too old to collect	Application for verification report, Harbin	No
Materials Branch of Shenyang Heavy Machinery Co., LTD	Quality guarantee	504,000.00	Too old to collect	Application for verification report, Harbin	No

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

(V) Accounts receivable (Continued)

6. The important write-off of accounts receivable in this period (Continued)

Debtor	Nature of accounts receivable	Write-off amount	Reasons for writing off	Fulfillment of verification procedures	Is it due to a related transaction
Materials Branch of Shenyang Heavy Machinery Co., LTD	Quality guarantee	100,000.00	Too old to collect	Application for verification report, Harbin	No
Materials Branch of Shenyang Heavy Machinery Co., LTD	Quality guarantee	30,000.00	Too old to collect	Application for verification report, Harbin	No
Materials Branch of Shenyang Heavy Machinery Co., LTD	Quality guarantee	6,000.00	Too old to collect	Application for verification report, Harbin	No
Materials Branch of Shenyang Heavy Machinery Co., LTD	Quality guarantee	327,280.00	Too old to collect	Application for verification report, Harbin	No
Materials Branch of Shenyang Heavy Machinery Co., LTD	Quality guarantee	333,880.00	Too old to collect	Application for verification report, Harbin	No
Materials Branch of Shenyang Heavy Machinery Co., LTD	Quality guarantee	216,000.00	Too old to collect	Application for verification report, Harbin	No
Materials Branch of Shenyang Heavy Machinery Co., LTD	Quality guarantee	321,000.00	Too old to collect	Application for verification report, Harbin	No
Materials Branch of Shenyang Heavy Machinery Co., LTD	Quality guarantee	233,000.00	Too old to collect	Application for verification report, Harbin	No
Materials Branch of North Heavy Industry Group Co. LTD	Quality guarantee	150,800.00	Too old to collect	Application for verification report, Harbin	No

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

(V) Accounts receivable (Continued)

6. The important write-off of accounts receivable in this period (Continued)

Debtor	Nature of accounts receivable	Write-off amount	Reasons for writing off	Fulfillment of verification procedures	Is it due to a related transaction
Materials Branch of North Heavy Industry Group Co. LTD	Quality guarantee	1,570,000.00	Too old to collect	Application for verification report, Harbin	No
Materials Branch of North Heavy Industry Group Co. LTD	Quality guarantee	896,000.00	Too old to collect	Application for verification report, Harbin	No
Major parts Processing Branch of North Heavy Industry Group Co. LTD	Quality guarantee	152,000.00	Too old to collect	Application for verification report, Harbin	No
Materials Branch of North Heavy Industry Group Co. LTD	Quality guarantee	480,000.00	Too old to collect	Application for verification report, Harbin	No
Materials Branch of North Heavy Industry Group Co. LTD	Quality guarantee	588,000.00	Too old to collect	Application for verification report, Harbin	No
Materials Branch of North Heavy Industry Group Co. LTD	Quality guarantee	167,800.00	Too old to collect	Application for verification report, Harbin	No
Materials Branch of North Heavy Industry Group Co. LTD	Quality guarantee	131,424.00	Too old to collect	Application for verification report, Harbin	No
Shenye Heavy Equipment (Shenyang) Co. LTD	Quality guarantee	411,518.54	Too old to collect	Apply for verification report, General manager	No
Total	–	26,263,778.71	–	–	–

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

(V) Accounts receivable (Continued)

7. The top five debtors of accounts receivable at the end of the year

Debtor	Carrying Amount	Proportion of total account receivable (%)	Bad debt provision
Harbin Guanghan Power Technology Development Co., LTD	360,297,500.00	2.89	21,651,937.50
Linyi Huasheng Jiangquan Energy Co. LTD	340,410,000.00	2.73	340,410,000.00
Shandong Wendeng Pumped Storage Energy Co. LTD	320,475,087.38	2.57	16,023,754.37
703Research Institute of China Shipbuilding Industry Corporation	311,706,555.40	2.50	42,173,550.00
State Ministry of Water and Irrigation, Republic of Sudan	275,379,634.83	2.21	275,379,634.83
Total	1,608,268,777.61	12.90	695,638,876.70

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

(VI) Receivables for financing

Items	Closing balance	Opening balance
Notes receivable	2,145,369.50	
Accounts receivable		
Total	2,145,369.50	

(VII) Prepayments

Aging	Closing balance			Opening balance		
	Carrying Amount			Carrying Amount		
	Amount	Percentage (%)	Bad debt provision	Amount	Percentage (%)	Bad debt provision
Within 1 year (1 year included)	3,813,035,498.98	77.90		3,000,740,554.91	74.00	
1–2 years (2 years included)	471,293,327.89	9.63		533,091,915.60	13.15	
2–3 years (3 years included)	302,045,247.95	6.17		95,919,981.81	2.36	
Over 3 years	308,587,210.70	6.30	1,732,617.80	425,377,017.99	10.49	1,732,617.80
Total	4,894,961,285.52	100.00	1,732,617.80	4,055,129,470.31	100.00	1,732,617.80

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

(VII) Prepayments (Continued)

1. Significant advance payment over 1 year

Creditor Name	Debtor Name	Closing balance	Age	Unliquidated Reason
Harbin Steam Turbine Factory Co. LTD	Mitsubishi Corporation Engineering Co. LTD	**174,320,540.00**	4–5 years, more than 5 years	Not settled
Harbin Electric Power Equipment Co., LTD	Andritz AG	**120,897,091.25**	1–2 years, 2–3 years	The contract has not yet been fulfilled
Harbin Electric Machinery Factory Co. LTD	Hangzhou Huachen Power Control Engineering Co. LTD	**61,646,420.28**	1–3 years	The contract has not been executed
Harbin Boiler Factory Co. LTD		174,320,540.08		

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

(VII) Prepayments (Continued)

1. *Significant advance payment over 1 year (Continued)*

Creditor Name	Debtor Name	Closing balance	Age	Unliquidated Reason
Harbin Electric Power Equipment Co., LTD	Mitsubishi Hitachi Power Systems, Ltd.	25,601,554.15	2–3 years, 3–4 years, 4–5 years, more than 5 years	The contract has not yet been fulfilled
Harbin Steam Turbine Factory Co. LTD	Westinghouse Electric Management (Shanghai) Co., LTD	20,940,821.37	1–2 years	Not settled
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co. LTD	Sweden's S.M.T.	20,723,113.73	3–4 years	The contract has not yet been fulfilled
Harbin Boiler Factory Co. LTD	Union Bright Technology (China) Limit	17,798,344.11	1–2 years	Not settled
Harbin Electric Machinery Factory Co. LTD	Heilongjiang Construction Installation Group Co. LTD	17,371,978.00	1–3 years	The contract has not been executed
Harbin Boiler Factory Co. LTD	Heilongjiang Construction Installation Group Co. LTD	13,485,000.00	1–2 years	Not settled
Harbin Turbine Plant Auxiliary Engine Engineering Co. LTD	Mitsubishi Heavy Industries LTD	12,256,742.40	More than 3 years	Not settled
Harbin Boiler Factory Co. LTD	Zhengzhou Kangning Environmental Engineering Technology Co., LTD	10,000,000.00	1–2 years	Not settled
Harbin Boiler Factory Co. LTD	DREHMO Gmbh	9,631,582.27	1–2 years	Not settled
Harbin Electric International Engineering Co., LTD	Hubei Electric Power Construction No.1 Engineering Co. LTD	9,060,365.55	1–2 years	The contract has not been fulfilled
Harbin Electric International Engineering Co., LTD	China Construction Steel Structure Co. LTD	8,534,193.17	1–2 years, 2–3 years	The contract has not been fulfilled
Harbin Electric International Engineering Co., LTD	North Heavy Industries Group Co. LTD	7,373,700.00	4–5 years	The contract has not been fulfilled

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

(VII) Prepayments (Continued)

1. Significant advance payment over 1 year (Continued)

Creditor Name	Debtor Name	Closing balance	Age	Unliquidated Reason
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co. LTD	Shanghai Donghai Pressure Vessel Manufacturing Co. LTD	**7,208,845.04**	1–2 years	The contract has not yet been fulfilled
Harbin Boiler Factory Co. LTD	TOSS Engineering Corporation	**7,066,128.11**	1–2 years	Not settled
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co. LTD	Chongqing Chuanyi Seventeen Factory Co. LTD	**6,108,425.50**	1–2 years	The contract has not yet been fulfilled
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co. LTD	NEOTISS France	**5,973,639.98**	2–3 years	The contract has not yet been fulfilled
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co. LTD	Anhui Yingliu Jiuyuan Nuclear Energy New Material Technology Co. LTD	**5,139,246.03**	1–2 years	The contract has not yet been fulfilled
Harbin Boiler Factory Co. LTD	Huadian Heavy Industry Machinery Co. LTD	**4,266,300.00**	1–2 years	Not settled
Harbin Electric Power Equipment Co., LTD	Yantai Taihai Manur Nuclear Power Equipment Co. LTD	**4,060,000.00**	4–5 years, more than 5 years	The contract has not yet been fulfilled
Harbin Electric Machinery Factory (Zhenjiang) Co., LTD	Heilongjiang Fenghuo Mechanical and Electrical Products Distribution Co. LTD	**2,576,640.00**	1–2 years	Unfinished project
Harbin Electric Machinery Factory (Zhenjiang) Co., LTD	Hebei Liancheng Technology Co., LTD	**2,570,115.10**	1–2 years	Unfinished project
Harbin Electric Power Equipment Co., LTD	Beijing Xinsuotiandi Technology Co., LTD	**2,519,504.00**	1–2 years, 2–3 years	The contract has not yet been fulfilled
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co. LTD	THERMOCOAX S.A.S in France	**1,742,857.43**	More than 5 years	The contract has not yet been fulfilled
Harbin Electric Machinery Factory (Zhenjiang) Co., LTD	Zhangjiagang Anlos Materials Co., LTD	**1,665,716.00**	2–3 years	Unfinished project
Total		**816,287,974.53**		

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

(VII) Prepayments (Continued)

2. The top five debtors of Prepayments at the end of the year

Debtor	Carrying Amount	Proportion (%)	Bad Debts Allowance
GE Global Parts and Products G	**269,894,334.10**	**5.51**	
Andritz AG	**177,377,150.30**	**3.62**	
Mitsubishi Corporation	**174,320,540.00**	**3.56**	
Hangzhou Huachen Power Control Engineering Co. LTD	**131,454,920.28**	**2.69**	
Nanyang Hanye Special Steel Co. LTD	**113,042,289.79**	**2.31**	
Total	**866,089,234.47**	**17.69**	

(VIII) Other receivables

Items	Closing balance	Opening balance
Interest receivable	**8,343,182.28**	9,905,479.45
Dividend receivable		
Other receivables	**2,310,831,422.45**	1,310,789,006.28
Total	**2,319,174,604.73**	1,320,694,485.73

Note: Other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

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

(VIII) Other receivables (Continued)

1. *Interest receivable*

Classification of Interest receivable

Items	**Closing balance**	Opening balance
Term deposits		
Bond investment		3,300,000.00
Others	**8,343,182.28**	6,605,479.45
Total	**8,343,182.28**	9,905,479.45

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

(VIII) Other receivables (Continued)

2. Other receivables

(1) Classified by bad debt provision method

Type	Closing balance				
	Carrying Amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	Book value
Other accounts receivable with single item provision for bad debts	2,409,481,396.77	89.93	189,315,053.46	7.86	2,220,166,343.31
Other accounts receivable with provision for bad debts based on a combination of credit risk characteristics	269,814,162.51	10.07	179,149,083.37	66.40	90,665,079.14
Including: the aging combination	269,814,162.51	10.07	179,149,083.37	66.40	90,665,079.14
Total	2,679,295,559.28	–	368,464,136.83		2,310,831,422.45

Continued:

Type	Opening balance				
	Carrying Amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	Book value
Other accounts receivable with single item provision for bad debts	1,514,360,729.85	83.72	284,567,418.91	18.79	1,229,793,310.94
Other accounts receivable with provision for bad debts based on a combination of credit risk characteristics	294,443,918.45	16.28	213,448,223.11	72.49	80,995,695.34
Including: the aging combination	294,443,918.45	16.28	213,448,223.11	72.49	80,995,695.34
Total	1,808,804,648.30	–	498,015,642.02	27.53	1,310,789,006.28

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

(VIII) Other receivables (Continued)

2. *Other receivables (Continued)*

(2) *Other receivables with individually accruing bad debt provision*

Debtor	Closing balance			
	Other receivables	Bad debt provision	Proportion (%)	Reason
Dubai Haxiang Project Investment Company	638,124,594.25			On the basis of recoverability
Zhongurban-rural (Yantai) Liquefied Natural Gas Co. LTD	451,296,339.57			On the basis of recoverability
CSCEC MIDDLE EAST LLC and CSCEC MIDDLE EAST LLC	357,684,411.20			On the basis of recoverability
Harbin Electric Group Co. LTD	154,650,000.00			On the basis of recoverability
Unsold item tax	130,156,989.85			On the basis of recoverability
Ecuador's state-owned electric power holding company	121,580,021.45	68,975,660.38	56.73	On the basis of recoverability
Imprest fund	106,202,600.43	432,000.00	0.41	Individual withdrawal
Jamshoro Power Limited	58,160,166.16			On the basis of recoverability
Export tax rebate receivable	38,121,986.22			On the basis of recoverability
Capital increase	37,427,938.50			On the basis of recoverability

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

(VIII) Other receivables (Continued)

2. *Other receivables (Continued)*

(2) *Other receivables with individually accruing bad debt provision (Continued)*

Debtor	Closing balance			
	Other receivables	Bad debt provision	Proportion (%)	Reason
Ha Xiang Coal Power Plant Project Company	34,672,251.37			On the basis of recoverability
Mexico's state Electric company	29,013,208.40			On the basis of recoverability
Sinohydro 8th Engineering Bureau Co., LTD	16,910,658.27	16,910,658.27	100.00	On the basis of recoverability
Subsidiary machinery company shares	16,903,200.00	16,903,200.00	100.00	High recovery risk
DACO INTERNATIONAL PVT.COMPANY	14,789,462.31			On the basis of recoverability
Daqing Ruihao Energy Technology Co., LTD	13,995,000.00	13,995,000.00	100.00	Daqing wind power project
Other taxes receivable	13,558,159.51			On the basis of recoverability
Jilin Province Power Transmission and Transformation Engineering Company	11,958,249.89			On the basis of recoverability
Harbin Electric Machinery Factory Electromechanical Industry Company	10,515,676.92	10,515,676.92	100.00	Expected unrecoverable
Xinhua Control Engineering Co. LTD	9,238,960.00	9,238,960.00	100.00	High recovery risk
The owner of the Parkway project, National Power Parks Management Company (pvt.) Limited	8,888,832.85			On the basis of recoverability
Jamshoro tariff advance	6,021,731.48			On the basis of recoverability
TURBINE PARTS MANUFACTURERS ALLLIAN	5,499,952.80	5,499,952.80	100.00	High recovery risk
Modern Karton Sanayi ve Ticaret A.S.	5,494,473.34			On the basis of recoverability
Harbin Turbine power plant auxiliary Plant	4,861,479.49	4,861,479.49	100.00	High recovery risk

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

(VIII) Other receivables (Continued)

2. *Other receivables (Continued)*

(2) *Other receivables with individually accruing bad debt provision (Continued)*

Debtor	Closing balance			
	Other receivables	Bad debt provision	Proportion (%)	Reason
Qingdao Jieneng notes receivable	4,500,000.00	4,500,000.00	100.00	High recovery risk
Construction Bureau of Jilin Dehui Economic Development Zone	4,141,950.00			On the basis of recoverability
Daqing Longjiang Wind Power Co. LTD	3,920,000.00	3,920,000.00	100.00	Daqing wind power project
Great Leader Thermoelectric (private) Co. LTD	3,822,389.74			On the basis of recoverability
GE Global Parts & Products GmbH	3,638,520.85			On the basis of recoverability
Bangladesh electric power department	3,370,248.36	3,370,248.36	100.00	On the basis of recoverability
One-time merchant	3,323,730.00			On the basis of recoverability
Provincial Technology Import and Export Corporation	3,265,770.17	3,265,770.17	100.00	High recovery risk
Dalian Paisi Gas System Co., LTD	2,872,277.06			On the basis of recoverability
China Communications Second Aviation Engineering Survey and Design Institute Co., LTD	2,787,365.89			On the basis of recoverability
Harbin Import and Export Trade Transportation Co., LTD	2,717,000.00	2,717,000.00	100.00	High recovery risk
HABIB BANK LTD	2,307,750.00			On the basis of recoverability
Ecuador branch	2,274,771.80			On the basis of recoverability

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

(VIII) Other receivables (Continued)

2. *Other receivables (Continued)*

(2) *Other receivables with individually accruing bad debt provision (Continued)*

Debtor	Closing balance			
	Other receivables	Bad debt provision	Proportion (%)	Reason
China Coal Shaanxi Yulin Energy Chemical Co. LTD	1,807,781.73	1,807,781.73	100.00	High recovery risk
Other receivables / Other foreign receivables transferred	1,785,537.99			On the basis of recoverability
DUBAI ELECTRICITY WATER AUTHORITY	1,724,309.06			On the basis of recoverability
Vietnam gold ship project loan	1,711,798.72	1,711,798.72	100.00	Expected unrecoverable
HABIB RAFIQ (PVT) LTD	1,637,487.09			On the basis of recoverability
Harbin Turbine Equipment Plant	1,359,947.39	1,359,947.39	100.00	High recovery risk
Steam turbine equipment accessories factory in Harbin power Zone	1,223,712.04	1,223,712.04	100.00	High recovery risk
Employee reimbursement	1,057,099.48			On the basis of recoverability
deposit	1,008,600.00			deposit
Other companies	57,497,005.14	18,106,207.19	31.49	On the basis of recoverability
Total	2,409,481,396.77	189,315,053.46	7.86	

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

(VIII) Other receivables (Continued)

2. *Other receivables (Continued)*

(3) *Accounts other receivables accruing bad debt provision in credit risk characteristic portfolio*

Aging	Closing balance			Opening balance		
	Carrying Amount		Bad debt provision	Carrying Amount		Bad debt provision
	Amount	proportion (%)		Amount	proportion (%)	
Within 1 year (1 year included)	**71,545,015.49**	**26.52**	**2,785,018.01**	65,475,741.06	22.24	3,136,183.37
1–2 years (2 years included)	**17,085,610.59**	**6.33**	**4,271,402.65**	8,570,937.75	2.91	2,142,734.44
2–3 years (3 years included)	**3,610,438.35**	**1.34**	**1,805,219.18**	6,088,423.34	2.07	3,044,211.68
Over 3 years	**177,573,098.08**	**65.81**	**170,287,443.53**	214,308,816.30	72.78	205,125,093.62
Total	**269,814,162.51**	**–**	**179,149,083.37**	294,443,918.45	–	213,448,223.11

(4) *Provision for bad debts of other receivables accrued, recovered or reversed in the current period*

Bad debt provision	The first Stage Expected credit loss in the next 12 months	The second Stage Expected credit loss for the entire duration (no credit impairment occurred)	The third Stage Expected credit loss for the entire duration (credit impairment has occurred)	Total
Opening balance	257,663,376.70	6,051,361.00	234,300,904.32	498,015,642.02
The opening balance in the current period	257,663,376.70	6,051,361.00	234,300,904.32	498,015,642.02
– Transfer in the second stage				
– Transfer in the third stage				
– Transfer back to the second stage				
– Transfer back to the first stage				
Provision	109,492,348.52		2,519,338.13	112,011,686.65
Reversal	-62,438,380.03	-9,000.00	-83,750,000.00	-146,197,380.03
Resell				
Write off	-4,115,811.81			-4,115,811.81
Other changes			-91,250,000.00	-91,250,000.00
Closing balance	300,601,533.38	6,042,361.00	61,820,242.45	368,464,136.83

Allowance for bad debts was 112,011,686.65 yuan ,in the current period and 146,197,380.03 Yuan was transfer back or recovered in the current period.

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

(VIII) Other receivables (Continued)

2. Other receivables (Continued)

(5) The important write-off of accounts other receivables in this period

Debtor	Nature	Write-off amount	Reasons for writing off	Fulfilment of verification procedures	Is it due to a related transaction
Multiple accounts. – Grinding wheel	Current account	151,840.40	Harbin Electric Group asset impairment reserve financial write-off management measures, confirmed that can not be recovered.	Asset Impairment Reserve financial write-off Approval Form, Asset impairment Reserve write-off report, Harbin Electric Group financial write-off Management measures, bad debt write-off approval document, Minutes of the Company's General Manager Executive Meeting (2022) No. 54, report on bad debt write-off.	No
Multitask and account. – Other	Current account	189,158.47			No
Provincial chess institute	Current account	71,999.00			No
Road crew	Current account	597,513.94			No
Life company	Current account	505,300.00			No
Construction machinery plant	Current account	80,000.00			No
Shenyang Dongbei Electric Power Electromechanical Equipment Co., LTD	Money for materials	2,520,000.00			No
Total		4,115,811.81			

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

(VIII) Other receivables (Continued)

2. *Other receivables (Continued)*

(6) *The top five other receivables by year-end balance of arrears*

Debtor	Nature	Carrying Amount	Age	Proportion (%)	Bad debt provision
Dubai Haxiang Project Investment Company	Borrow money	**638,124,594.25**	Less than 1 year, 1–2 years, 3–4 years, 4–5 years, more than 5 years	23.82	
Zhongurban-rural (Yantai) Liquefied Natural Gas Co. LTD	Project deposit	**451,296,339.57**	Within 1 year	16.84	
China Construction Third Bureau Second Construction Engineering Co., LTD	Manufacturer's money receivable	**357,684,411.20**	Within 1 year, 1–2 years	13.35	
Harbin Electric Group Co., Ltd	Deposits	**154,650,000.00**	Within 1 year	5.77	
Ecuador's state-owned electric power holding company	The owner withheld the penalty	**121,580,021.45**	Within 1 year, 1–2 years	4.54	68,975,660.38
Total		**1,723,335,366.47**		64.32	68,975,660.38

(IX) Redemptory Monetary Capital for Sale

Items	Closing balance	Opening balance
Securities		
Notes		
Loan		
Others	**1,200,000,000.00**	1,600,000,000.00
Less: Bad debt provision	**30,000,000.00**	
Total	**1,170,000,000.00**	1,600,000,000.00

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

(X) Inventories

1. *Classification of inventory*

	Closing balance			Opening balance		
Items	Carrying Amount	Inventory impairment provision	Book value	Carrying Amount	Inventory impairment provision	Book value
Raw materials	**2,969,441,188.31**	**273,048,897.24**	**2,696,392,291.07**	3,255,335,463.43	325,444,171.40	2,929,891,292.03
Goods in process	**6,665,057,213.05**	**278,515,348.77**	**6,386,541,864.28**	6,114,201,838.67	263,564,486.57	5,850,637,352.10
Finished Goods	**370,109,608.03**	**108,265,964.39**	**261,843,643.64**	524,088,477.20	131,886,334.50	392,202,142.70
Turnover materials (packages, low-value consumables, etc.)	**29,817,304.86**	**352,055.56**	**29,465,249.30**	26,242,027.54		26,242,027.54
Contract performance cost	**124,952,885.68**	**94,305,485.29**	**30,647,400.39**	172,285,048.03	94,069,338.14	78,215,709.89
Total	**10,159,378,199.93**	**754,487,751.25**	**9,404,890,448.68**	10,092,152,854.87	814,964,330.61	9,277,188,524.26

2. *Inventory impairment provision*

		Increase		Decrease			
Items	Opening balance	**Provision**	**Others**	**Turn back**	**Resell**	**Others**	**Closing balance**
Raw materials	325,444,171.40	53,666,118.87			106,061,393.03		**273,048,897.24**
Goods in process	263,564,486.57	28,334,333.17			13,383,470.97		**278,515,348.77**
Finished Goods	131,886,334.50	36,164,693.80			59,785,063.91		**108,265,964.39**
Contract performance costs		352,055.56					**352,055.56**
Raw materials	94,069,338.14	236,147.15					**94,305,485.29**
Total	814,964,330.61	118,753,348.55			179,229,927.91		**754,487,751.25**

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

(XI) Contractual assets

1. *Details of contractual assets*

	Contractual assets
Opening balance	10,843,283,535.57
Increase	773,384,469.19
Converted in to accounts receivable in this period	2,032,637,232.59
Closing balance	9,584,030,772.17
Contract asset impairment provision	1,274,216,222.32
Net closing balance	8,309,814,549.85
Including: listed as contract assets	8,309,814,549.85
listed as other non-current assets	

2. *Provision for impairment of assets in the current period*

Items	Opening balance	Increase	Decrease	Closing balance
Reserve for impairment of contract assets	1,466,489,798.00	311,183,343.35	503,456,919.03	**1,274,216,222.32**
Total	1,466,489,798.00	311,183,343.35	503,456,919.03	**1,274,216,222.32**

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

(XII) Non-current assets due within one year

	Closing balance	Opening balance
Other bond investments	**1,282,384.84**	300,700,800.00
Long-term receivables due within one year	**293,669,976.31**	231,761,721.58
Total	**294,952,361.15**	532,462,521.58

(XIII) Other current assets

Items	Closing balance	Opening balance
Bank financial products		
Entrust loans	**290,000,000.00**	150,000,000.00
Deductible input tax and prepay VAT	**349,006,924.66**	505,929,163.44
Others		
Total	**639,006,924.66**	655,929,163.44

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

(XIV) Loans and advances issued

1. Loans and advance distributed by individual and business

Items	Closing balance	Opening balance
(1) Individual loan and advance		
–credit card		
–housing-mortgage		
–others		
(2) Business loan and advance		32,000,000.00
–loan		30,000,000.00
–discount		2,000,000.00
–others		
(3) Total loan and advance		32,000,000.00
Less: Loans impairment reserve		800,000.00
Including: individual provision amount		
Combination provision		800,000.00
(4) Book value of loans and advance		31,200,000.00

2. Loans and advance distributed by industry

Industry	Closing balance	Proportion *(%)*	Opening balance	Proportion *(%)*
Farming and animal husbandry and fishery				
Mining industry				
Realty business				
Construction industry				
Finance and insurance industry				
Other industries			32,000,000.00	100.00
Total loan and advance			32,000,000.00	100.00
Less: Loans impairment reserve			800,000.00	2.50
Including: individual provision				
Combination provision			800,000.00	2.50
Book value of loans and advance			31,200,000.00	

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

(XIV) Loans and advances issued (Continued)

3. *Loan and advance distributed by area*

Area	Closing balance	Proportion (%)	Opening balance	Proportion (%)
South China				
North China				
Other China			32,000,000.00	100.00
Total loan and advance			32,000,000.00	100.00
Less: loan impairment reserves			800,000.00	2.50
Including: individual provision				
Combination provision			800,000.00	2.50
Book value of loan and advance			31,200,000.00	

4. *Loan and advance distributed by guarantee*

Items	Closing balance	Opening balance
Credit loan		32,000,000.00
Guarantee loan		
Collateral loan		
Among: mortgage loans		
Pledge loan		
Total loan and advance		32,000,000.00
less: loan impairment reserves		800,000.00
among: individual provision		
Combination provision		800,000.00
Book value of loan and advance		31,200,000.00

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

(XIV) Loans and advances issued (Continued)

5. loan loss reserves

Items	Current period		Last period	
	Individual	Combination	Individual	Combination
Opening balance		800,000.00		630,605.00
Provision this year		-800,000.00		169,395.00
Turn out in this year				
Cancel after verification in this year				
Switch back this year				
Closing balance				800,000.00

(XV) Long term receivables

Items	Closing balance			Opening balance			Discount rate range at the end of the period *(%)*
	Carrying Amount	Bad debt provision	Book value	Carrying Amount	Bad debt provision	Book value	
Financing lease payment	396,132,810.14		396,132,810.14	251,453,934.46		251,453,934.46	5.94–8.00
Including: Unrealized financing income	26,640,117.91		26,640,117.91	38,374,242.73		38,374,242.73	5.94–8.00
Instalment for sale goods	2,828,244.76		2,828,244.76				
Instalment for offer labor service							
Others							
Total	398,961,054.90		398,961,054.90	251,453,934.46		251,453,934.46	

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

(XVI) Long-term equity investments

1. *Classification of long-term equity investment*

Items	Opening balance	Increase	Decrease	Closing balance
Investment in subsidiaries	3,000,000.00			**3,000,000.00**
Investment in cooperative enterprise	72,882,307.69	46,500,091.19		**119,382,398.88**
Investment in associated enterprise	392,591,038.18	41,192,903.89	91,037,668.14	**342,746,273.93**
Subtotal	468,473,345.87	87,692,995.08	91,037,668.14	**465,128,672.81**
Less: impairment for long term equity investments	87,811,282.29			**87,811,282.29**
Total	380,662,063.58	87,692,995.08	91,037,668.14	**377,317,390.52**

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

(XVI) Long-term equity investments (Continued)

2. Details of long-term equity investment

Investee	Opening balance	Changes in the current period							Closing balance	Provision for impairment loss	Impairment provision at the end of the year
		Increase	Decrease	Under the equity method to confirm the investment profit and loss	Other comprehensive income adjustment	Other equity changes	Declaration of cash dividends or profits	Others			
1. Investment in subsidiaries											
Shenzhen Haradong Huihua Industry and Trade Co., LTD	3,000,000.00								3,000,000.00		3,000,000.00
Subtotal	3,000,000.00								3,000,000.00		3,000,000.00
2 Cooperative enterprise											
Harbin Electric General Gas Turbine (Qinhuangdao) Co. LTD	72,431,212.00	58,500,000.00		-13,548,813.12					117,382,398.88		
Harbin Qingfeng New Energy Co., LTD		2,000,000.00							2,000,000.00		
Russia-china Electric Power Equipment Co., LTD	451,095.69			-451,095.69							
Subtotal	72,882,307.69	60,500,000.00		-13,999,908.81					119,382,398.88		
3 Associates											
Ge – Harbin Power Energy Services (Qinhuangdao) Co., LTD	162,911,833.94			18,262,895.77			83,649,184.00		97,525,545.71		
Harbin Hardian Liling Hydropower Equipment New Technology Development Co., LTD	7,707,006.74			266,782.24			138,376.53		7,835,412.45		
Harbin Huitong Electric Power Engineering Co. LTD	10,461,301.59			4,067,744.64			3,096,402.74		11,432,643.49		
Hunan Wuling Ha Electric Energy Efficiency Technology Co. LTD	1,350,355.16	1,800,000.00		1,098,907.12					4,249,262.28		
Harbin Ruifeng New Energy Co. LTD	32,813,923.62	14,700,000.00		7,000,160.99			4,153,704.87		50,360,379.74		
Shenyang Dewatt Steam Turbine Power Co. LTD	51,129,085.68			-6,085,320.03					45,043,765.65		
Liaocheng Xiangguang Power Generation Co. LTD	116,179,000.00								116,179,000.00		84,811,282.29
Harbin Electric Power (Dalian) Design Co., LTD	10,038,531.45			81,733.16					10,120,264.61		
Subtotal	392,591,038.18	16,500,000.00		24,692,903.89			91,037,668.14		342,746,273.93		84,811,282.29
Total	468,473,345.87	77,000,000.00		10,692,995.08			91,037,668.14		465,128,672.81		87,811,282.29

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

(XVII) Other equity instruments investments

1. *Details of other equity instruments*

Items	Closing balance	Opening balance
China United Heavy Gas Turbine Technology Co. LTD	**132,000,000.00**	132,000,000.00
Jiangsu Fenghai New Energy Desalination Seawater Co. LTD	**30,000,000.00**	30,000,000.00
Heilongjiang Xintian Hadian New Energy Investment Co. LTD	**2,461,700.00**	2,000,000.00
Beijing Full three-dimensional Power Engineering Co., LTD	**400,000.00**	400,000.00
Harbin Power Equipment Logistics Co. LTD	**1,000,000.00**	1,000,000.00
Jin Hui Zhaofeng Energy Co. LTD	**44,473,416.18**	44,473,416.18
Tianjin Binhai Industry Fund Management Co. LTD	**20,000,000.00**	20,000,000.00
Xinjiang Gezhouba Dashixia Water Conservancy Project Development Co. LTD	**34,905,700.00**	22,150,000.00
Tianjin Bo Steel No.14 Enterprise Management (Limited partnership)	**1,718,984.80**	1,718,984.80
China Southern Power Grid Energy Storage Co. LTD	**568,163,905.26**	
Harbin Neng Chuang Digital Technology Co., LTD	**10,000,000.00**	
Total	**845,123,706.24**	253,742,400.98

2. *The important other equity instruments investments at the end of year*

Items	The cost of investment.	Changes in

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

(XVIII) Investment property

1. *Investment properties measured by cost*

Items		Opening balance	Increase	Decrease	Closing balance
(I)	Original carrying value	314,608,021.86	22,109,680.00	58,614,314.62	**278,103,387.24**
	Housing and buildings	314,298,021.86	22,109,680.00	58,614,314.62	**277,793,387.24**
	Land use rights	310,000.00			**310,000.00**
(II)	Accumulated depreciation and accumulated amortisation	122,510,435.37	17,205,020.23	34,342,350.54	**105,373,105.06**
	Housing and buildings	122,443,784.94	17,198,820.24	34,342,350.54	**105,300,254.64**
	Land use rights	66,650.43	6,199.99	0.00	**72,850.42**
(III)	Total net book value	192,097,586.49			**172,730,282.18**
	Housing and buildings	191,854,236.92			**172,493,132.60**
	Land use rights	243,349.57			**237,149.58**
(IV)	Provision for impairment				
	Housing and buildings				
	Land use rights				
(V)	Carrying Value	192,097,586.49			**172,730,282.18**
	Housing and buildings	191,854,236.92			**172,493,132.60**
	Land use rights	243,349.57			**237,149.58**

(XIX) Fixed assets

Items	Closing balance	Opening balance
Fixed assets	**5,984,642,064.17**	5,412,526,694.03
Fixed assets cleanup	**213,616.88**	
Total	**5,984,855,681.05**	5,412,526,694.03

Note: The fixed assets in the above table refer to the fixed assets after deducting the liquidation of fixed assets.

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

(XIX) Fixed assets (Continued)

1. *Details of fixed assets*

Items		Opening balance	Increase	Decrease	Closing balance
1.	Original carrying value in total	14,931,804,461.28	1,260,931,246.35	163,022,152.08	**16,029,713,555.55**
	Housing and buildings	5,214,969,438.62	488,683,897.17	49,547,777.39	**5,654,105,558.40**
	Machinery and equipment	8,081,169,960.81	635,753,429.98	57,690,415.39	**8,659,232,975.40**
	Motor vehicles	355,038,516.49	6,355,005.49	12,291,518.27	**349,102,003.71**
	Electronic equipment	724,414,440.58	84,954,330.84	31,430,119.94	**777,938,651.48**
	Office equipment and others	556,212,104.78	45,184,582.87	12,062,321.09	**589,334,366.56**
2.	Accumulated depreciation in total	9,469,795,888.44	662,205,627.62	137,972,579.91	**9,994,028,936.15**
	Housing and buildings	1,984,552,905.41	192,248,613.06	31,912,372.42	**2,144,889,146.05**
	Machinery and equipment	6,163,299,977.87	384,883,334.03	54,625,003.45	**6,493,558,308.45**
	Motor vehicles	320,697,044.91	8,528,624.63	11,926,860.65	**317,298,808.89**
	Electronic equipment	595,192,610.04	40,060,364.59	27,770,937.69	**607,482,036.94**
	Office equipment and others	406,053,350.21	36,484,691.31	11,737,405.70	**430,800,635.82**
3.	Net book value in total	5,462,008,572.84	–	–	**6,035,684,619.40**
	Housing and buildings	3,230,416,533.21	–	–	**3,509,216,412.35**
	Machinery and equipment	1,917,869,982.94	–	–	**2,165,674,666.95**
	Motor vehicles	34,341,471.58	–	–	**31,803,194.82**
	Electronic equipment	129,221,830.54	–	–	**170,456,614.54**
	Office equipment and others	150,158,754.57			**158,533,730.74**
4.	Provision for impairment in total	49,481,878.81	1,608,130.21	47,453.79	**51,042,555.23**
	Housing and buildings	12,344,563.98			**12,344,563.98**
	Machinery and equipment	35,941,868.02	1,608,130.21	46,829.13	**37,503,169.10**
	Motor vehicles	1,150,808.70			**1,150,808.70**
	Electronic equipment	44,638.11		624.66	**44,013.45**
	Office equipment and others				
5.	Carrying value in total	5,412,526,694.03	–	–	**5,984,642,064.17**
	Housing and buildings	3,218,071,969.23	–	–	**3,496,871,848.37**
	Machinery and equipment	1,881,928,114.92	–	–	**2,128,171,497.85**
	Motor vehicles	33,190,662.88	–	–	**30,652,386.12**
	Electronic equipment	129,177,192.43	–	–	**170,412,601.09**
	Office equipment and others	150,158,754.57	–	–	**158,533,730.74**

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

(XIX) Fixed assets (Continued)

2. *Fixed assets without property certificates*

Items	Book value	Reasons for without property certificates
Land assets		
Housing and buildings	377,293,938.46	Part of land use rights and property ownership of the Company were dealt separately. The properties were not registered with property certificates.

3. *Disposal of fixed assets*

Items	Book value in closing balance	Book value in opening balance	Reason for disposal
Machinery and equipment	77,391.87		Scrapped disposal of fixed assets
Electronic equipment	136,225.01		Scrapped disposal of fixed assets
Total	213,616.88		

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

(XX) Construction in progress

Items	Closing balance			Opening balance		
	Remaining carrying amount	Provision for impairment	Carrying value	Remaining carrying amount	Provision for impairment	Carrying value
Ecological Environmental Protection Project	**24,327,521.20**		**24,327,521.20**	52,542,003.28		52,542,003.28
Equipment renovation project	**24,153,717.17**		**24,153,717.17**			
Development support project	**16,280,733.83**		**16,280,733.83**	18,219,698.54		18,219,698.54
Technical transformation project	**15,598,728.68**		**15,598,728.68**	6,323,349.03		6,323,349.03
Equipment purchase and installation	**15,036,595.59**		**15,036,595.59**	5,024,762.60		5,024,762.60
Five key projects	**13,166,049.67**		**13,166,049.67**	8,624,596.63		8,624,596.63
High temperature reactor project	**9,002,057.65**		**9,002,057.65**			
High temperature and high pressure large flow valve digital intelligent test platform system FX-044	**6,017,699.12**		**6,017,699.12**			
Anhuan Project	**3,138,776.86**		**3,138,776.86**	3,064,242.31		3,064,242.31
Dehui 1×40MW Biological Resources Cogeneration Project				326,084,937.48		326,084,937.48
Construction project				14,542,866.66		14,542,866.66
Wangkui 1×40MW Biological Resources Cogeneration Project				282,887,881.71		282,887,881.71
Other projects	**48,724,556.32**	**1,847,550.32**	**46,877,006.00**	2,805,488.12	636,749.46	2,168,738.66
Engineer material	**36,299,683.00**		**36,299,683.00**	30,727,523.79		30,727,523.79
Total	**211,746,119.09**	**1,847,550.32**	**209,898,568.77**	750,847,350.15	636,749.46	750,210,600.69

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

(XX) Construction in progress (Continued)

1. *Significant changes in construction in progress*

Unit: Ten thousand yuan

Project	Budget	Opening 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
Wangkui 1×40MW Biological Resources Cogeneration Project	45,682.00	28,288.79	9,426.58	37,715.37			82.56	82.56	719.92	648.50	3.88	Higher-level allocation and self-financing
Dehui 1×40MW Biological Resources Cogeneration Project	47,433.00	32,608.49	8,427.09	41,031.62	3.96		86.50	86.50	1,006.47	809.06	3.90	Higher-level allocation and self-financing
High temperature and high pressure large flow valve digital intelligent test platform system FX-044	2,800.00		601.77			601.77	21.00	21.00				Self-financing
Equipment purchase and installation	2,900.00	502.48	3,715.70	2,714.52		1,503.66	64.00	64.00				Self-raises
Ecological Environmental Protection Project	29,888.00	5,254.20	1,147.62	3,964.82	4.25	2,432.75	83.55	95.00				Self-raises
Five key projects	2,340.00	862.46	454.15			1,316.61	43.00	85.00				State appropriation2110 self-raises 230
Construction project	45,700.00	1,454.29		1,454.29			100.00	100.00				Group appropriation
Total	176,743.00	68,970.71	23,772.91	86,880.62	8.21	5,854.79			1,726.39	1,457.56		

2. *Details of provision for construction in progress in the current period*

Items	Accrued in the current period	Reasons for accrued
Other projects	1,210,800.86	
Total	1,210,800.86	–

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

(XX) Construction in progress (Continued)

3. Construction materials

Items	Closing balance	Opening balance
Electronic equipment	**36,299,683.00**	30,727,523.79
Total	**36,299,683.00**	30,727,523.79

(XXI) Intangible assets

Items	Opening balance	Increase	Decrease	Closing balance
Original carrying value in total	1,868,724,740.81	23,086,308.97	3,258,212.60	**1,888,552,837.18**
Software	166,724,773.85	22,485,784.57		**189,210,558.42**
Land use rights	836,660,164.53	600,524.40		**837,260,688.93**
Patent	6,351,035.66			**6,351,035.66**
Non-patented technology	231,095,851.11		16,161.72	**231,079,689.39**
Franchise	624,445,532.55			**624,445,532.55**
Others	3,447,383.11		3,242,050.88	**205,332.23**

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

(XXI) Intangible assets (Continued)

Items	Opening balance	Increase	Decrease	Closing balance
Accumulated amortization in total	896,575,172.31	93,229,968.52	1,843,406.66	**987,961,734.17**
Software	80,673,617.75	17,523,229.90		**98,196,847.65**
Land use rights	307,213,736.33	16,540,444.04		**323,754,180.37**
Patent	3,480,966.24	292,595.55		**3,773,561.79**
Non-patented technology	201,697,281.14	2,901,640.66		**204,598,921.80**
Franchise	301,666,164.19	55,972,058.37		**357,638,222.56**
Others	1,843,406.66		1,843,406.66	
Provision for impairment in total	10,630,751.38			**10,630,751.38**
Software	2,137,376.41			**2,137,376.41**
Land use rights				
Patent				
Non-patented technology	8,402,511.71			**8,402,511.71**
Franchise				
Others	90,863.26			**90,863.26**
Book value in total	961,518,817.12			**889,960,351.63**
Software	83,913,779.69			**88,876,334.36**
Land use rights	529,446,428.20			**513,506,508.56**
Patent	2,870,069.42			**2,577,473.87**
Non-patented technology	20,996,058.26			**18,078,255.88**
Franchise	322,779,368.36			**266,807,309.99**
Others	1,513,113.19			**114,468.97**

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

(XXII) Development disbursements

Items	Opening balance	Increase		Decrease			Closing balance
		Internal development expenditure	others	Confirmed as intangible assets	Recorded into the profits and losses of the current period	others	
Capitalization Expenditure-Major Special Project-CPA1400 Canned Motor Pump (Motor) Rotor Shaft Alternative Material Development	28,953,501.03	36,315,920.26			34,599,776.52	30,669,644.77	
Digital twin project		22,232,407.39					22,232,407.39
Research and demonstration of key technologies of carbon dioxide storage by adsorption and compression		12,728,155.39					12,728,155.39
State-owned capital project	11,490,566.07						11,490,566.07
ERP Phase II Project	11,074,528.32	3,164,150.95					14,238,679.27
Harbin Electric Group Customer Relationship Management System Phase I	315,143.59	320,754.71					635,898.30
Archival and electronic business document information platform construction project	171,180.01						171,180.01
Turbine Welded Rotor	7,678,610.56					7,678,610.56	
Development of Nuclear Power Bypass Control Valve	4,198,053.29	4,708,321.43			378,791.76		8,527,582.96
Petrochemical high-end ball butterfly valve development		1,531,585.08			112,429.38		1,419,155.70
Harbin Electric Group state-owned assets online supervision platform (the first stage) project		610,619.47					610,619.47
Harbin Electric Group ERP phase III service project		3,860,377.36					3,860,377.36
Harbin Electric Group master data Management Phase III project		828,301.88					828,301.88
State-owned assets supervision and accountability work information system project		113,309.74					113,309.74
New energy primary frequency modulation system		452,830.18		452,830.18			
State-owned capital project and Others	42,343,239.59	34,537,731.87	601,698.12	3,518,346.12	30,802,194.57	19,674,017.63	23,488,111.26
Total	106,224,822.46	121,404,465.71	601,698.12	3,971,176.30	65,893,192.23	58,022,272.96	100,344,344.80

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

(XXIII) Goodwill

Investee	Opening balance	Increase	Decrease	Closing balance
Jilin Zesheng Environmental Protection Engineering Co. LTD	23,919,751.92			23,919,751.92
Total	23,919,751.92			23,919,751.92

(XXIV) Long-term deferred expenses

Items	Opening balance	Increase in the period	Amortised in the period	Other decreased amount	Closing balance
Jiangbei office building decoration	3,847,154.62		2,564,769.78	1,282,384.84	
Improvement of fixed assets	2,979,021.10		1,139,876.54		1,839,144.56
Office building renovation costs	635,646.55		200,730.48		434,916.07
Others	26,285.71	430,000.00	456,285.71		
Total	7,488,107.98	430,000.00	4,361,662.51	1,282,384.84	2,274,060.63

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

(XXV) Deferred tax assets and Deferred tax liabilities

1. Deferred tax assets and deferred tax liabilities are not presented on a net basis

Items	Closing balance		Opening balance	
	Deferred tax assets or liabilities	Deductible or Taxable Temporary Differences	Deferred tax assets or liabilities	Deductible or Taxable Temporary Differences
Deferred income tax assets	**723,805,905.84**	**4,829,831,105.15**	738,010,696.54	5,176,193,306.97
Impairment of assets	**437,243,261.79**	**2,924,249,450.37**	425,215,771.61	2,902,989,735.32
Changes in fair value of hedging instruments included in other comprehensive interests			-175,200.00	-700,800.00
Deductible loss	**2,205.00**	**14,700.00**	70,009.28	466,728.52
Changes in fair value of hedging instruments	**963,511.22**	**6,423,408.10**		
Estimate liabilities	**266,296,843.88**	**1,770,476,320.37**	288,906,697.45	2,113,481,521.86
Dismission welfare	**19,300,083.95**	**128,667,226.31**	23,993,418.20	159,956,121.36
Deferred income tax liabilities	**10,224,586.23**	**68,163,908.19**		
Changes in fair value of hedging instruments included in other comprehensive interests	**10,224,586.23**	**68,163,908.19**		

2. Breakdown of unrecognized deferred income tax assets

Items	Closing balance	Opening balance
Deductible loss	**2,458,662,753.98**	2,985,499,823.65
Deductible temporary difference	**2,623,202,723.63**	6,592,678,268.05
Total	**5,081,865,477.61**	9,578,178,091.70

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

(XXV) Deferred tax assets and Deferred tax liabilities (Continued)

3. Unrecognized deferred income tax assets will expire in the following years

Year	Closing balance	Opening balance	Notes
2022		22,779,846.84	
2023	**117,183,069.05**	114,846,703.92	
2024	**880,172,410.45**	1,423,289,378.17	
2025	**361,727,743.47**	561,307,322.96	
2026	**3,066,885.25**	597,666,967.12	
2027	**26,220,889.80**		
2028	**104,895,373.17**	120,556,673.81	
2029		109,813,020.21	
2030	**35,239,910.62**	35,239,910.62	
2031	**930,156,472.17**		
Total	**2,458,662,753.98**	2,985,499,823.65	

(XXVI) Other non-current assets

Items	Closing balance	Opening balance
Outsourcing the development of software systems	**30,305,158.52**	
Other	**25,011.28**	
Total	**30,330,169.80**	

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

(XXVII) Short-term borrowings

Items	Closing balance	Opening balance
Pledged loan	**10,000,000.00**	
Guaranteed loan		155,000,000.00
Credit loan	**4,802,857,850.77**	5,068,060,625.25
Interest payable before maturity		
Total	**4,812,857,850.77**	5,223,060,625.25

(XXVIII) Notes payable

Type	Closing balance	Opening balance
Bank acceptance	**4,143,134,187.29**	5,966,645,557.86
Business acceptance	**2,905,327,909.26**	1,291,021,290.26
Total	**7,048,462,096.55**	7,257,666,848.12

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

(XXIX) Accounts payable

Aging	Closing balance	Opening balance
Within 1 year (1 year included)	**11,288,408,105.28**	11,119,876,552.54
1–2 years (2 year included)	**1,194,304,241.76**	1,045,491,677.88
2–3 years (3 year included)	**334,659,482.02**	867,841,747.48
Over 3 years	**979,293,887.87**	842,753,341.52
Total	**13,796,665,716.93**	13,875,963,319.42

Significant accounts payable aging for more than a year:

Creditor	Closing balance	Reason for outstanding or not paying back
Harbin Guanghan Power Technology Development Co., LTD	**65,677,084.17**	Not settled yet
China First Heavy Machinery Corporation	**57,238,934.69**	Not settled yet
Harbin Huaqiang Power Station Equipment Repair Co. LTD	**50,206,554.17**	Not settled yet
Jingdezhen Mingxing Aviation Forging Co. LTD	**47,294,087.15**	Not settled yet
Liaoning Fu Saddle Heavy Industry Co. LTD	**46,694,154.62**	Not settled yet
Wuxi Turbine Blade Co., LTD	**43,567,798.16**	Not settled yet
China Communications Second Aviation Engineering Survey and Design Institute Co., LTD	**42,824,680.63**	The contract has not yet been fulfilled
Northeast Electric Power Design Institute of China Power Engineering Consulting Group	**40,414,805.31**	The contract has not yet been fulfilled
Dalian Huarui Heavy Industry Casting Co. LTD	**39,513,852.07**	Not settled yet
Dalian Huarui Heavy Industry International Trade Co. LTD	**38,393,993.50**	The contract has not yet been fulfilled
China Construction Steel Structure Co. LTD	**36,377,207.74**	The contract has not yet been fulfilled
Shenyang Kejin Special Materials Co., LTD	**33,706,025.82**	Not settled yet
SAUDI ARABIAN AMIANTIT COMPANY	**33,328,247.69**	The contract has not yet been fulfilled

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

(XXIX) Accounts payable (Continued)

Creditor	Closing balance	Reason for outstanding or not paying back
Shanghai Blower Factory Co. LTD	32,023,567.00	The contract has not yet been fulfilled
Harbin Shengyuan Forging Co. LTD	31,634,763.97	Not settled yet
Chongqing ABB Transformer Co. LTD	29,772,828.47	The contract has not yet been fulfilled
China Power Engineering Consulting Group Zhongnan Electric Power Design Institute Co. LTD	27,287,500.00	The contract has not yet been fulfilled
Hangzhou Boiler Group Co., Ltd.	21,680,000.00	The contract has not yet been fulfilled
China Huadian Technology & Industry Group Co. LTD	20,490,426.95	The contract has not yet been fulfilled
Jiaozuo Coresen Reassembly Co., LTD	19,854,000.00	The contract has not yet been fulfilled
Jilin Province Power Transmission and Transformation Engineering Company	18,127,558.03	The contract has not yet been fulfilled
Schneider Electric (Xiamen) Switchgear Co., LTD	17,869,013.96	The contract has not yet been fulfilled
Wuxi Zhixin Steel Structure Engineering Co. LTD	16,333,806.83	The contract has not yet been fulfilled
China Power Construction Group Beijing Survey and Design Institute Co. LTD	16,184,969.16	Not to the payment node
Hautenhua Engineering Co. LTD	15,540,000.00	The amount owed is the quality guarantee and is not due
Dalian Paisi Gas System Co., LTD	15,267,458.80	The contract has not yet been fulfilled
Shandong Luneng Taishan Cable Co. LTD	13,741,067.50	The contract has not yet been fulfilled
Anhui Guodian Cable Group Co. LTD	13,713,651.40	The contract has not yet been fulfilled
Power China Group Changchun Power Generation Equipment Co. LTD	13,589,025.50	The contract has not yet been fulfilled
Xiamen ABB Low Voltage Electrical Equipment Co., LTD	12,760,020.04	The contract has not yet been fulfilled
Bohai Heavy Industry Pipeline Co. LTD	12,422,137.40	The contract has not yet been fulfilled
Nantong Xiaoxing Transformer Co., LTD	11,429,320.00	The contract has not yet been fulfilled
Jiangsu Huaneng Power Station Auxiliary Equipment Co. LTD	11,027,589.01	The contract has not yet been fulfilled
Anhui Pacific Cable Co. LTD	9,213,004.98	The contract has not yet been fulfilled
Henan Weihua Heavy Machinery Co., LTD	8,968,690.80	The contract has not yet been fulfilled

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

(XXIX) Accounts payable (Continued)

Creditor	Closing balance	Reason for outstanding or not paying back
Tieling Valve (Group) Special Valve Co. LTD	**8,894,869.43**	The contract has not yet been fulfilled
ARABIAN COMPANY FOR WATER PIPE INDUSTRY LTD	**8,668,972.92**	The contract has not yet been fulfilled
Jiangsu Darun Electric Power Equipment Co., LTD	**8,554,986.22**	The contract has not yet been fulfilled
Xi'an Xidan International Engineering Co. LTD	**8,550,000.00**	The contract has not yet been fulfilled
Beijing SPC Environment Protection Tech Co., Ltd.	**8,529,820.26**	The contract has not yet been fulfilled
Andritz AG	**8,420,358.41**	Unfinished
Zhongshan Zhongju Heyao Technology Co., LTD	**8,369,909.00**	The amount owed is the quality guarantee and is not due
Nanjing Nanrui Jibao Engineering Technology Co., LTD	**8,275,165.31**	The warranty is not due
China Construction Third Bureau Second Construction Engineering Co., LTD	**8,109,250.04**	The contract has not yet been fulfilled
Xi'an Xidan Switch Electric Co. LTD	**8,063,865.00**	The contract has not yet been fulfilled
Zhongshui Northeast Survey Design Research Co., LTD	**8,058,895.54**	Not to the payment node
Jiangsu Mecailong Steel Co. LTD	**7,776,238.00**	The amount owed is the quality guarantee and is not due
Beijing Star Aviation electrical Equipment Factory	**7,200,000.00**	Unterminated contract
Zhuozhou Branch of China Railway Construction Group Co. LTD	**6,986,270.00**	The amount owed is the quality guarantee and is not due
Guizhou Aerospace Xinli Casting & Forging Co. LTD	**6,786,263.91**	Unfinished
Xinjiang Zhonghui Dexin Metal Products Co., LTD	**5,619,998.00**	The amount owed is the quality guarantee and is not due
Guodian Nanrui Technology Co., LTD	**5,222,181.08**	The warranty is not due
Total	**1,096,254,868.64**	–

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

(XXX) Advances from customers

Items	Closing balance	Opening balance
Rent received in advance	**1,422,059.69**	
Total	**1,422,059.69**	

(XXXI) Contract liabilities

	Contract liabilities
Opening balance	15,045,611,306.96
Increase in this period	10,302,034,827.83
Interest adjustment	
The income confirmed in the current period includes the income in the balance at the beginning of the year.	7,919,210,997.97
Closing balance	17,428,435,136.82
Including: listed as contract liabilities	17,428,435,136.82
listed as other non-current liabilities	

(XXXII) Deposits and placements from other financial institutions

Items	Closing balance	Opening balance
Current account balances	**491,723,187.93**	171,359,265.43
Time deposits		10,000,000.00
Notice deposit	**147,920,000.00**	184,567,820.00
Letter of indemnity		
Other deposits (including outward remittance, payable remittance, etc.)		
Total	**639,643,187.93**	365,927,085.43

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

(XXXIII) Employee benefits payable

1. *Listed salary payable*

Items	Opening balance	Increase	Decrease	Closing balance
1. Short term compensation	438,282,491.34	2,310,002,856.47	2,247,951,706.07	**500,333,641.74**
2. Retirement benefit- Established Withdrawal and Deposit Scheme	487,930.00	290,380,580.60	290,635,853.20	**232,657.40**
3. Termination benefits	74,050,277.70	67,313,859.17	78,091,282.83	**63,272,854.04**
4. Other benefits due within one year				
5. Others	14,218,018.70	1,443,004.44	4,563,119.40	**11,097,903.74**
Total	527,038,717.74	2,669,140,300.68	2,621,241,961.50	**574,937,056.92**

2. *Short-term Remuneration*

Items	Opening balance	Increase	Decrease	Closing balance
1. Salary, inducement, allowance, and subsidies	181,109,149.95	1,711,970,998.19	1,668,913,635.44	**224,166,512.70**
2. Employee benefits fee	18,192.00	172,823,631.64	172,841,823.64	
3. Social insurance fee	37,915.37	138,808,916.85	138,779,850.73	**66,981.49**
Of which: medical insurance fee and maternity insurance fee		118,547,749.32	118,547,749.32	
Work injury insurance fee		10,154,275.76	10,154,263.23	**12.53**
others	37,915.37	10,106,891.77	10,077,838.18	**66,968.96**
4. Housing provident fund	128,400.00	180,673,347.80	180,673,347.80	**128,400.00**
5. Staff Union fee and Staff training cost	256,988,761.02	59,300,456.57	40,317,543.04	**275,971,674.55**
6. Short-term paid leave		23,600.00	23,600.00	
7. Short-term profit-sharing plan				
8. Other short-term remuneration	73.00	46,401,905.42	46,401,905.42	**73.00**
Total	438,282,491.34	2,310,002,856.47	2,247,951,706.07	**500,333,641.74**

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

(XXXIII) Employee benefits payable (Continued)

3. Established withdrawal and deposit scheme

Items	Opening balance	Increase	Decrease	Closing balance
1. Basic retirement insurance		224,957,803.88	224,957,803.88	
2. Unemployment insurance fee		6,899,310.05	6,898,263.49	**1,046.56**
3. Corporate annuity	487,930.00	58,523,466.67	58,779,785.83	**231,610.84**
Total	487,930.00	290,380,580.60	290,635,853.20	**232,657.40**

(XXXIV) Taxes and surcharges payable

Items	Opening balance	Payable	Paid	Closing balance
VAT	224,355,180.95	1,986,434,766.98	1,764,933,142.54	**445,856,805.39**
Enterprise income tax	23,058,443.93	65,981,927.74	84,087,784.56	**4,952,587.11**
Urban maintenance and construction tax	8,871,295.07	41,710,323.74	33,195,975.89	**17,385,642.92**
Property Tax	3,152,712.66	48,995,695.44	48,859,860.55	**3,288,547.55**
Land use tax	2,093,061.24	27,350,817.69	27,354,789.37	**2,089,089.56**
Individual income tax	13,774,599.64	34,153,659.59	34,097,821.19	**13,830,438.04**
Educational Surtax	6,388,389.43	29,733,252.18	23,706,200.45	**12,415,441.16**
Others	72,648,808.13	4,480,459,824.12	4,396,765,019.10	**156,343,613.15**
Total	354,342,491.05	6,714,820,267.48	6,413,000,593.65	**656,162,164.88**

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

(XXXV) Other payables

Items	Closing balance	Opening balance
Interest payable	**11,981,664.53**	9,621,878.32
Dividend payable	**3,482,983.73**	3,482,486.16
Other payables	**447,273,849.86**	531,441,081.36
Total	**462,738,498.12**	544,545,445.84

Note: Other payables in the above table refer to other payables after deducting interest payable and dividends payable.

1. *Interest payable*

Items	Closing balance	Opening balance
Interest for long-term borrowings	**43,058.53**	
Interest of corporate bond		
Interest payable of short-term borrowings	**5,011,740.06**	2,716,877.51
others	**6,926,865.94**	6,905,000.81
Total	**11,981,664.53**	9,621,878.32

2. *Dividends payable*

Items	Closing balance	Opening balance
Common stock dividends	**3,482,983.73**	3,482,486.16
Total	**3,482,983.73**	3,482,486.16

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

(XXXV) Other payables (Continued)

3. *Other payables*

(1) *Other payable shown as nature*

Items	Closing balance	Opening balance
Account current	**264,900,069.41**	325,656,613.77
Insurance payouts	**44,829,966.60**	55,263,720.84
Cash pledge, margin and so on	**74,670,568.29**	26,971,718.34
Funds for Party Building	**18,759,566.97**	11,063,478.17
Interbank Funding		83,520,880.00
Remittances and temporary deposits payable	**18,350,580.49**	20,469,147.72
Others	**25,763,098.10**	8,495,522.52
Total	**447,273,849.86**	531,441,081.36

(2) *Significant other payables aged over 1 year*

Creditors	Closing balance	Reasons for
North Heavy Industries Group Co. LTD	**32,706,000.00**	The contract is not over
Funds for Party building	**18,759,566.97**	

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

(XXXVI) Current portion of non-current liabilities

Items	Closing balance	Opening balance
Long-term borrowings due within one year	**376,797,151.00**	1,188,794,302.00
Lease liabilities due within 1 year	**25,263,157.88**	
Total	**402,060,308.88**	1,188,794,302.00

(XXXVII) Other current liabilities

Items	Closing balance	Opening balance
Commercial acceptance bill transferred re368.504 454.411 85.039 -13 re21sut0 ctS0 g0.028 Tw 35.083 0 Td(25,263,157.88)TjE		

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

(XXXIX) Lease liabilities

Items	Closing balance	Opening balance
Lease payments	**127,214,385.95**	
Less: Unrecognized financing expenses	**13,530,175.42**	
Reclassified to current portion of non-current liabilities	**25,263,157.88**	
Net lease liabilities	**88,421,052.65**	

(XL) Long-term payables

Items	Opening balance	Increase	Decrease	Closing balance
Long-term payables	1,000,000.00	1,682,102.42		**2,682,102.42**
Special payables	19,419,794.29			**19,419,794.29**
Total	20,419,794.29	1,682,102.42		**22,101,896.71**

Note: Long-term payables above refers to long-term payables after deducting special payables.

1. The top five items of Long-term payables at the end of the year

Items	Closing balance	Opening balance
Total	**2,682,102.42**	1,000,000.00
Including: Harbin Electric Corporation	**1,000,000.00**	1,000,000.00
Hainan photovoltaic project financing procurement	**1,682,102.42**	

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

(XLV) Paid-in capital

Investors	Opening balance		Increase	Decrease	Closing balance	
	Investment amount	Percentage (%)			Investment amount	Percentage (%)
Harbin Electric Corporation	1,030,952,000.00	60.41			1,030,952,000.00	60.41
Overseas-listed shares	675,571,000.00	39.59			675,571,000.00	39.59
Total	1,706,523,000.00	100.00			1,706,523,000.00	100.00

(XLVI) Capital reserve

Items	Opening balance	Increase	Decrease	Closing balance
1. Capital surplus (share premium)	4,298,019,065.66			4,298,019,065.66
2. Other capital surplus	40,717,926.46			40,717,926.46
Total	4,338,736,992.12			4,338,736,992.12
Of which: State-owned exclusive capital reserve				

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

(XLVII) Specialized reserve

Items	Opening balance	Increase	Decrease	Closing balance	Notes
Production safety charges	43,527,398.71	**29,301,504.44**	**27,349,102.09**	**45,479,801.06**	
Total	43,527,398.71	**29,301,504.44**	**27,349,102.09**	**45,479,801.06**	–

(XLVIII) Surplus reserve

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserve	809,136,649.47	79,713,052.63		**888,849,702.10**
Total	809,136,649.47	79,713,052.63		**888,849,702.10**

(XLIX) Retained earnings

Items	Current period	Last period
Balance before adjustment at the end of preceding period	**4,679,669,917.68**	8,799,327,500.41
Add: Increase due to adjustment (or less: decrease)		
Opening balance after adjustment	**4,679,669,917.68**	8,799,327,500.41
Add: Net profit attributable to owners of the parent company	**98,638,427.66**	-4,142,448,248.42
Less: Appropriation of statutory surplus reserve	**79,713,052.63**	
Appropriation of discretionary surplus reserve		
Dividend payable on ordinary shares		18,771,753.01
Others		
add: Surplus reserve to cover losses		
Other comprehensive income carried forward to retained earnings		-177,862,593.41
Others		219,425,012.11
Closing balance	**4,698,595,292.71**	4,679,669,917.68

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

(L) Operating revenue and operating cost

		Current period		Last period	
Segmented industries	**Composition of industry**	**Revenue**	**Cost**	Revenue	Cost
New power equipment	Coal power industry	**6,834,068,488.60**	**5,914,634,155.35**	4,960,636,368.49	5,066,202,244.46
	Hydropower industry	**2,752,832,540.92**	**2,303,474,417.35**		

6,834,068,488.60

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

(LI) Net interest income

Items	Current period	Last period
(I) Interest income	**340,467,199.43**	344,448,901.43
1. Deposits in other banks	**235,024,808.66**	250,878,318.76
2. Deposit in central bank	**11,057,900.61**	11,174,416.57
3. Loans to other banks	**41,858,888.89**	32,332,499.99
4. Loans and advances paid	**19,130,289.70**	14,414,387.13
Including: Individual loans and advances		
Company loans and advances	**262,611.02**	1,215,566.03
Discounted notes	**18,867,678.68**	13,198,821.10
5. Buy in and return to and sell the financial assets	**33,341,789.14**	35,618,739.77
6. Bond investments		
7. Others	**53,522.43**	30,539.21
Including: Impaired financial asset interest income		
(II) Interest expense	**15,449,717.68**	8,707,374.94
1. Deposits from other banks		
2. Borrowings from central bank	**966,743.62**	1,079,587.80
3. Borrowings from other banks	**225,000.00**	204,166.67
4. Deposits taking	**12,555,815.48**	5,819,313.76
5. Proceeds of REPO financial assets	**1,702,139.17**	1,604,306.71
6. Issue of bonds		
7. Others	**19.41**	
(III) Net interest income	**325,017,481.75**	335,741,526.49

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

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

Items	Current period	Last period
(I) Revenue from handling charges and commission		
1. Settlement and clearing fees		
2. Agency services fees		
3. Credit fees and commission		
4. Bank card fees		
5. Advisory fees		
6. Custodian and other fiduciary service fees		
7. Others		
(II) Handling charges and commission expenses	**77,557.00**	88,948.32
1. Handling charges	**77,557.00**	88,948.32
2. Commission expenses		
(III) Net handling charges and commission income	**-77,557.00**	-88,948.32

(LIII) Taxes and surcharges

Items	Current period	Last period
City maintenance and construction tax	**41,370,717.36**	34,456,386.23
Education surcharge	**20,480,729.13**	18,189,021.22
Local education surcharge	**9,060,967.51**	6,531,520.80
Stamp tax	**23,258,654.33**	32,050,091.63
Property tax	**47,657,467.51**	45,146,677.34
Tenure tax	**27,140,519.43**	26,517,035.36
Vehicle and vessel use tax	**65,065.00**	49,931.20
Others	**246,719.81**	-119,428.00
Total	**169,280,840.08**	162,821,235.78

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

(LIV) Selling expenses

Items	Current period	Last period
Salary cost	**299,181,176.62**	257,546,721.98
Quality warranty expenses	**183,814,178.56**	204,549,068.05
Traveling expenses	**42,457,996.04**	75,100,161.10
Transportation expenses	**10,887,894.81**	19,712,761.24
Activity fee	**20,461,049.85**	14,037,996.97
Overseas funds	**20,626,635.02**	6,105,318.72
consulting cost	**17,618,087.46**	10,838,911.65
Insurance fees	**59,617.07**	12,396.40
Business expenses	**2,023,290.42**	12,454,643.96
Office fee	**2,457,139.95**	2,124,093.19
Promotion expenses	**30,438.33**	59,706.78
Advertising fee	**1,905,919.78**	2,227,705.85
Others	**22,382,016.78**	32,873,081.27
Total	**623,905,440.69**	637,642,567.16

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

(LV) Administrative expenses

Items	Current period	Last period
Salary expenses	**677,270,751.96**	889,271,697.02
Party construction activities	**70,344.65**	774,329.83
Depreciation and amortization expenses	**142,034,089.92**	124,999,484.02
Maintenance expenses	**110,418,676.67**	109,369,274.84
Travelling expenses for conferences	**25,995,012.24**	25,507,438.00
Service contract fees	**21,118,200.62**	20,778,298.29
Office fees	**22,176,074.13**	23,830,284.01
Oversea fund	**4,538,568.50**	12,040,118.07
Material consumption	**7,615,075.15**	10,017,400.54
Utility charges	**9,630,438.64**	9,289,534.62
Heating fee	**2,719,302.06**	16,522,941.01
Freight expenses	**6,140,649.66**	7,105,946.92
Entertainment expenses	**12,871,271.55**	16,786,901.04
Disabled employment security fund	**8,306,546.42**	11,651,643.93
Agency costs	**13,675,918.59**	16,606,459.81
Amortization of low cost and short- lived goods	**3,871,141.75**	4,420,240.13
Consulting fee	**6,851,074.67**	9,231,899.75
Verification fee	**3,319,789.78**	7,004,393.45
Insurance fee	**51,325,704.95**	34,102,617.81
Litigation costs	**1,379,253.09**	1,823,059.81
Technology transfer fee		72,921.69
Board fees	**313,067.68**	426,207.67
Sewage charges	**6,158,931.09**	4,044,504.04
Others	**157,526,782.63**	212,742,979.81
Total	**1,295,326,666.40**	1,568,420,576.11

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

(LVI) Research and development expenses

Items	Current period	Last period
Research and development expenses	**726,641,980.52**	670,530,779.51
Total	**726,641,980.52**	670,530,779.51

(LVII) Financial expenses

Category	Current period	Last period
Interest expense	**243,366,883.60**	217,051,183.83
Less: interest income	**39,853,821.40**	36,998,158.16
Exchange gains and losses	**-91,282,588.56**	-182,901,643.18
Handling fee	**26,718,955.38**	31,697,119.36
Others	**-3,842,731.94**	-14,888,275.40
Total	**135,106,697.08**	13,960,226.45

(LVIII) Other income

Items	Current period	Last period
Government subsidy	**148,370,309.20**	199,239,987.33
Total	**148,370,309.20**	199,239,987.33

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

(LVIII) Other income (Continued)

Government subsidies included in current profits and losses

Items	Current period	Last period
Relating to income	**132,438,753.99**	145,797,703.27
Relating to assets	**15,931,555.21**	53,442,284.06
Total	**148,370,309.20**	199,239,987.33

(LIX) Investment income

Sources of investment income	Current period	Last period
Long-term equity investment income accounted for by the equity method	**10,692,995.08**	14,009,966.57
Long-term equity investment income accounted for by cost method		
Investment income from disposal of long-term equity investment		
Investment income during the holding period of held-for-trading financial assets	**6,642.15**	-5,854,413.57
Investment income from disposal of financial assets held for trading (applicable to the new financial standards)	**1,602,139.58**	1,091,581.30
Interest income during the holding period of debt investment		7,160,547.95
Interest income during the holding period of other debt investments	**12,839,281.78**	11,364,600.00
Gains arising from equity remeasurement at fair value when control is obtained		
Gains arising from remeasurement of remaining equity at fair value after loss of control		
Dividend income obtained during the period of holding other equity instruments (applicable to the new standard)	**7,904,589.03**	14,165,745.56
Investment income from debt restructuring	**6,134,552.66**	2,954,592.00
Total	**39,180,200.28**	44,892,619.81

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

(LX) Gain on fair value changes

Items	Current period	Last period
Transactional financial assets	**789,659.16**	
Total	**789,659.16**	

(LXI) Credit impairment losses

Items	Current period	Last period
Bad debt loss	**-387,371,253.69**	-422,254,320.20
Loans and loan impairment losses	**55,800,000.00**	-56,169,395.00
Total	**-331,571,253.69**	-478,423,715.20

(LXII) Impairment on assets

Items	Current period	Last period
Inventory price loss	**-118,753,348.55**	-269,180,044.75
impairment loss of contract assets	**179,553,156.13**	-65,888,224.78
Impairment loss of investment property		-84,811,282.29
Impairment loss of fixed asset	**-1,608,130.21**	-2,754,990.28
Impairment loss of construction in progress	**-1,210,800.86**	-67,138.58
Total	**57,980,876.51**	-422,701,680.68

(LXIII) Proceeds from asset disposal

Items	Current period	Last period	Amount included in current non-recurring gains and losses
Disposal of fixed assets	**2,785,668.86**	14,255,937.53	2,785,668.86
Disposal of intangible assets		47,761,857.45	
Total	**2,785,668.86**	62,017,794.98	2,785,668.86

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

(LXIV) Non-operating income

Items	Current period	Last period	Included in the amount of the non-recurring gains and losses of the current period
Total non-current assets retirement income	**1,783,370.68**	734,681.69	1,783,370.68
Government subsidies unrelated to the daily activities of the enterprise	**9,590,163.94**	15,591,086.05	9,590,163.94
Write off of non payment	**12,937,479.45**	5,953,889.30	12,937,479.45
Compensation for quality loss	**9,646,185.73**	27,970,699.85	9,646,185.73
Penalty Incomes			
Others	**22,213,484.36**	16,398,834.82	22,213,484.36
Total	**56,170,684.16**	66,649,191.71	56,170,684.16

Details of government grants:

Items	Current period	Last period
Receive financial subsidy funds and others	**9,590,163.94**	15,591,086.05
Total	**9,590,163.94**	15,591,086.05

(LXV) Non-operating expenses

Items	Current period	Last period	Including the amount of non-recurring gains and losses of the current period
Total non-current asset retirement loss	**3,479,061.12**	8,207,839.25	3,479,061.12
External donation			
Contract dispute expenditure		2,317,797.97	
Increase the estimated liability of procurement cost within the warranty period of the project		-34,700,000.00	
Others	**2,616,718.85**	416,590.72	2,616,718.85
Total	**6,095,779.97**	-23,757,772.06	6,095,779.97

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

(LXVI) Income tax

Items	Current period	Last period
Current income tax calculated according to tax law and related regulations	**61,180,112.09**	75,606,451.78
Deferred income tax adjustment	**15,168,301.92**	-175,006,910.21
Other		
Total	**76,348,414.01**	-99,400,458.43

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

(LXVII) Other comprehensive income attributable to the parent company

1. Items of other comprehensive income and the impact of income tax and transferred to profit or loss

Items	Current period		
	Pretax amount	income tax	Net after tax

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

(LXVII) Other comprehensive income attributable to the parent company (Continued)

1. Items of other comprehensive income and the impact of income tax and transferred to profit or loss (Continued)

Items	Current period		
	Pretax amount	income tax	Net after tax
2. Changes in the fair value of other creditor's rights investments	-653,496.00	-175,200.00	-478,296.00
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal	-653,496.00	-175,200.00	-478,296.00
3. Gain or loss from fair value changes of available-for-sale financial assets			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			
4. The amount of financial assets reclassified into other comprehensive income			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			
5. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			

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

(LXVII) Other comprehensive income attributable to the parent company (Continued)

1. Items of other comprehensive income and the impact of income tax and transferred to profit or loss (Continued)

Items	Current period		
	Pretax amount	income tax	Net after tax
6. Other debt investment credit impairment provision			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			
7. Cash flow hedging reserve			
less: other comprehensive income transferred to profit and loss in the current period at the previous period	6,423,408.10	963,511.22	5,459,896.88
Adjustment to the initial confirmation amount of the hedged item			
Subtotal	-6,423,408.10	-963,511.22	-5,459,896.88
8. Currency translation reserve	6,663,718.45		6,663,718.45
less: Net amount after tax included in other comprehensive income and transferred to profit or loss in the current period			
Subtotal	6,663,718.45		6,663,718.45
9. others			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			
(III) Total other comprehensive income	57,526,136.31	-1,138,711.22	58,664,847.53

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

(LXVII) Other comprehensive income attributable to the parent company (Continued)

1. Items of other comprehensive income and the impact of income tax and transferred to profit or loss (Continued)

Items		Pretax amount	Last period income tax	Net after tax
(I)	Other comprehensive income not reclassified subsequently to profit or loss	-19,847,328.02		-19,847,328.02
	1. Changes in remeasurement on the net liability and net asset defined benefit scheme			
	2. Items of other comprehensive income attributable to investees under equity method that are not reclassified to profit or loss			
	3. Changes in fair value of other equity instruments investment	-19,847,328.02		-19,847,328.02
	4. Fair value changes in enterprise's own credit risk			
	5. others			
(II)	Other comprehensive income to be reclassified subsequently to profit or loss	-170,941,335.37	-24,954,393.91	-145,986,941.46
	1. Items of other comprehensive income attributable to investees under equity method that may be reclassified to profit or loss			
	less: other comprehensive income transferred to profit and loss in the current period at the previous period			
	Subtotal			

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

(LXVII) Other comprehensive income attributable to the parent company (Continued)

1. Items of other comprehensive income and the impact of income tax and transferred to profit or loss (Continued)

Items	Pretax amount	Last period income tax	Net after tax
2. Changes in the fair value of other creditor's rights investments	673,917.75	180,675.00	493,242.75
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal	673,917.75	180,675.00	493,242.75
3. Gain or loss from fair value changes of available-for-sale financial assets			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			
4. The amount of financial assets reclassified into other comprehensive income			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			
5. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			

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

(LXVII) Other comprehensive income attributable to the parent company (Continued)

1. Items of other comprehensive income and the impact of income tax and transferred to profit or loss (Continued)

Items	Pretax amount	Last period income tax	Net after tax
6. Other debt investment credit impairment provision			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			
7. Cash flow hedging reserve			
less: other comprehensive income transferred to profit and loss in the current period at the previous period	167,567,126.04	25,135,068.91	142,432,057.13
Adjustment to the initial confirmation amount of the hedged item			
Subtotal	-167,567,126.04	-25,135,068.91	-142,432,057.13
8. Currency translation reserve	-8,010,496.90		-8,010,496.90
less: Net amount after tax included in other comprehensive income and transferred to profit or loss in the current period	-3,962,369.82		-3,962,369.82
Subtotal	-4,048,127.08		-4,048,127.08
9. others			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			
(III) Total other comprehensive income	-190,788,663.39	-24,954,393.91	-165,834,269.48

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

(LXVIII) Consolidated cash flow statement

1. Adjust the Net Profit to the Cash Flow Information of Operating Activities by Indirect Method.

Items		Current period	Last period
1.	Regulate net profit as operating activity cash flow		
	Net profits	**129,428,270.87**	-4,100,866,384.59
	Add: Impairment preparation of asset	**-57,980,876.51**	422,701,680.68
	Impairment losses on credit	**331,571,253.69**	478,423,715.20
	Depreciation of fixed assets, loss of oil and gas assets, and depreciation of productive biological assets	**661,309,755.43**	519,660,487.85
	Amortization of use right assets		
	Amortization of intangible assets	**93,229,968.52**	94,589,431.90
	Amortization of long-term deferred expenses	**4,361,662.51**	3,359,491.32
	Disposal of fixed assets, intangible assets and other long-term assets (revenues are marked with "-")	**-2,785,668.86**	14,255,937.53
	Loss of scrapped fixed assets (earnings are marked with "-")	**3,479,061.12**	-40,467,155.43
	Loss of change in fair value (income is marked with a "-" sign)	**-789,659.16**	
	Financial expenses (revenues are marked with "-")	**243,366,883.60**	217,051,183.83
	Loss of investment (earnings are marked with "-")	**-39,180,200.28**	-44,892,619.81
	Deferred income tax assets decreased (increased by "-")	**14,204,790.70**	-199,961,246.97
	Deferred income tax liabilities increase (decrease by "-")	**10,224,586.23**	
	Decrease of inventory (added with "-" sign)	**-67,225,345.06**	-1,031,193,276.40
	Reduction of contract assets (added with "-")	**1,259,252,763.40**	1,883,891,046.42
	Reduction of operational receivables (added with "-")	**-1,054,396,321.82**	-4,570,695,408.80
	Increase in operating payables (decrease by "-")	**3,219,000,880.82**	7,387,685,874.05
	Others		
	Net cash flow from operating activities	**4,747,071,805.20**	1,033,542,756.78

Items		Current period	Last period
2.	Major investment and financing activities that do not involve cash receipts and payments:		
	Conversion of debt into capital		
	Convertible corporate bonds due within one year		
	Finance leased fixed assets		
3.	Net changes in cash and cash equivalents:		
	Closing balance of cash	**16,276,554,185.93**	12,620,970,173.01
	Less: Opening balance of cash	**12,620,970,173.01**	11,298,046,225.31
	Plus: closing balance of cash equivalents		
	Less: opening balance of cash equivalents		
	Net increase in cash and cash equivalents	**3,655,584,012.92**	1,322,923,947.70

2. Composition of cash and cash equivalents:

Items		Closing balance	Opening balance
(I)	Cash	**16,276,554,185.93**	12,620,970,173.01
	Including: Cash	**3,095,219.73**	2,008,116.65
	Bank deposits that can be used for payment at any time	**2,005,559,718.63**	2,408,006,983.77
	Other currency funds that can be used to pay at any time	**75,804,770.88**	
	Central bank deposits available for payment	**23,822,553.24**	58,404,742.06
	Deposits in other banks	**14,168,271,923.45**	10,152,550,330.53
	Loans to other banks		
(II)	Cash equivalents		
	Including: Bond investment due within three months		
(III)	Cash and cash equivalents at the end of the period	**16,276,554,185.93**	12,620,970,173.01
	Including: Use of restricted cash and cash equivalents by the parent company or subsidiaries within the Group		

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

(LXIX) Foreign Currency Items

Items	Closing balance	Exchange rate	Closing balance of RMB
Cash and bank			673,480,770.10
Including: USD	39,792,557.95	6.9646	277,139,249.10
EUR	46,694,341.20	7.4229	346,607,425.29
HKD	100,678.22	0.8200	82,556.14
Pakistani rupee	1,169,732,221.12	0.0308	36,027,752.41
Brazilian real	1,387,650.95	1.3183	1,829,340.25
Dirhams	5,008,498.37	1.8966	9,499,118.01
The lira	4,638,451.29	0.3723	1,726,895.42
Taka of Bangladesh	1,018,608.73	0.0659	67,126.32
Sudanese pound	2,734,283.16	0.0121	33,084.83
The Usum	156,413,104.69	0.0006	93,847.86
Indian rupee	3,053,258.96	0.1188	362,727.16
Indonesian rupiah	23,202,354.88	0.0004	9,280.94
Vietnamese dong	7,887,897.00	0.0003	2,366.37
Accounts receivable			546,307,284.60
Including: USD	77,022,783.52	6.9646	536,432,878.10
Sudanese pound	1,285,856.05	0.0121	15,558.86
USD	571,655.46	6.9646	3,981,351.62
EUR	791,805.90	7.4229	5,877,496.02
Short-term borrowings			140,765,917.81
Including: EUR	18,963,736.25	7.4229	140,765,917.81

IX. EQUITY IN OTHER ENTITIES

(I) Equity in subsidiaries

1. The composition of enterprise groups

Name	Main operating place	Registration	Main business country	Nature	Share holding proportion *(%)* Direct	Indirect	Method
Harbin Boiler Company Limited	Harbin	Harbin	China	Manufacturing	100		Shareholder investment
Harbin Electric Machinery Co., Ltd.	Harbin	Harbin	China	Manufacturing	100		Shareholder investment
Harbin Turbine Co., Ltd.	Harbin	Harbin	China	Manufacturing	100		Shareholder investment
Harbin Electric International Co., Ltd.	Harbin	Harbin	Pakistan, Ecuador, Turkey, etc	Manufacturing	100		Investment
Harbin Power Equipment National Engineering Research Centre Co., Ltd	Harbin	Harbin	China	Service industry	75		Investment
Harbin Power Technology & Trade Inc. *(Note 1)*	Harbin	Harbin	China	Export trade	55.55	44.32	Investment
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd. *(Note 2)*	QingHuangdao	QingHuangdao	China	Manufacturing	34.15	65.38	Investment
Harbin Electric Power Equipment Co., Ltd.	Harbin	Harbin	China	Manufacturing	100		Investment
HE Harbin Power Plant Valve Co., Ltd. *(Note 3)*	Harbin	Harbin	China	Manufacturing	45		Investment
Harbin Electric Corporation Finance Co., Ltd. *(Note 4)*	Harbin	Harbin	China	Finance	55	35.87	Business combination under the same control

IX. EQUITY IN OTHER ENTITIES (CONTINUED)

(I) Equity in subsidiaries (Continued)

1. *The composition of enterprise groups (Continued)*

Name	Main operating place	Registration	Main business country	Nature	Share holding proportion *(%)* Direct	Indirect	Method
Chengdu Sanliya Technology Co., Ltd. *(Note 5)*	Chengdu	Chengdu	China	Manufacturing	40.7		Liquidation
Shenzhen Ha Dynamic Huihua Industry & Trade Co., Ltd. *(Note 6)*	Shenzhen	Shenzhen	China	Trade	60		Investment
Harbin Electric (H.E) Corporation	Harbin	Harbin	China	Other machinery and electronics wholesale	100		Business combination under the same control
Harbin electric leasing (Tianjin) Co. LTD	Tianjin	Tianjin	China	Leasing	80		Investment
Hadian Corporation Shanxi Environmental Protection Engineering Co., Ltd.	Yuncheng	Yuncheng	China	Water, environmental and public facilities management	51	49	Investment
Harbin Electric Group Biomass Power Generation (Wangkui) Co., Ltd.	Wangkui	Wangkui	China	Biomass power generation	100		Investment
Harbin Electric Group Biomass Power Generation (Dehui) Co., Ltd.	Dehui	Dehui	China	Biomass power generation	100		Investment
Harbin Electric Materials Co., LTD	Harbin	Harbin	China	Commercial service industry	100		Investment
Harbin Electric Science and Technology Co., LTD	Harbin	Harbin	China	Science and technology extension and application services	100		Investment

IX. EQUITY IN OTHER ENTITIES (CONTINUED)

(I) Equity in subsidiaries (Continued)

1. The composition of enterprise groups (Continued)

The list of directors of the company's major subsidiaries is as follows:

Wang Gui, Zhang Lianbin, Li Weidong, Liu Qingyong, Li Mengqi, Wang Xiaohui, Zhang Jie, Wang Shimin, Wang Xiaowen, Yu Long, Gao Weijun, Liu Yuqiang, Zhang Liwei, Hou Shangao, Li Changbao, Liu Bin, Wang Qianzhuang, Qiu Xiliang, Sun Zhongmin, Guo Yu, Lv Zhiqiang, Zhao Guangbo, Xie Jindong, Xu Fuwu, Zhang Chongyang, Song Xiaofang, Ye Xinyong, Wang Shouge, Yao Minghui, Qu Aimin, Zhong Weibin, Wang Limin, Li Yongxing, Xu Ying, Qu Weimin, Xue Wei, Lin Kuanhai, Wang Xiaohong, Jin Changfan, Guan Yingjie, Liu Xiaoyu, etc.

The proportion of shares held by a subsidiary differs from the proportion of voting rights:

1. The equity structure of Harbin Power Technology Trading Co., Ltd. is 55.55% directly held by the company, 27.77% indirectly held through Harbin Electric International Engineering Co., LTD., a subsidiary of the company, and 5.56% indirectly held by Harbin Electric Machine Works Co., LTD., Harbin Boiler Works Co., LTD., and Harbin Steam Turbine Works Co., LTD. The company holds 99.87% of the combined shares.

2. The equity structure of Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd. is 34.15% held by the company, 21.95% held by the company's subsidiaries Harbin Electric Machine Works Co., LTD., Harbin Boiler Works Co., LTD., and Harbin Steam Turbine Works Co., LTD., and 99.53% held by the company combined.

3. The equity structure of Harbin Electric Power Station Valve Co., Ltd. is 45% held by the company and 45% of the voting rights are enjoyed by the company. Because the directors dispatched by the company account for more than half of the members of the board of directors, they form control over the company.

4. The equity structure of Harbin Electric Group Finance Co., Ltd. is 55.00% held by the company, 18.00% held by Harbin Electric International Engineering Co., LTD., a subsidiary of the company, 6.00% held by Harbin Electric Machine Works Co., LTD., Harbin Boiler Works Co., LTD., and Harbin Steam Turbine Works Co., LTD. The company holds 90.87% of the combined shares.

   The basis for holding half or less of the voting rights but still controlling the investee, and holding more than half of the voting rights but not controlling the investee:

IX. EQUITY IN OTHER ENTITIES (CONTINUED)

(I) Equity in subsidiaries (Continued)

1. *The composition of enterprise groups (Continued)*

The proportion of shares held by a subsidiary differs from the proportion of voting rights: (Continued)

5. The equity structure of Chengdu Sanliya Technology Co., Ltd. is 40.70% held by the company and 40.70% of the voting rights are enjoyed by the company, because the directors dispatched by the company account for more than half of the members of the board of directors and form control over it.

6. The equity structure of Shenzhen Hattong Huihua Industry and Trade Co., Ltd. is 60% held by the company, which is not included in the scope of merger due to rectification.

2. *Important non-wholly-owned subsidiaries*

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	Note
HE Harbin Power Plant Valve Co., Ltd.	55.00	16,051,970.30	7,406,047.52	273,201,089.68	
Harbin Electric Corporation Finance Company Limited	9.00	13,419,979.14	5,989,697.12	211,451,610.32	

IX. EQUITY IN OTHER ENTITIES (CONTINUED)

(I) Equity in subsidiaries (Continued)

3. Major financial information of important non-wholly-owned subsidiaries

Closing balance/Current period

IX. EQUITY IN OTHER ENTITIES (CONTINUED)

(II) Equity in joint venture arrangements or associates

Important joint ventures or associates:

Name	Main operation location	Registration	Nature	Share holding *(%)* Direct	Indirect	Accounting for investments in joint ventures or associates method
GE-Ha Power Energy Services (Qinhuangdao) Co., Ltd.	Qinhuangdao	Qinhuangdao	Energy service	41		Equity method
Ha Electric General Gas Turbine (Qinhuangdao) Co., Ltd.	Qinhuangdao	Qinhuangdao	manufacturing	50		Equity method

(III) Major financial information of important joint ventures or associates:

IX. EQUITY IN OTHER ENTITIES (CONTINUED)

(III) Major financial information of important joint ventures or associates: (Continued)

	Opening balance/Last period	
Items	GE-Ha Power Energy Services (Qinhuangdao) Co., Ltd.	Ha Electric General Gas Turbine (Qinhuangdao) Co., Ltd.
Current assets	396,639,408.11	231,173,772.00
Non-current assets	93,747,805.95	16,693,081.00
Total assets	490,387,214.06	247,866,853.00
Current liabilities	93,041,277.62	9,7365,183.00
Non-current liabilities		5,639,246.00
Total liabilities	93,041,277.62	103,004,428.00
Interest of minority shareholders		
Attributable to the equity of the parent company	234,434,102.50	72,431,212.00
Share of net assets by shareholding	162,911,833.94	72,431,212.00
Adjustment Items		
Book value of equity investment in joint ventures	162,911,833.94	72,431,212.00
The fair value of equity investment in joint ventures with open bids		
Operating income	318,049,243.66	540,223.00
Net profits	54,442,501.27	-17,195,795.00
Discontinued operating net profit		
Other comprehensive income		
Total comprehensive income	54,442,501.27	-17,195,795.00
Dividends from joint ventures received during the current year		

IX. EQUITY IN OTHER ENTITIES (CONTINUED)

(IV) Summary financial information of unimportant joint ventures and associates

Items	Closing balance/ Amount for this period	Opening balance/ Amount for previous period
Total investment book value	**166,539,379.74**	145,319,017.64
Total amount basis on the Proportion of share hold		
Net profit	**6,549,065.30**	241,303.97
Other comprehensive income		
Total comprehensive income	**6,549,065.30**	241,303.97

X. RELATED RISKS OF FINANCIAL INSTRUMENTS

The Company faces various financial risks in the course of operation: credit risk, market risk and liquidity risk. The Board of Directors of the Company is fully responsible for the determination of risk management objectives and policies, and bears ultimate responsibility for the risk management objectives and policies. The Company's internal auditors also audit risk management policies and procedures and report findings to the Audit Committee.

The overall goal of the company's risk management is to formulate risk management policies that reduce risks as much as possible without overly affecting the company's competitiveness and resilience.

(I) Credit risks

Credit risk refers to the risk that one party to a financial instrument fails to perform its obligations, resulting in financial losses to the other party. The company is mainly faced with customer credit risks caused by credit sales. Before entering into a new contract, the Company will assess the credit risk of new customers, including external credit ratings and, in some cases, bank creditworthiness (when this information is available). The Company sets a credit limit for each customer, which is the maximum amount that does not require additional approval.

The company ensures that the overall credit risk of the company is under control through quarterly monitoring of the credit ratings of existing customers and monthly review of the aging analysis of accounts receivable. When monitoring the credit risk of customers, customers are grouped according to their credit characteristics. Customers rated "high risk" are placed on a restricted list of customers and can only be sold on credit in future periods with additional approval or must be required to pay in advance.

X. RELATED RISKS OF FINANCIAL INSTRUMENTS (CONTINUED)

(II) Market risks

The market risk of a financial instrument refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in market prices, including foreign exchange risk, interest rate risk and other price risks.

1. Interest rate risk

Interest rate risk refers to the risk that the fair value of a financial instrument or future cash flow will fluctuate due to changes in market interest rates. The interest rate risk faced by the company mainly comes from long-term bank loans and short-term loans. As of December 31, 2022, 83,320,900 yuan of the company's external loans are floating interest rate loans, with an interest rate range of 3.44–6%. Under the assumption that other variables remain unchanged, reasonable changes in interest rate will not have a significant impact on the company's total profits and shareholders' equity.

2. Foreign exchange risk

Foreign exchange risk refers to the risk that the fair value of a financial instrument or future cash flows will fluctuate due to changes in foreign exchange rates. The company's exposure to foreign exchange risks is mainly related to US dollar, euro, Hong Kong dollar and Briti.08.5 (es)3(t)14.4 %.031 Tc 0.0ua -1.62sbcc 0.

X. RELATED RISKS OF FINANCIAL INSTRUMENTS (CONTINUED)

(III) Liquidity risk (Continued)

The financial assets and financial liabilities held by the company with a maturity of less than one year are analyzed as follows according to the undiscounted remaining contractual obligations:

Items	Within 1 year:
Financial assets and financial liabilities	
Cash and bank	17,300,785,271.18
Note receivables	1,542,259,070.99
Account receivables	7,445,375,580.96
Other receivables	2,319,174,604.73
Redemptory Monetary Capital for Sale	1,170,000,000.00
Short-term borrowings	4,812,857,850.77
Note payables	7,048,462,096.55
Account payables	13,796,665,716.93
Wages and salaries	574,937,056.92
Other payables	462,738,498.12
Non-current liabilities due within one year	402,060,308.88
Other non-current liabilities	35,452,401.56

XI. FAIR VALUE DISCLOSURE

(I) Financial instruments measured at fair value

The company lists the book value of financial asset instruments measured at fair value as of December 31, 2022 according to the three levels of fair value. When the fair value is classified into three levels as a whole, it is based on the lowest level of the three levels of each important input value used in the fair value measurement. The three levels are defined as follows:
The first-level inputs are unadjusted quotes for the same assets or liabilities that can be obtained on the measurement date in an active market.

The second level input value is the input value that is directly or indirectly observable for the relevant assets or liabilities except for the first level input value.

Level 2 input values include: 1) Quoted prices for similar assets or liabilities in active markets 2) Quoted prices for identical or similar assets or liabilities in markets that are not active3) inputs other than quoted prices that are observable for the assets or liabilities,for example: interest rate and yield curves observable at commonly quoted intervals, implied volatilities, credit spreads. 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

The third level inputs are unobservable inputs to related assets or liabilities.

(II) Fair value measurement at the end of period

Continuing fair value measurement

	Fair value at the end of period			
Items	**Level 1**	**Level 2**	**Level 3**	**Total**
Transactional financial assets	202,376,414.36			202,376,414.36
Other debt investment				
Other equity instrument investment	568,163,905.26		276,959,800.98	845,123,706.24
Other non current financial assets				
Total assets	770,540,319.62		276,959,800.98	1,047,500,120.60

XII. RELATED PARTY AND TRANSACTION

(I) Parent company information

Parent company	Registration	Nature	Registered capital *(ten thousand yuan)*	Proportion of share holding *(%)*	Proportion of voting rights *(%)*
Harbin Electric Corporation	Harbin	Power station equipment manufacturing and sales	200,000.00	60.41	60.41

(%)

XII. RELATED PARTY AND TRANSACTION (CONTINUED)

(IV) Transaction information for related party (Continued)

2. Continuous connected party transactions and related party transactions

The Company and Harbin Electric Corporation entered into the Entrusted Management on July 23, 2019, entered into the Financial Services Framework Agreement on December 24, 2019, and entered into the Products and Services Framework Agreement on December 24, 2019. The above agreements are valid from March 23, 2019 to March 22, 2022, December 31, 2019 to December 30, 2022, and January 1, 2020 to December 31, 2022.

The Company renewed the Entrustment Management Agreement with Harbin Electric Corporation on March 25, 2022. The Agreement is valid from March 23, 2022 to March 22, 2025.

The Company renewed the Financial Services Framework Agreement with Harbin Electric Corporation on December 20, 2022. The contract is valid from December 31, 2022 to December 30, 2025.

The Company renewed the Framework Agreement on Products and Services with Harbin Electric Corporation on December 20, 2022. The contract is valid from January 1, 2023 to December 31, 2025.

The Company and Harbin Electric Corporation entered into the EPC Framework Agreement on February 14, 2020, the agreement is valid from April 9, 2020 to December 31, 2022.

The Company and Harbin Electric Corporation entered into the Technology Development Framework Agreement on April 24, 2020, the agreement is valid from April 27, 2020 to December 31, 2022.

XII. RELATED PARTY AND TRANSACTION (CONTINUED)

(IV) Transaction information for related party (Continued)

2. Continuous connected party transactions and related party transactions (Continued)

(1) Transaction information for products and services

Related party	Current period	Last period
Sales of goods		
–Company under the same control	**35,131,958.60**	4,993,491.26
–Associates		
Purchase		
–Company under the same control	**33,802,499.57**	3,584,658.33
–Associates		
Service revenue		
–Company under the same control		
Service expense		
–Company under the same control	**51,791,886.84**	36,133,683.53

The transactions in Item (1) above with companies under the same control are the transactions under the "Continuing Connected Transactions – Products and Services Framework Agreement", which are the continuing connected transactions under Chapter 14A of the Listing Rules.

(2) Interest paid on deposits

Related party	Current period	Last period
Holding company	**6,524,884.29**	4,917,828.22
Company under the same control	**1,214,050.07**	895,052.34
Total	**7,738,934.36**	5,812,880.56

XII. RELATED PARTY AND TRANSACTION (CONTINUED)

(IV) Transaction information for related party (Continued)

2. *Continuous connected party transactions and related party transactions (Continued)*

(3) Interest income from entrusted loan

Related party	Current period	Last period
Company under the same control	**5,503,734.27**	5,519,832.53
Total	**5,503,734.27**	5,519,832.53

The transactions in items (2) to (3) above with companies under the same control are those under the "Continuing Connected Transactions – Financial Services Framework Agreement" and are continuing connected transactions under Chapter 14A of the Listing Rules.

(4) Consignment management fees

Related party	Related transaction content	Current period	Last period
Harbin Electric Group Co., Ltd.	Commissioned agency fees	**3,280,000.00**	3,280,000.00
Total		**3,280,000.00**	3,280,000.00

The above transaction (4) is the transaction under the "Continuous-Related Transaction – Management Contract of Trust", which is the continuous-related transaction under Chapter 14A of the Listing Rules. The Management Contract of Trust renewed on July 23, 2019 is the continuous-related transaction exempt from Article 14A.33 of the Listing Rules.

(5) EPC (Project general contracting) service transaction

Related party	Current period	Last period
Company under the same control	**15,194,928.01**	55,279,654.17
Total	**15,194,928.01**	55,279,654.17

The transaction in items (5) above with companies under the same control are those under the EPC Framework Agreement and are continuing connected transactions under Chapter 14A of the Listing Rules.

XII. RELATED PARTY AND TRANSACTION (CONTINUED)

(IV) Transaction information for related party (Continued)

2. *Continuous connected party transactions and related party transactions (Continued)*

(6) *Technology development service transactions*

Related party	Current period	Last period
Harbin Electric Power Generation Equipment National Engineering Research Center Co., Ltd	**29,471,226.47**	78,887,131.08
Total	**29,471,226.47**	78,887,131.08

The transaction in items (6) above with companies under the same control are those under the Technology Development Framework Agreement and are continuing connected transactions under Chapter 14A of the Listing Rules.

(7) *Directors, Supervisors and Senior Management Compensation*

The remuneration for each director, supervisor and executive officer in 2022 is as follows:

Name	Wages and other benefits	Retirement benefit plan contributions	Total
I Director			
(I) Executive director			
Mr. Cao Zhian			
Mr. Wu Weizhang	593,700.00	33,782.40	627,482.40
Mr. Sun Zhiyong	116,580.00		116,580.00
Mr. Zhang Yingjian	211,000.00	33,782.40	244,782.40
Executive Director Subtotal	921,280.00	67,564.80	988,844.80
(II) Non-Executive Director			
None			
(III) Independent Non-executive Director			
Mr. He Yu	100,000.00		100,000.00
Mr. Hu Jianmin	80,000.00		80,000.00
Mr. Chen Guoqing			
Mr. Tang Zhihong	80,000.00		80,000.00
Subtotal of independent non-executive directors	260,000.00		260,000.00

XII. RELATED PARTY AND TRANSACTION (CONTINUED)

(IV) Transaction information for related party (Continued)

2. Continuous connected party transactions and related party transactions (Continued)

(7) Directors, Supervisors and Senior Management Compensation (Continued)

Name		Wages and other benefits	Retirement benefit plan contributions	Total
II	Supervisors			
	Mr. Qu Zhe	481,494.00	22,521.60	504,015.60
	Mr. Liu Weimin	291,773.00	33,782.40	325,555.40
	Mr. Zhang Jun	211,356.00	33,782.40	245,138.40
	Mr. Yang Yulong	488,210.00	33,782.40	521,992.40
	Mr. Zhao Xin	848,480.00	33,782.40	892,262.40
	Subtotals of supervisors	2,331,313.00	157,651.20	2,488,964.20
III	Senior management			
	Mr. Liu Zhiquan	187,300.00	5,630.40	192,930.40
	Mr. Lv Zhiqiang	528,300.00	33,782.40	562,082.40
	Mr. Shen Tong	336,700.00	33,782.40	370,482.40
	Mr. Du Xingkai	171,890.00	15,319.20	187,209.20
	Mr. Guo Yu	268,000.00	33,782.40	301,782.40
	Mr. Qiu Xiliang	797,829.00	33,782.40	831,611.40
	Mr. Wang Gui	1,063,448.00	33,782.40	1,097,230.40
	Mr. Yu Long	617,876.00	33,782.40	651,658.40
	Mr. Ali Song *(Company Secretary)*	291,811.00	33,782.40	325,593.40
	Subtotals of senior managers	4,263,154.00	257,426.40	4,520,580.40
Total		7,775,747.00	482,642.40	8,258,389.40

XII. RELATED PARTY AND TRANSACTION (CONTINUED)

(IV) Transaction information for related party (Continued)

2. Continuous connected party transactions and related party transactions (Continued)

(7) Directors, Supervisors and Senior Management Compensation (Continued)

Of the five highest paid individuals, one (0 in 2021) is also an executive of the company, whose compensation is disclosed above. The total remuneration of the remaining 4 (5 in 2021) individuals is as follows:

S/N	Position	Wages and other benefits	Retirement benefit plan contributions	Total
The second	Deputy Secretary of the Party Committee, Vice Chairman and General Manager of Harbin Electric Machinery Factory Co., Ltd.	1,036,540.00	33,782.40	1,070,322.40
The third	Vice President of Harbin Electric Machinery Factory Co., LTD	947,180.00	33,782.40	980,962.40
The forth	Secretary of Discipline Inspection Committee of Harbin Electric Machinery Factory Co., LTD	859,040.00	33,782.40	892,822.40
The fifth	Chief accountant of Harbin Electric Machinery Factory Co., LTD	858,480.00	33,782.40	892,262.40
Total		3,701,240.00	135,129.60	3,836,369.60

(5) above is a continuously related transaction exempt from Listing Rule 14A.33.

XII. RELATED PARTY AND TRANSACTION (CONTINUED)

(IV) Transaction information for related party (Continued)

3. *Accounts receivable and payable for related party*

(1) Accounts receivable

Items	Related party	Closing balance		Opening balance	
		Carrying Amount	Bad debt allowance	Carrying Amount	Bad debt allowance
Accounts receivable					
	Jiamusi Electric Machine Co., LTD	663,292.00		639,901.10	
	Harbin Sanlian Business Service Co. LTD			9,691.84	
	Harbin Haguo Industrial Development Co., LTD			37,204.16	
	Harbin Electric Group Marine Intelligent Equipment Co., Ltd	443,500.00			
	Harbin Hadian Industrial Development Co. LTD			43,456.96	
	Harbin Electric Group Biomass Power Generation (Fuyuan) Co., Ltd	5,000,000.00			
Prepayments					
	Jiamusi Electric Machine Co., LTD	46,000.00		395,577.21	
Other receivables					
	Harbin Electric Group Co. LTD	154,650,000.00			
	Harbin Hadian Industrial Development Co. LTD			50,254.15	
	Harbin Sanlian Business Service Co. LTD			1,100,000.00	
	Harbin Haguo Industrial Development Co., LTD	166,292.55		116,799.71	
Other current assets					
	Harbin Haguo Industrial Development Co., LTD	150,000,000.00		150,000,000.00	
Contract assets					
	Harbin Electric Group Biomass Power Generation (Fuyuan) Co. LTD			6,022,976.89	
Interest receivable					
	Harbin Haguo Industrial Development Co., LTD	174,166.67			

XII. RELATED PARTY AND TRANSACTION (CONTINUED)

(IV) Transaction information for related party (Continued)

3. *Accounts receivable and payable for related party (Continued)*

(2) Account payable Items

Items	Related party	Closing balance	Opening balance
Deposit taking			
	Harbin Electric Group Co. LTD	476,469,505.25	278,132,618.16
	Harbin Harbin Electric Industry Development Co. LTD	5,193,558.63	6,248,248.79
	Harbin Harpot Industry Development Co. LTD	3,871,263.75	5,006,805.62
	Jiamusi Motor Factory Co. LTD	17,758,721.52	16,102,264.70
	Harbin Insulation Material Factory		2,545,107.48
	Harbin Haqi Industrial Development Corporation	1,837,039.26	3,510,051.90
	Harbin Electric Group International Trade Co. LTD	7,263,112.01	
	Harbin Sanlian Business Service Co. LTD	981,812.24	700,541.63
	Harbin Harpot Pengbo ECONOMIC and Trade Co. LTD	633.58	
	Harbin Hadian Property Management Co. LTD	4,000,141.95	5,575,703.21
	Harbin Haqi Industrial Integrated Service Management Co. LTD	763.37	2,567,449.27
	Harbin Electric Machine Factory kindergarten		14,020.10
	Harbin Harpot Power Station SPARE parts Co. LTD		1,107,271.36
	Harbin Harpot Industrial Development Co., LTD. Kindergarten		1,081,880.56
	Harbin Electric Group Ocean Intelligent Equipment Co. LTD	109,303,683.33	41,505,480.64
	Harbin Electric Group Harbin Enterprise Management Service Co. LTD	73,567.07	231,315.77
	Harbin Harbin electric Materials distribution Corporation		76.68
	Harbin Power Group Biomass Power Generation (Fuyuan) Co. LTD	11,251,141.43	1,581,988.28
Short-term borrowings			
	Harbin Electric Group Co. LTD	3,997,091,932.96	
Deposit received			
	Jiamusi ELECTRIC Motor Co. LTD	55,292.00	
Accounts payable			
	Harbin Sanlian Business Service Co. LTD	1,589,000.00	
	Harbin Hadian Property Management Co. LTD	587,524.09	301,444.89
	Harbin Harbin Electric Industry Development Co. LTD	1,759,427.18	4,110,471.06
	Harbin Electric Corporation Jiamusi Electric Machine Co.,Ltd	1,800,000.00	94,339.62
	Jiamusi ELECTRIC Motor Co. LTD	1,380,145.80	1,248,565.03
	Harbin Harpot Industry Development Co. LTD	90,500.00	52,000.00

XII. RELATED PARTY AND TRANSACTION (CONTINUED)

(IV) Transaction information for related party (Continued)Transaction informatt.60

Items	Related party	Closing balance	Opening balance
Other payables			
	Harbin Electric Group Co. LTD	7,147,307.6	7,473,504.60
	Harbin Power Group Biomass Power Generation (Fuyuan) Co. LTD		1,700,000.00
Interest payable			
	Harbin Electric Group Harbin Enterprise Management Service Co. LTD	46.22	
	Harbin Electric Group International Trade Co. LTD	1,481.20	
	Harbin Harbin Electric Industry Development Co. LTD	875.70	
	Harbin Electric Group Co. LTD	4,909,290.00	
	Harbin Hadian Property Management Co. LTD	731.30	
	Harbin Electric Corporation Jiamusi Electric Machine Co.,Ltd	12,269.95	
	Harbin Power Group Biomass Power Generation (Fuyuan) Co. LTD	50,831.98	
	Jiamusi Motor Factory Co. LTD	6,117.99	
	Harbin Harpot Industry Development Co. LTD	974.61	
	Harbin Electric Group Ocean Intelligent Equipment Co. LTD	524,535.72	
	Harbin Sanlian Business Service Co. LTD	351.28	
	Harbin Haqi Industrial Integrated Service Management Co. LTD	0.08	
	Harbin Harpot Pengbo ECONOMIC and Trade Co. LTD	2.32	
	Harbin Haqi Industrial Development Corporation	503.36	
Long-term payable			
	Harbin Electric Group Co. LTD	1,000,000.00	
Special payable			
	Harbin Electric Group Co. LTD	2,500,000.00	

XIII. CONTINGENCIES

(I) Contingent liabilities

1. *Contingent liabilities formed by providing debt guarantee for other companies*

As of December 31, 2022, the companies provided loan guarantee are as follows:

No.	Guarantee company	Guaranteed				Anti-guarantee method	Amount	Increasing in this year	Guaranteed Situation of Guaranteed	Overdue situation	Sued situation
		Name	Nature	Method	Category						

XIII. CONTINGENCIES (CONTINUED)

(I) Contingent liabilities (Continued)

2. Contracts that have been signed but no commitment to purchase or build assets

As of December 31, 2022, the Company has a total of 38,999,637.03 yuan of large contract expenditures that have been signed but have not been incurred in the purchase and construction of assets. The details are as follows:

Name	Contract amount not yet paid	Estimated investment period
Harbin Electric Co., Ltd. (Headquarters)	16,261,174.00	2023
Harbin Steam Turbine Factory Co., Ltd.	22,738,463.03	2023
Total	38,999,637.03	

(II) Contingent asset

The company has no contingent assets that need to be stated at the end of year.

XIV. EVENTS AFTER THE BALANCE SHEET DATA

As of the approval date of the financial report, the Company has no other major post-balance sheet events that should be disclosed and not disclosed.

XV. OTHER IMPORTANT EVENTS

(I) Segment information

1. The determination basis and accounting policy of the report segment

Based on internal organizational structure, management requirements and internal reporting system, the company divides its main business into three business systems: new power system with new energy as the main body, clean and efficient industrial system and green and low-carbon driving system. On the basis of these three systems, each system is further divided into three business types: equipment manufacturer, system integrator and operation and maintenance service provider. At the same time for the finance company and other non-main business as a separate business division. Each reporting segment of the Company offers different products or services or operates in different regions. Since each segment requires different technologies or marketing strategies, the management of the Company separately manages the business activities of each reporting segment and periodically evaluates the operating results of these reporting segments to determine the allocation of resources to them and evaluate their performance.

The inter-segment transfer price shall be determined on the basis of the actual transaction price, and the expenses indirectly attributable to each segment shall be distributed among the segments according to the proportion of revenue. Assets are distributed according to the operations of the segment and the location of the assets. Segment liabilities include liabilities attributable to the segment arising from the operations of the segment. If expenses related to liabilities shared by multiple operating segments are distributed to those operating segments, such shared liabilities are also shared to those operating segments.

XV. OTHER IMPORTANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Report Division Financial Information

(1) Divisional financial information in 2022

Unit: Ten thousand yuan

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

XV. OTHER IMPORTANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Report Division Financial Information (Continued)

(2) Divisional financial information in 2021

Unit: Ten thousand yuan

Items	New power system with new energy as the main body	Clean and efficient industrial system	Green and low-carbon drive system	Others	Offsetting	Total
(I) Operating income	2,134,075.45	365,275.61	101,500.50	71,860.80	-550,181.09	2,122,531.27
Including: external transaction income	1,685,894.43	277,215.06	101,020.06	58,401.72		2,122,531.27
Segments transaction income	448,181.02	88,060.56	480.44	13,459.07	-550,181.09	
(II) Income on investment in joint ventures and joint ventures	2,013.81	101.11	-59.16	9.04	-663.80	1,401.00
(III) Impairment on assets	-33,850.54	59.26	-8,069.99	-408.90		-42,270.17
(IV) Credit losses	-38,503.80	-2,812.70	1,750.60	-7,562.62	-713.85	-47,842.37
(V) Depreciation and amortization charges	52,919.15	7,756.65	10,329.65	5,837.10	300.14	77,142.69
(VI) Total profit	-329,620.05	-65,116.44	-16,244.26	20,287.06	-29,333.00	-420,026.69
(VII) Income tax expense	-13,482.04	-2,318.44	587.34	5,273.09		-9,940.05
(VIII) Net profit	-316,138.01	-62,797.99	-16,831.60	15,013.97	-29,333.00	-410,086.63
(IX) Total assets	6,695,157.66	966,923.08	395,702.99	1,835,261.86	-3,832,026.26	6,061,019.33
(X) Total liabilities	5,142,290.53	791,693.69	323,037.84	1,503,759.98	-2,919,231.31	4,841,550.73

XVI. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES

(I) Accounts receivable

1. Disclose accounts receivable by classification according to the method of provision for doubtful accounts

Type	Closing balance					Opening balance				
	Balance of book value		Provision for bad debts			Balance of book value		Provision for bad debts		
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	Carrying amount	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	Carrying amount
Accounts receivable with single item provision for bad debts	349,054,000.00	11.62	340,410,000.00	97.52	8,644,000.00	4,322,000.00	0.14			4,322,000.00
Accounts receivable with provision for bad debts based on the combination of credit risk characteristics	2,653,631,914.65	88.38	913,473,727.49	34.42	1,740,158,187.16	2,992,115,254.94	99.86	804,999,820.73	26.90	2,187,115,434.21
Including: accounts receivable with provision for bad debts based on the combination of credit risk characteristics	2,653,631,914.65	88.38	913,473,727.49	34.42	1,740,158,187.16	2,992,115,254.94	99.86	804,999,820.73	26.90	2,187,115,434.21
Total	3,002,685,914.65	–	1,253,883,727.49	41.76	1,748,802,187.16	2,996,437,254.94	–	804,999,820.73	26.87	2,191,437,434.21

XVI. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(I) Accounts receivable (Continued)

2. *Single provision for bad debt accounts receivable*

Debtor	Balance of book value	Provision for bad debts	Expected credit loss rate (%)	Reason for provision
Huasheng Jiangquan Group Co. LTD	340,410,000.00	340,410,000.00	100.00	Withdraw in full
Harbin ELECTRIC INTERNATIONAL Engineering Co. LTD	8,644,000.00			Related parties
Total	349,054,000.00	340,410,000.00	—	—

3. *Accounts receivable set aside for bad debts according to the combination of credit risk characteristics*

Accounts receivable set aside for doubtful accounts using an aging combination

Type	Closing balance			Opening balance		
	Balance of book value		Provision for bad debts	Balance of book value		Provision for bad debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year (1 year included)	1,015,681,158.84	38.28	50,784,057.95	1,362,437,072.82	45.53	68,121,853.70
1–2 years (2 years included)	599,388,204.91	22.59	149,847,051.23	885,903,327.07	29.61	221,475,831.77
2–3 years (3 years included)	461,485,691.60	17.39	230,742,845.80	338,538,579.46	11.31	169,269,289.73
Over 3 years	577,076,859.30	21.75	482,099,772.51	405,236,275.59	13.54	346,132,845.53
Total	2,653,631,914.65	–	913,473,727.49	2,992,115,254.94	–	804,999,820.73

XVI. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(I) Accounts receivable (Continued)

4. Receivables of the top five ending balances collected by the debtor

Debtor	Amount of book value	Proportion (%)	Provision for bad debts
Linyi Huasheng Jiangquan Energy Co. LTD	340,410,000.00	11.34	340,410,000.00
Jiangxi Ganneng Co., LTD. Fengcheng phase III power plant	253,692,731.74	8.45	45,975,542.24
Northwest Electric Power Engineering Contracting Co. LTD	250,286,618.21	8.34	12,514,330.92
Luoyang Wanzhong Geely Thermal Power Co. LTD	185,670,444.00	6.18	148,536,355.20
Jiangsu Datang International Jintan Thermoelectric Co. LTD	120,745,415.17	4.02	57,384,623.72
Total	1,150,805,209.12	38.33	604,820,852.08

(II) Other receivables

Items	Closing balance	Opening balance
Interest receivable	600,344.48	
Dividends receivable	21,286,403.99	21,286,403.99
Other receivables	740,913,806.03	774,225,997.19
Total	762,800,554.50	795,512,401.18

Note: Other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

1. Interest receivable

Items	Closing balance	Opening balance
Entrusted loan	144,200.00	
Others	456,144.48	
Total	600,344.48	

XVI. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

2. Dividends receivable

Items	Closing balance	Opening balance	The reason for the non-recovery	Whether impairment occurs and the basis for judgment
Dividends receivable less than one year old				
Dividends receivable with an age of more than one year	**21,286,403.99**	21,286,403.99		
1. Harbin Electric Machine Factory Co. LTD	**17,323,540.23**	17,323,540.23		No
2. Harbin POWER TECHNOLOGY TRADING CO., LTD	**1,050,000.00**	1,050,000.00		No
3. Chengdu Sanliya Technology Co., LTD	**2,912,863.76**	2,912,863.76		No
Total	**21,286,403.99**	21,286,403.99	–	–

XVI. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

3. Other receivables

(1) Classified disclosure according to the method of provision for bad debts

Type	Closing balance					Opening balance				
	Balance of book value		Provision for bad debts			Balance of book value		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	Carrying amount	Amount	Proportion (%)	Amount	Proportion (%)	Carrying amount
Accounts receivable with single item provision for bad debts	733,202,260.07	96.93			733,202,260.07	750,688,733.92	94.93			750,688,733.92
Accounts receivable with provision for bad debts based on the combination of credit risk characteristics	23,190,417.35	3.07	15,478,871.39	66.75	7,711,545.96	40,111,257.54	5.07	16,573,994.27	41.32	23,537,263.27
Total	756,392,677.42	–	15,478,871.39		740,913,806.03	790,799,991.46	–	16,573,994.27	–	774,225,997.19

(2) Other receivables with individually accruing bad debt provision

Debtor	Closing balance			
	Carrying Amount	Bad debt provision	Aging (%)	Reasons
Harbin ELECTRIC Group (Qinhuangdao) Heavy Equipment Co. LTD	433,715,134.77		Over 3 years	The related party shall not make any deduction
Harbin ELECTRIC POWER Equipment Co. LTD	276,602,347.97		Over 3 years	The related party shall not make any deduction
Harbin POWER TECHNOLOGY TRADING CO., LTD	9,884,777.33		Over 3 years	The related party shall not make any deduction
Harbin Electric Machine Factory Co. LTD	13,000,000.00		Over 3 years	The related party shall not make any deduction
Total	733,202,260.07			–

XVI. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

3. *Other receivables (Continued)*

(3) *Other receivables with bad debt provision according to credit risk characteristics*

In the portfolio, other receivables with provision for bad debts based on aging analysis:

Aging	Closing balance			Opening balance		
	Carrying Amount			Carrying Amount		
	Amount	Proportion (%)	Bad debt provision	Amount	Proportion (%)	Bad debt provision
Within 1 year (1 year included)	**4,467,443.46**	**19.26**	**223,372.17**	16,723,045.12	41.69	836,152.26
1–2 years (2 years included)	**2,510,403.47**	**10.83**	**627,600.87**	7,182,764.15	17.91	1,795,691.04
2–3 years (3 years included)	**3,032,764.15**	**13.08**	**1,516,382.08**	2,305,621.00	5.75	1,152,810.50
Over 3 years	**13,179,806.27**	**56.83**	**13,111,516.27**	13,899,827.27	34.65	12,789,340.47
Total	**23,190,417.35**	**–**	**15,478,871.39**	40,111,257.54	–	16,573,994.27

XVI. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

3. Other receivables (Continued)

(4) Current provision, reversal or recovery of bad debts

Bad debt provision	Stage 1 Expected credit losses over the next 12 months	Stage 2 Expected credit loss over the entire duration (no credit impairment occurred)	Stage 3 Expected credit loss over the entire duration (credit impairment occurred)	Total
Opening balance	16,573,994.27			16,573,994.27
Opening balance in the current period	16,573,994.27			16,573,994.27
– Turn to Stage 2				
– Turn to Stage 3				
– Turn back to Stage 2				
– Turn back to Stage 1				
Withdrawal in the current period	-1,095,122.88			-1,095,122.88
Turn back in the current period				
Write-off in the current period				
Other changes				
Closing balance	15,478,871.39			15,478,871.39

XVI. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

3. *Other receivables (Continued)*

(5) *Other receivables in the top five of the closing balance collected by the arrears*

Debtor	Nature	Amount of book value	Aging	Proportion (%)	Bad debt provision
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co. LTD	Current account	433,715,134.77	Over 3 years	57.34	
Harbin ELECTRIC POWER Equipment Co. LTD	Current account	276,602,347.97	Over 3 years	36.57	
Harbin Xiangfang District government logistics service center	Current account	2,762,035.52	Within 1 year	0.37	222,438.07
Harbin POWER TECHNOLOGY Trading Co. LTD	Current account	9,884,777.33	Over 3 years	1.31	
Harbin Electric Machine Factory Co. LTD	Current account	13,000,000.00	Over 3 years	1.72	
Total		735,964,295.59		97.31	222,438.07

(III) Long term equity investments

1. *Long term equity investment shown as classification*

Item	Opening balance	Increase	Decrease	Closing balance
Investment in subsidiaries	6,979,723,000.53	1,540,000,000.00		**8,519,723,000.53**
Investment in joint ventures	72,882,307.69	44,500,091.19		**117,382,398.88**
Investment in associated enterprises	311,904,757.56	39,963,056.76	87,802,888.87	**264,064,925.45**
Subtotal	7,364,510,065.78	1,624,463,147.95	87,802,888.87	**8,901,170,324.86**
Less: Provision for impairment of long-term equity investments	87,811,282.29			**87,811,282.29**
Total	7,276,698,783.49	1,624,463,147.95	87,802,888.87	**8,813,359,042.57**

XVI. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(III) Long term equity investments (Continued)

2. Investment in Subsidiary

Investee	Initial investment cost	Opening balance	Increase	Decrease	Closing balance	Current provision Impairment preparation	Impairment preparation Closing balance
Harbin Electric Group Finance Co. LTD	833,787,946.00	837,122,531.11			837,122,531.11		
Harbin Boiler Works Co. LTD	949,841,367.00	949,841,367.00			949,841,367.00		
Harbin Steam Turbine Works Co. LTD	706,007,659.04	1,146,617,659.04			1,146,617,659.04		
Harbin ELECTRIC POWER Equipment Co. LTD	1,022,652,962.04	1,022,652,962.04			1,022,652,962.04		
Harbin Electric Machine Factory Co. LTD	951,874,434.97	951,874,434.97			951,874,434.97		
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co. LTD	571,568,274.86	571,568,274.86			571,568,274.86		
Harbin ELECTRIC INTERNATIONAL Engineering Co. LTD	2,000,000,000.00	500,000,000.00	1,500,000,000.00		2,000,000,000.00		
Harbin Power Generation Equipment National Engineering Research Center Co. LTD	120,004,550.35	120,004,550.35			120,004,550.35		
Harbin Electric Power STATION Valve Co. LTD	97,002,844.08	97,002,844.08			97,002,844.08		
Harbin Hadian Electric Co. LTD	25,780,234.61	25,780,234.61			25,780,234.61		
Harbin POWER TECHNOLOGY Trading Co. LTD	15,000,000.00	15,000,000.00			15,000,000.00		
Chengdu Sanliya Technology Co. LTD	14,268,142.47	14,268,142.47			14,268,142.47		
Shenzhen Hattong Huihua Industry and Trade Co. LTD	3,000,000.00	3,000,000.00			3,000,000.00		3,000,000.00
Harbin Electric Group Shanxi Environmental Protection Engineering Co. LTD	49,980,000.00	49,980,000.00			49,980,000.00		
Harbin Electric Finance Leasing (Tianjin) Co. LTD	400,000,000.00	400,000,000.00			400,000,000.00		
Harbin Power Group Biomass Power Generation (Wangkui) Co. LTD	136,100,000.00	136,100,000.00			136,100,000.00		
Harbin Power Group Biomass Power Generation (Dehui) Co. LTD	138,910,000.00	138,910,000.00			138,910,000.00		
Harbin ELECTRIC SCIENCE AND Technology Co. LTD	10,000,000.00		10,000,000.00		10,000,000.00		
Harbin Electric Materials Co. LTD	30,000,000.00		30,000,000.00		30,000,000.00		
Total	8,075,778,415.42	6,979,723,000.53	1,540,000,000.00		8,519,723,000.53		3,000,000.00

XVI. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(III) Long term equity investments (Continued)

3. Investment in associates and joint ventures

Investee	Initial investment cost	Opening balance	Other changes in equity: Additional investment	Other changes in equity: Reduce investment	Other changes in equity: Investment gains and losses recognized under the equity method	Other changes in equity: Other comprehensive income adjustment	Other changes in equity: Other changes in equity	Other changes in equity: Declare cash dividends or profits	Other changes in equity: Provision for impairment	Other changes in equity: Others	Closing balance	Closing balance of impairment provision
Total	256,214,600.00	384,787,065.25	73,200,000.00		11,263,147.95			-87,802,888.87			**381,447,324.33**	84,811,282.29
1. Joint venture	93,495,800.00	72,882,307.69	58,500,000.00		-13,999,908.81						**117,382,398.88**	
Harbin electric general gas turbine (Qinhuangdao) Co., Ltd	91,120,800.00	72,431,212.00	58,500,000.00		-13,548,813.12						**117,382,398.88**	
Russia-China Power Equipment Co., Ltd.	2,375,000.00	451,095.69			-451,095.69							
2. Associates	162,718,800.00	311,904,757.56	14,700,000.00		25,263,056.76			-87,802,888.87			**264,064,925.45**	84,811,282.29
GE-Ha Power Energy Services (Qinhuangdao) Co., Ltd.	17,739,800.00	162,911,833.94			18,262,895.77			-83,649,184.00			**97,525,545.71**	
Harbin Ruifeng New Energy Co., Ltd.	28,800,000.00	32,813,923.62	14,700,000.00		7,000,160.99			-4,153,704.87			**50,360,379.74**	
Liaocheng Xiangguang Power Generation Co., Ltd.	116,179,000.00	116,179,000.00									**116,179,000.00**	84,811,282.29

(IV) Operating income and cost

Items	Amount in the current period: Income	Amount in the current period: Cost	Amount in last period: Income	Amount in last period: Cost
Main business	**5,764,567,992.33**	**5,719,884,251.38**	4,656,737,612.02	4,646,377,749.88
Other business	**15,904,271.94**	**4,484,280.51**	13,261,451.49	5,203,610.09
Total	**5,780,472,264.27**	**5,724,368,531.89**	4,669,999,063.51	4,651,581,359.97

XVI. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(V) Investment income

Details of investment income

Items	Amount in the current period	Amount in the last period
Long-term equity investment income accounted for by the equity method	**11,263,147.95**	16,060,389.12
Long-term equity investment income calculated by cost method	**1,622,826,476.17**	278,080,626.73
Total	**1,634,089,624.12**	294,141,015.85

XVII. ADDITIONAL MATERIALS

(I) Current non-recurring profit and loss schedule

Items	Amount	Explain
Profit of non-current asset disposal	**1,089,978.42**	
Tax refunds, deductions for unauthorized or non-approved documents		
The government subsidies included in the current profit and loss (except for government subsidies that are closely related to the business of the company and are rationed or quantified according to national uniform standards)	**157,960,473.14**	Notes VIII (LVIII & LXIV) for details
Including funds occupation fees charged to non-financial enterprises included in current profits and losses		
The investment costs of the subsidiaries, joint ventures and joint ventures obtained by the enterprise are less than the gains from the fair value of the identifiable net assets of the investee when the investment is obtained.		
Non-monetary assets exchange gains and losses		
Gains or losses from entrusting others to invest in or manage assets		
Due to unresistible factors, such as the provision for the impairment of assets that are subject to natural disasters		
Debt restructuring gains and losses	**6,134,552.66**	
Corporate restructuring costs, such as expenditures for resettlement of employees, integration costs, etc.		
The fair value of the transaction price exceeds the fair value gain or loss from the fair value of the transaction.		

Items	Amount	Explain
Net profit and loss for the current period from the beginning of the company's business combination to the combined date under the same control		
Gains and losses from contingent events that are not related to the normal business of the company		
Except for the effective hedging business related to the company's normal business operations, the fair value changes arising from held-for trading financial assets and held-for trading financial liabilities and the disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets. Investment income obtained	**23,142,311.70**	
Reversal of impairment provision for receivables that was individually tested for impairment	**218,393,993.75**	
External gains and losses from entrusted loans		
Gains and losses arising from changes in the fair value of investment real estate subsequently measured using the fair value model		
According to the requirements of laws and regulations such as taxation and accounting, the one-off adjustment of current profit and loss will affect the current profit		
Trustee income from trusteeship		
Other non-operating income and expenses	**42,923,149.88**	Notes VIII (LXIV & LXV) for details.
Other profit and loss Items that meet the definition of non-recurring profit and loss		
Subtotal	**449,644,459.55**	0 m85/Ggs/T1D 1 Tf7.2 0 0 8 459.2126 284

XVII. ADDITIONAL MATERIALS (CONTINUED)

(II) Return on equity and earnings per share

Profit	Weighted average return on net assets *(%)*	Earning per share *(yuan)*	
		Basic earning per share	Diluted earnings per share
Net profit attributable to common shareholders of the company	0.85	0.06	0.06
Net profit attributable to common shareholders of the company after deducting non-recurring gains and losses	-2.43	-0.17	-0.17

Harbin Electric Co., Ltd
March 29, 2023

DISCLOSURE OF SIGNIFICANT EVENTS

PRODUCTION AND OPERATION EVENTS

In March 2022, the world's first 145MW high-efficiency supercritical steam turbine which was developed by the Company was put into operation successfully, with steam inlet condition of 24.2MPa and 600°C. This was the first time in the world that supercritical steam conditions were applied to a small or medium-sized turbine of less than 200MW.

In April 2022, the Company completed the manufacturing of and successfully delivered the turning wheels for real machine of the first additive manufacturing axial flow turbine at home, marking an important breakthrough achieved by the Company in the development and industrial application of robot-based additive manufacturing technology (also known as 3D printing technology).

In May 2022, the continuous full-load energy storage - power generation trial running of the national pilot salt cavern compressed air energy storage demonstration project in Jintan, the construction of which the Company participated in, was successfully completed and put into operation, marking the world's first non-supplementary fired compressed air energy storage power plant being officially connected to the grid for power generation.

In November 2022, the Company successfully entered into the EPC contract for the Syr Darya Phase II 1,600MW combined cycle project in Uzbekistan, achieving another leapfrog in market development in Central Asia and consolidating leading position in the overseas combined cycle market of the Company.

In December 2022, Unit No. 9 of Baihetan Hydropower Station developed by the Company was officially put into commercial operation, and all units of Baihetan Hydropower Station with the largest single-unit capacity in the world were put into operation for generating electricity. The Company innovatively adopted world-leading research and development achievements such as long-short blade structured turning wheels, and helped China's major hydropower equipment achieve leapfrog development with eight high-quality units, continuously consolidating China's leading position in hydropower in the world.

OTHER EVENTS

On 23 November 2022, Electric Machinery Company and Southern Power Grid Energy Storage (600995.SH) entered into the Subscription Agreement, pursuant to which, Electric Machinery Company agreed to subscribe for and Southern Power Grid Energy Storage agreed to allot and issue 39,401,103 subscribed shares to Electric Machinery Company at the subscription price of RMB12.69 per Subscribed Share, with the total amount of RMB499,999,997.07.

On 28 December 2022, the Company entered into the Domestic Share Subscription Agreement with Harbin Electric Corporation, the controlling shareholder of the Company, pursuant to which the Company conditionally agreed to issue and Harbin Electric Corporation conditionally agreed to subscribe for new domestic shares in cash at a total subscription price of approximately RMB1.7 billion. An extraordinary general meeting5.2o(general)5.2 (tal amount .2 (tal amounly -1.tal amounly .tal amounly

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

1399 Chuangxinyi Road
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The People's Republic of China
Unified social credit code: 91230100127575573H

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Mr. Cao Zhi-an

AUTHORISED REPRESENTATIVES

Mr. Wu Wei-zhang
Mr. Ai Li-song

COMPANY SECRETARY

Mr. Ai Li-song

JOINT COMPANY SECRETARY

Mr. Tung Tat Chiu, Michael

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Da hua Certified Public Accountants
(special general partnership)
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DOCUMENTS AVAILABLE FOR INSPECTION

1. The original copy of the 2022 Annual Report of the Company

2. The original copy of the Company's audited financial statements

哈电集团
HARBIN ELECTRIC CORPORATION

哈尔滨电气股份有限公司
HARBIN ELECTRIC COMPANY LIMITED