

ANNUAL REPORT 2018



哈尔滨电气股份有限公司

哈电集团
ELECTRIC COMPANY

HARBIN ELECTRIC COMPANY LIMITED
尔

Stock Code: 1133

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OVERVIEW OF THE COMPANY

Harbi Electric Company Limited (the Company) is a public company listed on the Hong Kong Stock Exchange, operating in the power generation and distribution sectors.

The Company was established on 6 October 1994 and is incorporated in Hong Kong. Its registered office is at 16 Des Voeux Road, Hong Kong.

As at 31 December 2018, the Company's net assets were approximately HK\$1,706,523,000 and its equity was approximately HK\$675,571,000.

The Company's principal activities are the generation, transmission, distribution and sale of electricity. The Company's principal activities are the generation, transmission, distribution and sale of electricity. The Company's principal activities are the generation, transmission, distribution and sale of electricity.

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OVERVIEW OF THE COMPANY (CONTINUED)

Technical services; and

Contract manufacturing services; and

Import and export services; and

After-sales services; and

R&D services; and

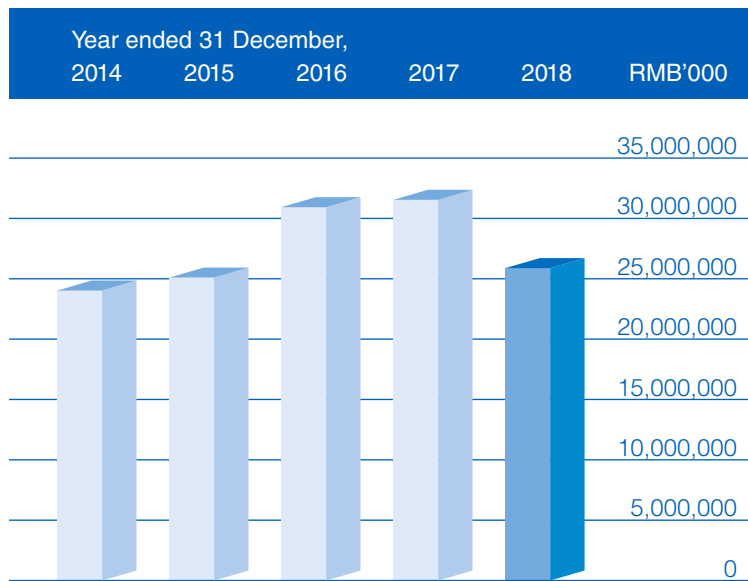
R&D services; and

Engineering services, construction, installation, and maintenance.

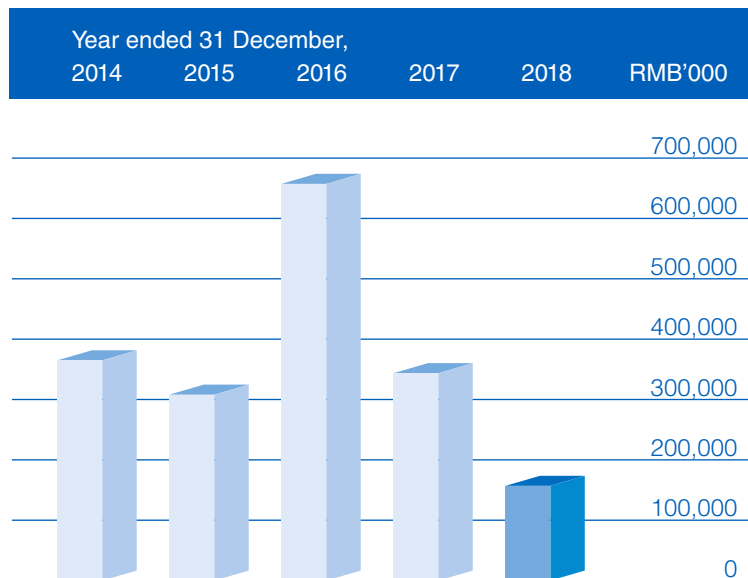
Products include domestic, industrial, and commercial air conditioning units, air conditioning systems, and air conditioning accessories. The company has a production base in Harbin, Heilongjiang, and a sales and service network in major cities across China, including Beijing, Shanghai, Guangzhou, and Shenzhen. The company also has a production base in Brazil, and a sales and service network in major cities across South America, including Rio de Janeiro, São Paulo, and Brasília. The company also has a production base in the United States, and a sales and service network in major cities across North America, including New York, Los Angeles, and Chicago.

The Group's main products are air conditioning units, air conditioning systems, and air conditioning accessories. The Group's main products are air conditioning units, air conditioning systems, and air conditioning accessories. The Group's main products are air conditioning units, air conditioning systems, and air conditioning accessories. The Group's main products are air conditioning units, air conditioning systems, and air conditioning accessories.

OPERATING INCOME



TOTAL PROFITS



FINANCIAL HIGHLIGHTS (CONTINUED)

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

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

FINANCIAL HIGHLIGHTS (CONTINUED)

CHAIRMAN'S STATEMENT

Dar es Salaam, Tanzania

Oba baf f Bard, l r b r 2018 a a r r f Harbi Electric Cm a Lh l da d l b idia r .

l 2018, Cm a m ad r a d a r ad a c r a f m a i a d r a d i , a d r m i l i a l d m n ; i l i a r , Cm a a r i d m a r a a r a m a d i i d r f m a d i a l . D r i a r , Cm a a c i l r d d r a i r a a d r a i a l a a h b i d a d - c a i m m a f a c r i b a c m i l i . T r i f c i l i a l d m n , Cm a a d f f r a d a a a a d m a d i d r i b i l d m i a m , a c i l i a r a b r a i r a r .

A f c d b a i a i c i d - c a a c i a d r i c r a d m n , Cm a l r d c i a d r a i c a a d c i d . T r i f r a r RMB25.879 b i l i , r i a d c a f 17.95% r c r d i r i d a a r ; a r f i RMB157 m i l i , r i a d c a f 54.32% r c r d i r i d a a r .

D r i r r i r i d , Cm a c i l d r m a i c m m i d r i a d r d c i a d m a a m , c a r i r a f m a i a d r a d i , d i r f m a d i a l , r i l i f a . W m a d r a f f d m a r d m n , d d r a r r d c d i r a d c a h r d r d c a l ; c i d r f f i c i c a d m r i f f i c i , i r d c d . T F d r r , a d r d d c a ; c a r i d d i r c i f . 7 + 1 2 c r d m r a f m a i , a c c r a d r a i l i m a f a c r i c i d r , a d i r a d m r i d r i ; d i d i r f m i f - d i , a d a d d i r f m a d d m n , c a r i d r m r f m a d a c c r a d m i d - r i r f m i ; h r d c i f i c r a c m c r c i , a c c r a d a r i a l , r i d c c i b c a d m a r a d m a d d f c i c a r ; d c r c i f i f m a i z a l m a d i i d - d i f m i ; r d r a i f c a i a m a r , a c i d b r a r i l i m b i l i , m d d m n f a a , a d i d Harbi Electric b r a d .

l 2019, r d c m i c d i c i d r c ; C i a l c m i l i a h r a r i d f r a i c r i l i ; r i b c a i r a b a r , a d i c r a d i c i d d d , b r i a r a i a r a i m i d r l i f r c d i l i , r d r r c r i d r i r f d c a , a d c a r a b c m d m i a f c i b a r c m i r i l i f m a r c d i l i r a i m i d r , m a r d c m a r i f r d c i ; r d r r d c m a r i m a i m d r a ; d i r i b d r i d r a i d ; a d c a r m a r c i l i m a i a r a i d d m n . T Cm a l i z a i a l , r a r i l i , a c c r a r a f m a i a d a c i a f a d , r b i l i b a c a r d r .



MANAGEMENT DISCUSSION AND ANALYSIS

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

MACRO-ECONOMY AND INDUSTRY DEVELOPMENT

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

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

Production & service

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Scientific research inputs and achievements

In 2018, China's national R&D expenditure reached RMB1.08 billion, an increase of 28.2% compared with 2017. The national R&D expenditure per capita reached 75 yuan, an increase of 23.5% compared with 2017. The national R&D expenditure per employee reached 17,100 yuan, an increase of 17.1% compared with 2017. The national R&D expenditure per employee reached 17,100 yuan, an increase of 17.1% compared with 2017.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In 2019, Group's total comprehensive income of RMB506 million increased significantly from the previous year's total comprehensive income of RMB317 million, RMB182 million and RMB7 million, respectively. Total comprehensive income increased by 56.46% from the previous year.

Major acquisitions and sales of subsidiaries, associates and joint ventures

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

MAJOR FINANCIAL INDEXES

In 2018, Group's total assets increased by 10.35% to RMB1,378.67 billion, mainly due to the acquisition of subsidiaries, associates and joint ventures. Total liabilities increased by 11.16% to RMB1,057.28 billion, mainly due to the acquisition of subsidiaries, associates and joint ventures. Total equity increased by 10.35% to RMB321.39 billion, mainly due to the acquisition of subsidiaries, associates and joint ventures.

Total comprehensive income for 2018 according to the accounting standards in N° VI(42) financial statements is as follows:

Profit

In 2018, profit attributable to shareholders of the Company increased by RMB71.32 million, or 63.28% from the previous year; attributable to shareholders RMB0.04, or 10% from the previous year. Total comprehensive income attributable to shareholders increased by RMB71.32 million, or 63.28% from the previous year.

Operating income

In 2018, Group's total operating income of RMB25,879.46 million increased by 17.95% from the previous year, mainly due to the acquisition of subsidiaries, associates and joint ventures. Total operating income from the main business (including the main business and other businesses) of RMB11,877.25 million (45.89% of total operating income), increased by 14.38%. Operating income from the main business of RMB1,704.64 million (6.59% of total operating income), increased by 48.72%. Operating income from other businesses of RMB7,411.07 million (28.64% of total operating income), increased by 30.77%. Operating income from financial investment and other businesses of RMB899.96 million (3.48% of total operating income), increased by 32.79%. Operating income from AC/DC of RMB2,648.00 million (10.23% of total operating income), increased by 8.26%. Operating income from other businesses of RMB1,338.54 million (5.17% of total operating income), increased by 34.15%. After deducting major non-recurring gains and losses, the main business and other businesses' operating income of RMB11,877.25 million increased by 14.38% from the previous year's operating income of RMB10,378.54 million, mainly due to the acquisition of subsidiaries, associates and joint ventures. The main business and other businesses' operating income of RMB1,704.64 million increased by 48.72% from the previous year's operating income of RMB1,146.24 million, mainly due to the acquisition of subsidiaries, associates and joint ventures. The main business and other businesses' operating income of RMB7,411.07 million increased by 30.77% from the previous year's operating income of RMB5,667.44 million, mainly due to the acquisition of subsidiaries, associates and joint ventures. The main business and other businesses' operating income of RMB899.96 million increased by 32.79% from the previous year's operating income of RMB677.84 million, mainly due to the acquisition of subsidiaries, associates and joint ventures. The main business and other businesses' operating income of RMB2,648.00 million increased by 8.26% from the previous year's operating income of RMB2,445.56 million, mainly due to the acquisition of subsidiaries, associates and joint ventures. The main business and other businesses' operating income of RMB1,338.54 million increased by 5.17% from the previous year's operating income of RMB1,271.84 million, mainly due to the acquisition of subsidiaries, associates and joint ventures.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In 2018, Gross credit income increased by RMB7,397.40 million (+28.58% from the prior period), decreased by RMB3,205.75 million from the prior period. Total credit income decreased by RMB6,841.70 million from the prior period. Sales income decreased by RMB382.96 million.

Cost

In 2018, total cost of goods sold was RMB22,687.53 million, increased by 16.80% compared with the prior period.

Gross profit and gross profit margin

In 2018, Gross profit decreased by RMB3,191.93 million, increased by 25.29%, and gross profit margin decreased by 12.33%. Total gross profit decreased by 1.21%. Other income was RMB1,670.21 million, increased by RMB630.31 million from the prior period, increased by 14.06%, increased by 2.52%; RMB151.31 million, increased by RMB31.02 million from the prior period, increased by 8.88%, increased by 7.03%; RMB253.43 million, increased by RMB243.90 million from the prior period, increased by 3.42%, increased by 1.23%; RMB90.24 million, increased by RMB104.96 million from the prior period, increased by 10.03%, increased by 4.55%; RMB746.98 million, increased by RMB169.35 million from the prior period, increased by 28.21%, increased by 4.59%; RMB279.76 million, increased by RMB239.60 million from the prior period, increased by 20.90%, increased by 4.65%. Total gross profit decreased by RMB1,000.00 million from the prior period, decreased by 10.00%. Total gross profit margin decreased by 0.01 percentage points from the prior period.

Expenses for the Period

In 2018, Gross operating expenses were RMB731.24 million, increased by RMB91.86 million (+14.37% compared with the prior period). Total operating expenses were RMB1,465.16 million, increased by RMB229.86 million (+13.56%, increased by 1.21 percentage points). Total operating expenses were RMB591.93 million, increased by RMB33.25 million (+5.95%); Total operating expenses were RMB36.10 million, increased by RMB286.69 million (+88.82%, increased by 1.21 percentage points). Total operating expenses were RMB36.10 million, increased by RMB286.69 million (+88.82%, increased by 1.21 percentage points).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Gearing ratio

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

Contingent liabilities and pledges

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

Exposure to fluctuations in exchange rate

Some of the Group's assets and liabilities are denominated in currencies other than the RMB. As at 31 December 2018, the amount of the Group's denominated assets and liabilities was RMB722.76 million. The Group's net assets are denominated in RMB, and the Group's cash flows are denominated in RMB.

Use of fund-raising proceeds

The Company has not raised any proceeds from the issue of shares, and the use of fund-raising proceeds is nil.

Dividend

The Board does not recommend a final dividend for 2018.

OUTLOOK

During 2018, the Company has continued to focus on its core business, and has achieved a steady increase in its operating performance. The Company has also continued to expand its business in the domestic market, and has achieved a steady increase in its operating performance. The Company has also continued to expand its business in the domestic market, and has achieved a steady increase in its operating performance. The Company has also continued to expand its business in the domestic market, and has achieved a steady increase in its operating performance.

In 2019, the Group will continue to focus on its core business, and will continue to expand its business in the domestic market. The Group will continue to focus on its core business, and will continue to expand its business in the domestic market. The Group will continue to focus on its core business, and will continue to expand its business in the domestic market. The Group will continue to focus on its core business, and will continue to expand its business in the domestic market.

Harbin, PRC
7 March 2019

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Si Ze-fu, born in 1958, holds a MBA degree and is a senior executive director, chairman and secretary of China National Petroleum Administration. Mr. Si graduated from Tianjin University School of Economics and Management, majoring in Management Science. He worked as an associate professor, faculty advisor and chief executive officer of Dafa Electric Works, director of Dafa Electric, Secretary and Chairman of the Board, director, vice chairman and chairman of Dafa Electric Macroeconomic Consulting. He had worked as chairman, chairman and secretary of China Dafa Electric Corporation since 2003, chairman of Dafa Electric Macroeconomic Consulting from December 2006 to January 2008, director, chairman and secretary of China Dafa Electric Corporation since 2008, chairman of Dafa Electric Corporation Limited since October 2007, chairman of China Dafa Electric Corporation since April 2009. Mr. Si Ze-fu has been chairman and secretary of HEIC since March 2016 and chairman and secretary of China since July 2016.

Mr. Wu Wei-zhang, born in July 1962, is an associate professor and doctoral supervisor. He has been an executive director, President and deputy member of the Party Committee of China National Petroleum Administration, deputy chairman of HEIC. Mr. Wu graduated from Tianjin University in 1988 and became an associate professor at Tianjin University in 2002. Mr. Wu worked for HEIC since 1988. Mr. Wu has been deputy director and advisor of the Board of Directors of Macroeconomic Consulting, advisor and secretary of the Board of Directors of Macroeconomic Consulting Group. Mr. Wu was an advisor and chairman of Macroeconomic Consulting since 1999 and chairman and secretary of Macroeconomic Consulting since October 2000. He has been an advisor and secretary of the Board of Directors of National Key Laboratory of Hydraulic Power Generation Equipment State Key Laboratory and vice chairman of the Scientific Committee of China Energy Research Society (中國能源研究會). He has also been an executive director of China since September 2000 and a board member and chairman of China since February 2010. He has been President of China since March 2013.

Mr. Zhang Ying-jian, born in November 1964, is an associate professor and doctoral supervisor. He has been an executive director, advisor and deputy member of the Party Committee of China National Petroleum Administration and deputy member of the Party Committee and chairman of HEIC. Mr. Zhang graduated from Department of Technical Education of Tianjin University and became an associate professor in July 1988 and became an associate professor from Harbin Institute of Technology. Mr. Zhang worked for HEIC since 1991. He has been an associate professor, secretary, board member, director and secretary of Harbin Power Supply Engineering Consulting, chairman and secretary of Harbin Power Supply Engineering Consulting Limited. He has been an advisor and chairman of HEIC since September 2007, an executive director of China since January 2013, and an executive director and vice president of China since March 2013.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Song Shi-qi, born in December 1958, a senior technical expert, graduated from Harbin Engineering University in 1980 and obtained a doctorate from Harbin Engineering University in 1980. He has worked in various positions in Harbin Engineering University, including Dean of the School of Mechanical Engineering, Vice President of Harbin Engineering University, and Director of the Harbin Engineering University. He has also worked in various positions in Harbin Engineering University, including Director of the Harbin Engineering University, and Director of the Harbin Engineering University. He has also worked in various positions in Harbin Engineering University, including Director of the Harbin Engineering University, and Director of the Harbin Engineering University.

Independent non-executive directors

Mr. Zhu Hong-jie, born in July 1954, a doctorate holder, graduated from Harbin Engineering University in 1978. He has worked in various positions in Harbin Engineering University, including Director of the Harbin Engineering University, and Director of the Harbin Engineering University. He has also worked in various positions in Harbin Engineering University, including Director of the Harbin Engineering University, and Director of the Harbin Engineering University.

Mr. Yu Wen-xing, born in October 1953, a senior technical expert, graduated from Harbin Engineering University in 1978. He has worked in various positions in Harbin Engineering University, including Director of the Harbin Engineering University, and Director of the Harbin Engineering University. He has also worked in various positions in Harbin Engineering University, including Director of the Harbin Engineering University, and Director of the Harbin Engineering University.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

SENIOR MANAGEMENT

Mr. Liu Zhi-quan, born in July 1968, is a male, single, Chinese citizen, with a Bachelor's degree in Accounting. He has worked for China National Petroleum Corporation (CNPC) since 1991. He has held various positions in the accounting department of CNPC, including Deputy Director, Director, and Deputy Director. He has also worked for Harbin Electric Company Limited (HEC) since 2001. Mr. Liu has been a member of the Board of Directors of HEC since 2006, Vice President of HEC since March 2013 and Director of HEC since November 2014. He has also worked for Harbin Electric Company Limited since January 2012 to January 2013.

Mr. Xie Wei-jiang, born in January 1973, is a male, single, Chinese citizen, with a Bachelor's degree in Management. He has worked for Harbin Electric Company Limited (HEC) since 1997. He has held various positions in the management department of HEC, including Deputy Director, Director, and Deputy Director. He has also worked for Harbin Electric Company Limited (HEC) since 1997. He has also worked for Beijing National Water Resources & Electric Power Management & Engineering Co., Ltd. (BNWRE), Beijing Zhongtang Electric Engineering Consulting Co., Ltd. (BJZTE), and Harbin Electric Company Limited (HEC) since 2016. He has also worked for Harbin Electric Company Limited (HEC) since 2017. He has also worked for Harbin Electric Company Limited (HEC) since 2018. He has also worked for Harbin Electric Company Limited (HEC) since 2018.

Mr. Lu Zhi-qiang, born in September 1973, is a male, single, Chinese citizen, with a Bachelor's degree in Management. He has worked for Harbin Electric Company Limited (HEC) since 1995. He has held various positions in the management department of HEC, including Deputy Director, Director, and Deputy Director. He has also worked for Harbin Electric Company Limited (HEC) since 1995. He has also worked for Harbin Electric Company Limited (HEC) since 2009. He has also worked for Harbin Electric Company Limited (HEC) since 2011. He has also worked for Harbin Electric Company Limited (HEC) since 2015. He has also worked for Harbin Electric Company Limited (HEC) since 2016. He has also worked for Harbin Electric Company Limited (HEC) since 2017. He has also worked for Harbin Electric Company Limited (HEC) since 2018. He has also worked for Harbin Electric Company Limited (HEC) since 2018.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

COMPANY SECRETARY

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

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

The Group mainly engaged in manufacturing and distribution of various types of power cables, power cables, and power cables, and also engaged in manufacturing of power cables, power cables, and power cables. The Group also engaged in manufacturing of power cables, power cables, and power cables.

In 2018, the total revenue of the Group reached RMB7,397.40 million, an increase of 28.58% from the revenue of RMB5,753.64 million in 2017. The total revenue of the Group was divided into RMB3,205.75 million from the domestic market and RMB4,191.65 million from the international market.

BUSINESS REVIEW

During the reporting period of 2018, the Group has achieved significant progress in various aspects of business operations.

Major Risks and Uncertainties

In 2018, the Group has faced various risks and uncertainties, including market competition, changes in demand, and fluctuations in raw material prices. The Group has taken measures to mitigate these risks and uncertainties, such as strengthening market research, improving production efficiency, and diversifying the supply chain.

REPORT OF THE DIRECTORS (CONTINUED)

Risk type	Risk description	Countermeasures
<p>Bilişimsel tehditler ve veri güvenliği</p>	<p>Wikipedia'de içerikler, radyo (1) Pınar'ın dijital içerikler için; veri güvenliği için gerekli önlemler alınmış (2) Access'ın dijital içerikler için güvenli bir şekilde erişim sağlanması için. Tutarlı ve doğru içerikler oluşturulmuş ve yayımlanmıştır. Bilgi güvenliği için gerekli önlemler alınmıştır.</p>	<p>(1) Pınar'ın dijital içerikler için; veri güvenliği için gerekli önlemler alınmış; (2) Access'ın dijital içerikler için güvenli bir şekilde erişim sağlanması için.</p>
<p>Canlılık</p>	<p>İl 2018, Genel Müdürlük aracılığıyla (1) Raporun değerlendirilmesi; değerlendirildi. İl 2019, Adana'da canlılık (2) Canlılık komisyonu kuruldu; (3) Foc'ın değerlendirilmesi; (4) Canlılık komisyonu kuruldu; (5) Adana'da faaliyetler.</p>	<p>(1) Raporun değerlendirilmesi; (2) Canlılık komisyonu kuruldu; (3) Foc'ın değerlendirilmesi; (4) Canlılık komisyonu kuruldu; (5) Adana'da faaliyetler.</p>
<p>İnsan kaynakları</p>	<p>Teşkilatın faaliyetleri (1) İncelenebilirlik; (2) Araştırma ve geliştirme; (3) Foc'ın değerlendirilmesi; (4) İnsan kaynakları komisyonu kuruldu; (5) Adana'da faaliyetler.</p>	<p>(1) İncelenebilirlik; (2) Araştırma ve geliştirme; (3) Foc'ın değerlendirilmesi; (4) İnsan kaynakları komisyonu kuruldu; (5) Adana'da faaliyetler.</p>

REPORT OF THE DIRECTORS (CONTINUED)

Significant Events Affecting The Group

On 24 December 2018, the Board of Harbin Electric Company Limited ("HE") and the Board of China Electric Power Group Company Limited ("CEP"), the parent company of HE, formed a joint venture to establish a new company, Harbin Electric Company Limited ("HEC"), with a registered capital of HK\$4.56 million.

In addition, on 24 December 2018, HE entered into a Memorandum of Understanding ("MOU") with the Ministry of Industry and Information Technology ("MIIT") of the PRC to establish a joint venture to develop and produce high-voltage power equipment in the PRC.

Further, as a result of the completion of the acquisition of the 24 December 2018, the Board of China Electric Power Group Company Limited ("CEP") has been replaced by the Board of China Electric Power Group Company Limited ("CEP").

Other significant events affecting the Group in 2018 are set out in the section headed "Significant Events Affecting the Group" in the 2018 Annual Report.

Environmental Policy and Performance

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

REPORT OF THE DIRECTORS (CONTINUED)

Compliance with Relevant Laws and Regulations

In 2018, the Company continued to comply with the laws and regulations applicable to its operations in the Republic of South Africa.

Principal Laws and Regulations

Key scope

Compliance Measures

Principal Laws and Regulations	Key scope	Compliance Measures
Contract Law of the Republic of South Africa	The Company's business operations and the management of its assets and liabilities in terms of the Contract Law of the Republic of South Africa.	<ol style="list-style-type: none"> The Company has established a robust legal framework to ensure compliance with the Contract Law of the Republic of South Africa, including the implementation of a comprehensive contract management system, the appointment of legal counsel, and the implementation of a robust risk management system. The Company has established a robust legal framework to ensure compliance with the Contract Law of the Republic of South Africa, including the implementation of a comprehensive contract management system, the appointment of legal counsel, and the implementation of a robust risk management system.
South African Companies Act, 2008, South African Companies Regulations, 2011, South African Companies Amendment Act, 2015, South African Companies Amendment Act, 2016, South African Companies Amendment Act, 2017, South African Companies Amendment Act, 2018	The Company's business operations and the management of its assets and liabilities in terms of the South African Companies Act, 2008, South African Companies Regulations, 2011, South African Companies Amendment Act, 2015, South African Companies Amendment Act, 2016, South African Companies Amendment Act, 2017, and South African Companies Amendment Act, 2018.	The Company has established a robust legal framework to ensure compliance with the South African Companies Act, 2008, South African Companies Regulations, 2011, South African Companies Amendment Act, 2015, South African Companies Amendment Act, 2016, South African Companies Amendment Act, 2017, and South African Companies Amendment Act, 2018.
Tenders and Bidding Law of the Republic of South Africa	The Company's business operations and the management of its assets and liabilities in terms of the Tenders and Bidding Law of the Republic of South Africa.	<ol style="list-style-type: none"> The Company has established a robust legal framework to ensure compliance with the Tenders and Bidding Law of the Republic of South Africa, including the implementation of a comprehensive tender and bidding process, the appointment of legal counsel, and the implementation of a robust risk management system. The Company has established a robust legal framework to ensure compliance with the Tenders and Bidding Law of the Republic of South Africa, including the implementation of a comprehensive tender and bidding process, the appointment of legal counsel, and the implementation of a robust risk management system.

REPORT OF THE DIRECTORS (CONTINUED)

Principal Laws and Regulations

Key scope

Compliance Measures

Lab. Law, P. Law, R. Law, C. Law, Lab. Law, P. Law, C. Law	Work-related... compliance... measures...	Affidavit... compliance... measures...
Labour Law, Trademark Law	Labour Law, Trademark Law... compliance... measures...	Trademark Law... compliance... measures...

Employees, Major Customers and Suppliers

1. Employees

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

In 2018, the Group had 1,690 casual employees, of which 68,600 casual employees.

2. Major Customers

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

REPORT OF THE DIRECTORS (CONTINUED)

3. Major operations

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

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

LIST OF SUBSIDIARIES AND DIRECTORS OF SUBSIDIARIES

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

RESULTS

As at 31 December 2018, the total income of the Group amounted to RMB25,879.46 million, and the attributable profit of the Company amounted to RMB71.32 million. The Group's net assets as at 31 December 2018 are 100% owned by the Company.

DIVIDEND

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

As at 31 December 2018, the Company's consolidated financial performance was satisfactory and the dividend is payable.

INFORMATION ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of Directors and Supervisors are set out in the consolidated Directors, Supervisors and Senior Management Report of the Company.

REPORT OF THE DIRECTORS (CONTINUED)

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company's independent non-executive directors have confirmed that they are independent in accordance with the requirements of the Listing Rules and the Rules Governing the Listing of Securities in Hong Kong Limited (the "Listing Rules").

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

As at 31 December 2018, the interests of the directors, supervisors and senior management of the Company are as follows:

Name	Position	Number of Shares Held	Percentage of Total Shares
Mr. Li Xiaohong	Director	10,000,000	0.5%
Mr. Li Xiaohong	Director	10,000,000	0.5%
Mr. Li Xiaohong	Director	10,000,000	0.5%
Mr. Li Xiaohong	Director	10,000,000	0.5%
Mr. Li Xiaohong	Director	10,000,000	0.5%
Mr. Li Xiaohong	Director	10,000,000	0.5%
Mr. Li Xiaohong	Director	10,000,000	0.5%
Mr. Li Xiaohong	Director	10,000,000	0.5%
Mr. Li Xiaohong	Director	10,000,000	0.5%
Mr. Li Xiaohong	Director	10,000,000	0.5%

REPORT OF THE DIRECTORS (CONTINUED)

REMUNERATION OF DIRECTORS AND SUPERVISORS

Remuneration of directors and supervisors of China Aeronautical Corporation in 2018 is disclosed in the annual report of China Aeronautical Corporation. The remuneration of independent non-executive directors and supervisors is disclosed in the annual report of China Aeronautical Corporation. The remuneration of executive directors and supervisors is disclosed in the annual report of China Aeronautical Corporation.

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

(Unit: RMB)

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

Details of remuneration of directors, independent non-executive directors and supervisors of China Aeronautical Corporation for 31 December 2018 are disclosed in Article XI(5) of the Articles of Association.

REPORT OF THE DIRECTORS (CONTINUED)

FIVE HIGHEST PAID PERSONNEL

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

	Fees	Salaries and other benefits	Contribution to retirement benefits scheme	Total
Mr. Wang Jiajun	HK\$0	HK\$4,981,500	HK\$0.995,000	HK\$5,981,500

CONTINGENT LIABILITIES – GUARANTEES

As at 31 December 2018, the Company has provided guarantees to the subsidiary companies of RMB2,035.42 million. No other guarantees are provided. Details are set out in Note XII(2) of the financial statements.

PERMITTED INDEMNITY PROVISION

As at the date of the financial statements, the Company has provided indemnity provisions to its directors, officers, and employees. Details are set out in Note XIII of the financial statements.

The Company has no other contingent liabilities to its directors and officers.

SIGNIFICANT INVESTMENT IN SECURITIES

On 9 October 2018, the Company and HPI entered into an agreement to subscribe for 76,335,877 shares of N-biotech (A share) in N-biotech HPI. The subscription price is RMB6.55 per share (including a 90% premium over the market price of A share of HPI of 20 cents per share as at the date of the financial statements). The total subscription amount is RMB499,999,994.35 (including a premium of HK\$568,188,268.05). The Company has provided a guarantee to the subsidiary of HPI of 12 million for the subscription.

STAFF REMUNERATION, RETIREMENT AND BENEFITS SCHEME

In 2018, the Group provided remuneration and benefits to its directors, officers, and employees. Details are set out in Note XIV of the financial statements.

REPORT OF THE DIRECTORS (CONTINUED)

In 2018, the amount of Grants and RMB1,639.78 million. The Grants and RMB1,639.78 million.

Details of the financial information are provided in Note VI(26) of the financial statements.

FIXED ASSETS

REPORT OF THE DIRECTORS (CONTINUED)

TAX POLICIES

Accordi i i f Adhira Ma i ard R c i i f Hi ad N T c E i i (《高新技術企業認定管理辦法》) i i d b M i i f Sci c ad T c , M i i f Fi a c a d Sa Adhira i Ta a i f PRC 14 A i 2008 a d Adhira G i d a c R ard R c i i f Hi ad N T c E i i (《高新技術企業認定管理工作指引》) i i d b M i i f Sci c ad T c , M i i f Fi a c a d Sa Adhira i Ta a i 8 J 2008, c i i i c d i C m a a d i a f f i a , i c d i Harbi E c r i c a M a i i C m a L h i d, Harbi B i C m a L h i d, Harbi T b i C m a L h i d, Harbi E c r i c P E i m C m a L h i d a d H E Harbi P Pa Va C m a L h i d i c i d a H i a d N T c E i i , a d a c i a 15% i f f i a i c m a r a , i c i i f i c a i r - m d m .

I acc d a c i i a i f Sa Adhira i Ta a i , a f f a r b a a i c a b G i i i c i i f r a c i 13% i f c i f m 15 O c b r 2003.

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

U d r O i i f C r a C m m i f C m m i P a r f C i a a d Sa C c i C m i R i a i z a i f H i r i c a I d r i a B a f N r a R i i (《中共中央國務院關於全面振興東北地區等老工業基地的若干意見》) i 2016, G r i c i a f a r a b i c i i c i a i z a i f i r i c a I d r i a b a f a r i i .

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

T G r a a b i d M a i f M a a i C c c d T r a a c i (《關連交易管理辦法》) a f m a c f c c d r a a c i a d c i i c c d r a a c i . T c i i c c d r a a c i f C m a a r m i r d b i b d a r m , i c d i c m i c r a i d a r m , a f i a c d a r m a d c r a i a f B a r d . T a n d n i f a m a d r i c i i c i a r c a r i d b i b d a r m i c a r i c a r f a a d a b a r d b B a r d a f r d i c i m a a m f C m a . I a d d i , a r i c i m , r c a d i h m m a i a r i d b i b d a r m , a d f r b i d i a i m i r d b a d a r m a r c i i c c d r a a c i c a r i d i a c c d a c i i r m .

T a a r i f c i i c c d r a a c i b i d d - c i d i r c f C m a b a d a a r f c i i c c d r a a c i d a i d a i a a r a d f i a c i a f C m a , a d a r i f a a r f c i i c c d r a a c i i d b a d i f C m a . T i d d i r c , a r i a , i m a a m a f f i c i i f m a i i b a i d r i c r a a c i a d i r a c r c d . T i d d - c i d i r c c a a (i) m d a d r c d r a b i d b i r a f f i c i a r a a c i c d c d m a c m m i c i a m a d d i c i f r a d m i r a r d ; a d (ii) i r a i a c i r a m i r c d r , a d r a a c i a r i d b i r a a d i f c i .

REPORT OF THE DIRECTORS (CONTINUED)

Dari transaksi perdagangan perusahaan pada tahun 2018, N. XI(5) melakukan pembelian aset tetap perusahaan dengan menggunakan kredit bank. Transaksi ini dilakukan pada tanggal 14 April 2018. Liabilitas perusahaan pada tanggal tersebut adalah ...

Ath 31 Desember 2018, Gr. carid dari transaksi perdagangan perusahaan (transaksi keuangan) adalah Rp 14A.33 (Liabilitas):

Continuing Connected Transactions

1. *Pr. dca d S. ic Fra* A. n b C. n a. a d Ha'bi E. c'ic C. 'rai C., L d (HE)

On 9 December 2016, Company entered into a credit facility agreement with HE, a subsidiary of Gr. a d HE (subsidiary of Gr., U. i d Ha'bi E. c'ic Gr.) for a period of 24 months starting from 1 January 2018 to 31 December 2019.

During the period from 1 January 2018 to 31 December 2018, the company has borrowed from Gr. U. i d Ha'bi E. c'ic Gr. RMB2.00 million, repaid RMB30,000; repaid RMB12.00 million; repaid RMB84.00 million; repaid RMB64.16 million; repaid RMB195.00 million, repaid RMB19.59 million. The company has not repaid any amount.

2. *Fi a cia S. ic Fra* A. n b C. n a. a d HE

On 9 December 2016, Company and HE entered into a financial facility agreement with HE Financial Company Limited (subsidiary of Company), a subsidiary of Company, for a period of 30 months starting from 31 December 2016 to 30 December 2019.

During the period from 1 January 2018 to 31 December 2018, U. i d Ha'bi E. c'ic Gr. has borrowed from HE Financial Company RMB220.00 million, repaid RMB190.00 million; repaid RMB2.80 million, repaid RMB190.00 million, repaid RMB2.80 million. The company has not repaid any amount.

REPORT OF THE DIRECTORS (CONTINUED)

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

O 29 Ja ar 2016, C n a a r d i Ma a n E r n A r n b HE, r a ic , C n a a i r id n a a n ic HE, ic di b n i d ad m i r a i n a a n , n a r c a d c n a i n a a n (i c di r a a f a i r n a a n), c a d a i c r , a a d f i a c i a n a a n , i r a d r a i z a i n a a n , a i c a d c n i c r a i n a a n , a d i a d i r a c r n a a n , i n n a a n , r a i c d n n a a n , a a f a i r n a a n , c n n i c a i n a a n , m a r i n a a n , r c n a a n , r d c i a f n a a n , r c d r m i r i n a a n , i i c a a f a i r a d r a f a i r n a a n . T n f a r n a f r n 23 M a r c 2016 22 M a r c 2019 a d HE a a a a a n a a n r n f f R M B 3 . 2 8 m i i C n a a .

A f 31 D c m b r 2018, HE a f a i d n a a n f f R M B 3 . 2 8 m i i C n a a .

Confirmation on Continuing Connected Transactions

T i d d N - E c i D i r c r f C n a a a r i d c i i c c d r a a c i (a d f i d i L i i R) i N X I f i a c i a a n a d c f i n d a : 2 a n 2347 a d f i d i a d m a a d M a a n

REPORT OF THE DIRECTORS (CONTINUED)

DETAILS OF SHARE CAPITAL

Shareholding Structure

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

Equity Interests of Substantial Shareholders

As at 31 December 2018 and during the financial year, the directors are advised that there is no 5% or more of the issued share capital of the Company for a class of shares recorded in the register of shareholders and the directors hold the following shares in the Company: 336 of the Shares of the SFO (SFO) held by the directors:

The following table shows the details of the Company:

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

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

REPORT OF THE DIRECTORS (CONTINUED)

Holding Range of Shareholders

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

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

REPORT OF THE DIRECTORS (CONTINUED)

Analysis of Shareholding of Holders of H Shares

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

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

MODEL CODE

The Company is a public company listed on the Stock Exchange of Hong Kong Limited. The Model Code for Securities Transactions by Directors of Listed Companies, Appendix 10 of the Listing Rules, applies to the Company.

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code as set out in Appendix 1 of the Listing Rules. The Company has adopted the Corporate Governance Code as set out in Appendix 1 of the Listing Rules. The Company has adopted the Corporate Governance Code as set out in Appendix 1 of the Listing Rules.

In 2018, the Company has complied with the Corporate Governance Code as set out in Appendix 1 of the Listing Rules. The Company has adopted the Corporate Governance Code as set out in Appendix 1 of the Listing Rules.

REPORT OF THE DIRECTORS (CONTINUED)

AUDIT COMMITTEE

The Audit Committee has reviewed the financial statements, considered the auditor's report and the management's response to the auditor's observations on 31 December 2018, and discussed the financial statements with the auditor.

AUDITORS

The financial statements for the Company for the year ended 31 December 2018 are audited by BDO China S.L.P. a Párc de Industrias Acci3n LLP, which was appointed in 2017 and has a total fee of RMB2.50 million. The auditor's report is unqualified. The financial statements for the year ended 31 December 2018 are audited by the Board of Directors of the Company.

Board of Directors
Harbin Electric Company Limited
Ai Li-song
Chairman

7 March 2019

REPORT OF THE BOARD OF SUPERVISORS

T a a a d r :

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

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

Attendance of Supervisors at meetings in 2018

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

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

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code as set out in the Listing Rules of the Exchange and the Corporate Governance Code as set out in the Listing Rules of the Exchange. The Board of Directors has adopted the Corporate Governance Code as set out in the Listing Rules of the Exchange and the Corporate Governance Code as set out in the Listing Rules of the Exchange.

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

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

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions for Directors of Listed Issuers as set out in the Listing Rules of the Exchange and the Model Code for Securities Transactions for Directors of Listed Issuers as set out in the Listing Rules of the Exchange.

BOARD OF DIRECTORS

The members of the Board of Directors of the Company are listed in the table below. The Board of Directors of the Company is composed of the following members:

Composition of Board of Directors

During 2018, the Board of Directors of the Company has 8 directors, of which 4 are independent non-executive directors. During the year ended 31 March 2018, the Board of Directors also had Mr. Tia Mia as an independent non-executive director. As of 31 December 2018, the members of the Board of Directors of the Company are:

Executive directors: Si Zhi-feng (Chairman), Wang Wenzha, Zhang Yulin, Song Sheng

Independent non-executive directors: Zhang Hui, Yan Wen, He Jiaming, Tia Mia

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

The Board of Directors, the Board of Directors and the Board of Directors of the Company Board of Directors.

Independent non-executive directors

In 2018, the Board of Directors of the Company included 4 independent directors, namely Mr. Z. H., Mr. Y. W., Mr. H. Jia, and Mr. Tia.

The Board of Directors and the Board of Directors of the Company Board of Directors are independent directors. They are independent directors and have no relationship with the Company, its subsidiaries, or its shareholders. They are independent directors and have no relationship with the Company, its subsidiaries, or its shareholders.

The Company's independent directors are independent directors and have no relationship with the Company, its subsidiaries, or its shareholders.

Meetings of the Board of Directors

In 2018, the Board of Directors of the Company held 14 meetings. The Board of Directors of the Company held 14 meetings. The Board of Directors of the Company held 14 meetings. The Board of Directors of the Company held 14 meetings.

Attendance of Directors and the Board of Directors in 2018

Name of Director	Number of Attendance Required	Attendances in Person	Number of Attendance by Alternate Director	Attendance rate
Mr. Si Z. H.	14	14	0	100%
Mr. W. W. Jia	14	13	1	92.86%
Mr. Z. Y. Jia	14	13	1	92.86%
Mr. S. S. Jia	14	14	0	100%
Mr. Z. H. Jia	14	13	1	92.86%
Mr. Y. W. Jia	14	14	0	100%
Mr. H. Jia	14	14	0	100%
Mr. Tia	12	12	0	100%

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board of Directors, the Chairman of the Board, the Secretary of the Board, the Director of Administration, the Director of Finance and Accounting, the Director of Human Resources, the Director of Information Technology, the Director of Legal Affairs, the Director of Public Relations and the Director of Corporate Governance have all received specific training in 2018. The Board of Directors has also received specific training in 2018. The Board of Directors has also received specific training in 2018.

In 2018, the Board of Directors has received specific training in 2018. The Board of Directors has also received specific training in 2018.

Attendance of Directors in 2018

Name of Director	Number of Attendance Required	Attendances in Person	Attendance rate
Mr. Si Zhi-feng	3	3	100%
Mr. Wang Wenzha	3	3	100%
Mr. Zhang Yijia	3	3	100%
Mr. Sun Siyi	3	3	100%
Mr. Zhang Hui	3	3	100%
Mr. Yan Wenli	3	3	100%
Mr. He Jiamin	3	3	100%
Mr. Tian Mi	3	3	100%

CORPORATE GOVERNANCE REPORT (CONTINUED)

The annual general meeting of the Board of Directors of the Company was held on December 18, 2018. The annual general meeting of the Company was held on December 18, 2018. The annual general meeting of the Company was held on December 18, 2018.

Training of the Directors

On December 18, 2018, the Board of Directors of the Company held a training session for the directors. The training session was held on December 18, 2018. The training session was held on December 18, 2018.

In 2018, the directors of the Company attended various training courses. The training courses were held on December 18, 2018. The training courses were held on December 18, 2018.

CHAIRMAN AND PRESIDENT

On December 18, 2018, the Chairman of the Company, Mr. Si Zhen, and the President of the Company, Mr. Wang Xiaohua, were elected.

The Chairman and President of the Company were elected by the Board of Directors. The Board of Directors was held on December 18, 2018. The Board of Directors was held on December 18, 2018.

CORPORATE GOVERNANCE REPORT (CONTINUED)

SPECIAL COMMITTEES UNDER THE BOARD

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

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

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

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

Audit Committee

The main responsibilities of Audit Committee under the Board of Company are: monitor Company's accounting information and standards of financial reporting, and advise the Board of Company on the audit findings of Company, and discuss the audit results.

The Audit Committee under the Board of Company was first established by the Board of Company on 21 March 2018, with members of Audit Committee under the Board of Company Mr. Zhang Heli and Mr. Yan Wei, and chairman of Committee Mr. Tian Ming. On 21 March 2018, Mr. Tian Ming was elected as chairman of Audit Committee. As at 31 December 2018, the members of Audit Committee under the Board of Company Mr. Tian Ming, Mr. Zhang Heli and Mr. Yan Wei, and chairman of Committee Mr. Tian Ming.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

No.	Summary of Work
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1	A r i r a f c d c i r d i m b i b b i d i a r i a d b n l l i B a r d f D i r c r
2	A r i r a f r a a b b i d i a r i a d b n l l i B a r d f D i r c r
3	A r i r a f f i a c i a f f i a m a l m r i l m a d b b i d i a r i a d b n l l i B a r d f D i r c r
4	A r i c i A a R r f 2017 a d b n l l m B a r d f D i r c r
5	A r i C m a f a m r f 2017 i r a c r a d r i m a a m a d b n l l i B a r d f D i r c r
6	A r i C m a c f l r h R r f 2018 a d b n l l m B a r d f D i r c r

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

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

Nomination Committee

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

Remuneration Committee

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

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

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

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

Strategy Development Committee

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

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

In 2018, Strategy Development Committee has carried out 3 meetings and discussed the following matters:

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

- | | |
|---|---|
| 1 | Approved the annual plan and budget under Board Director. |
| 2 | Approved 2017 track and budget under Board Director. |

The Strategy Development Committee under Board of Company is chaired by Mr. W W Liang. The committee's main responsibilities are to track and facilitate the implementation of the strategic plan. In 2018, the committee has carried out 3 meetings. The chair of the committee is Mr. W W Liang. The committee has carried out 3 meetings and discussed the following matters: Company's annual plan and budget, Company's 2017 track and budget. In 2018, the committee has carried out 3 meetings. The chair of the committee is Mr. W W Liang. The committee has carried out 3 meetings and discussed the following matters: Company's annual plan and budget, Company's 2017 track and budget.

AUDITORS AND THEIR REMUNERATION

During 2018, the main auditor of BDO CIA S L Pa C r i f i d P b i c A c c a L L P (a c i a r a a r r i), Company's auditor, has received RMB2.50 million. The Company did not have any other auditor. The main auditor of BDO CIA S L Pa C r i f i d P b i c A c c a L L P (a c i a r a a r r i).

BDO CIA S L Pa C r i f i d P b i c A c c a L L P (a c i a r a a r r i) and Board Director are independent financial auditors. As at the end of 2018, the company's financial statements were audited by BDO CIA S L Pa C r i f i d P b i c A c c a L L P (a c i a r a a r r i) according to the standards of fair value and the financial statements were audited by BDO CIA S L Pa C r i f i d P b i c A c c a L L P (a c i a r a a r r i) at 31 December 2018.

The Board Director's remuneration is determined by the Board of Company. BDO CIA S L Pa C r i f i d P b i c A c c a L L P (a c i a r a a r r i) is the auditor of the Company's 2019 financial statements.

CORPORATE GOVERNANCE REPORT (CONTINUED)

COMPANY SECRETARY

In 2018, Mr. Ali Li was the Company Secretary of the Company, and Mr. T. Ta Chi, Michael, Ji Secretary of the Company, and Mr. Ali Carr was the Company Secretary in 2018. Mr. Ali Carr is a 15-year experienced professional with a rich background in Hong Kong listed companies.

SHAREHOLDERS RIGHTS

Principally, Article 41 of the Articles of Association of the Company provides that 10% of the shareholders of the Company may request the Board of Directors to convene a shareholders' meeting, and if the Board of Directors does not do so, the shareholders may request the Company Secretary to convene a shareholders' meeting. The Company also provides a detailed procedure for shareholders to request a shareholders' meeting.

Shareholders may also request the Company to convene a shareholders' meeting in writing to the Company Secretary.

When a shareholder requests a shareholders' meeting, the following conditions apply:

- (I) The shareholder must own 10% (or 10%) of the shares of the Company at the time of making the request. The Board of Directors may convene a shareholders' meeting if the shareholder requests to convene a shareholders' meeting in writing to the Board of Directors.
- (II) If the Board of Directors does not convene a shareholders' meeting within 30 days after the request, the shareholder may request the Company Secretary to convene a shareholders' meeting.

The Company also provides for the shareholders to request a shareholders' meeting in writing to the Company Secretary. The Company Secretary will convene a shareholders' meeting if the Board of Directors does not do so within 30 days after the request.

Shareholders may also request the Company to convene a shareholders' meeting in writing to the Company Secretary. The Company Secretary will convene a shareholders' meeting if the Board of Directors does not do so within 30 days after the request.

The Company is a public company listed on the Hong Kong Stock Exchange, and its shares are listed on the Main Board of the Hong Kong Stock Exchange.

CORPORATE GOVERNANCE REPORT (CONTINUED)

INFORMATION DISCLOSURE AND MANAGEMENT OF INVESTOR RELATIONS

The Company has established a communication management system to ensure the timeliness and accuracy of information disclosure. The Company has established a communication management system to ensure the timeliness and accuracy of information disclosure. The Company has established a communication management system to ensure the timeliness and accuracy of information disclosure.

The Company has established a communication management system to ensure the timeliness and accuracy of information disclosure. The Company has established a communication management system to ensure the timeliness and accuracy of information disclosure. The Company has established a communication management system to ensure the timeliness and accuracy of information disclosure.

The Company has established a communication management system to ensure the timeliness and accuracy of information disclosure. The Company has established a communication management system to ensure the timeliness and accuracy of information disclosure. The Company has established a communication management system to ensure the timeliness and accuracy of information disclosure.

AMENDMENTS TO ARTICLES OF ASSOCIATION

The Company has established a communication management system to ensure the timeliness and accuracy of information disclosure.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has established a communication management system to ensure the timeliness and accuracy of information disclosure. The Company has established a communication management system to ensure the timeliness and accuracy of information disclosure. The Company has established a communication management system to ensure the timeliness and accuracy of information disclosure.

The Company has established a communication management system to ensure the timeliness and accuracy of information disclosure. The Company has established a communication management system to ensure the timeliness and accuracy of information disclosure. The Company has established a communication management system to ensure the timeliness and accuracy of information disclosure.

The Company has established a communication management system to ensure the timeliness and accuracy of information disclosure. The Company has established a communication management system to ensure the timeliness and accuracy of information disclosure. The Company has established a communication management system to ensure the timeliness and accuracy of information disclosure.

In 2018, the Company has established a communication management system to ensure the timeliness and accuracy of information disclosure. The Company has established a communication management system to ensure the timeliness and accuracy of information disclosure. The Company has established a communication management system to ensure the timeliness and accuracy of information disclosure.

To the shareholders of Harbin Electric Company Limited:

I. AUDIT OPINION

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. In accordance with the Audit Standards for Certified Public Accountants of China, we have issued this unqualified audit opinion.

II. THE BASIS FOR THE FORMATION OF AUDIT OPINIONS

We conducted our audit in accordance with the China Audit Standards for Certified Public Accountants. The responsibilities of the Certified Public Accountant are to express an opinion on the financial statements based on the audit evidence obtained. The audit evidence obtained from the audit is sufficient and appropriate to provide a basis for our audit opinion. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified audit opinion.

Key audit matters

Audit reaction

- (5) Wadaddanin d c f
r c d r h a d a c f r c :
- a: C c c m i m f h a d a
c r i d c m a i c a
r c m c r a c i d i f
h a d a c i m i r ;
- b: A r a a b f h a d c b
d i c i r c i r a d r i
r a r i d c m a i .

(II) Bad debt provision for accounts receivable

- O D c m b r 31, 2018, r i i a (1) W a a d a d d i r a c r f
a f r c i a b a d a c c m a a m r i a m a d d m i a i f
r c i a b a d r c i a b i h a m f r c i a b , i c d i c r f i d i f i
c i d a d f i a c i a a m f b c i i d c f m a m a d c a c a i
T r C m a a 15,880,887,068.82 h a m a a c .
- a, a d a r i i f b a d (2) W c d a m c c a c c r a c f
d b a 4,823,699,812.46 a . a i a a i f m f r c i a b r a d b
W r a b c i i d c m a a m , a d d a m a i c c r f
a r c i a b a r h a m d , i f m a i m m r a d m a i a c a i
m a a m c a c a d r i i a a i a b .
- f r i d i d a h a m b a d (3) W c d r c i a b i f i c a a m r i r i
d i f f r c b r a f h a d f r c a f a d a d d r c r a b i i d d i a i
h a d f r c a f a d i f i c a a m r i r i
c a r i a n . F r c i a b i r c r a b i i f r c i a b , a n i d r a
b c i i d c f m a m , m a a m h a d b c a i f i
m a a m h a d b c a i f i r i i d c , i c d i - a c i i r c i ,
m i m a r f i a c c d i c m r c d i i t , r a i a d r a m a b i i ,
c a r a c i c f c d i r i . B a d a d r a a r c f m a i r .
- a c a r a f r i f i (4) W a d r m a a m m d a d
f r c i a b h a m a r c d i r i c a c a i f i f r c i a b i r a r f i
c a r a c i c i r i a r a d f i h a m a m a r r b c i d r i
a i a a i , m a a m d m i d r i i f r b a d d b a c a a n a d c i r m a c f a c a b a d d b i
a c i a i c r i a i . i c f h a r c i a b r f i , c m b i d r i
A a m a i f i c a a d f a c r c a c m r c d i a d m a r c d i i .
- m a a m a d m a r a d m i d m i i h a m f r c i a b , i d i f i d h a m f r c i a b a a a d i

AUDITORS' REPORT (CONTINUED)

IV. OTHER INFORMATION

Harbin Electric Company Limited (hereinafter referred to as "Company") is a public company listed on the Shanghai Stock Exchange. The financial statements of the Company for the year ended December 31, 2018 are audited by the auditor.

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

The scope of our audit is limited to the financial statements of the Company, and we do not provide any assurance on the other information included in the financial statements, such as the text, tables, and other data presented in the financial statements.

Based on our audit, we have issued our audit opinion on the financial statements of the Company for the year ended December 31, 2018.

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

The management of the Company is responsible for the preparation and presentation of the financial statements in accordance with the applicable accounting standards. The Board of Directors is responsible for the review and approval of the financial statements.

The management of the Company is also responsible for the design, implementation, and maintenance of internal control systems. The Board of Directors is responsible for the review and approval of the internal control systems.

The auditor is responsible for the audit of the financial statements of the Company.

VI. THE CPA'S RESPONSIBILITY OF AUDITING FINANCIAL STATEMENTS

Our objective is to obtain reasonable assurance about whether the financial statements of the Company are free from material misstatement. Reasonable assurance is a high level of assurance, but it is not a guarantee. The audit is based on the audit procedures performed by the auditor. The management of the Company is responsible for the design, implementation, and maintenance of internal control systems. The Board of Directors is responsible for the review and approval of the internal control systems.

AUDITORS' REPORT (CONTINUED)

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

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

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

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

AUDITORS' REPORT (CONTINUED)

From the audit, we have obtained sufficient evidence to support the financial statements. We do not have any reservations, and we believe that the financial statements are true and fair in all material aspects.

CONSOLIDATION BALANCE SHEET

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

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

CONSOLIDATION BALANCE SHEET (CONTINUED)

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

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

C r a r r a i :

C i f Acc a :

Acc i S r i r :

CONSOLIDATION BALANCE SHEET (CONTINUED)

(A ar f m cia : i faη i RMB)

Items	N	December 31, 2018	Ja ar 1, 2018	D c m b r 31, 2017
Current liabilities:				
Short-term borrowings	VI (XXII)	1,572,908,534.19	3,083,568,542.78	3,083,568,542.78
Borrowings from financial institutions				
Debt issued in the form of financial instruments	VI (XXIV)	1,701,564,614.29	803,027,749.69	803,027,749.69
Payable for bank acceptance bills	VI (XXIII)	300,000,000.00		
Trade accounts payable				
Financial liabilities arising from financial derivatives				
Derivative liabilities				
Notes payable and Accounts payable	VI (XXV)	19,051,847,769.30	19,531,513,198.03	19,531,513,198.03
Advance from customers				19,691,124,928.12
Contract liabilities	VI (VII)	14,596,720,387.12	19,691,124,928.12	
Security deposits and other receivables				
Financial guarantees payable				
Employee benefits payable	VI (XXVI)	296,206,737.79	319,715,914.16	319,715,914.16
Liabilities to suppliers				
Warranty liabilities		47,549,236.28	91,949,227.59	91,949,227.59
# of liabilities: Employee benefits payable		20,641.00		
Tax payable	VI (XXVII)	374,043,503.79	240,442,949.52	240,442,949.52
Liabilities to associates and directors				
Liabilities to associates and directors		359,389,161.53	227,313,951.19	227,313,951.19
Other payables	VI (XXVIII)	282,211,997.43	406,316,171.00	406,316,171.00
Reserve for contingencies				
Reserve for contract losses				
Security deposits				
Security deposits				
Deferred tax liabilities				
Contract liabilities	VI (XXIX)	200,000,000.00	2,999,707,500.00	2,999,707,500.00
Other contract liabilities	VI (XXX)	188,548.80	134,893.80	134,893.80
Total current liabilities		38,375,692,092.71	47,075,551,847.10	47,075,551,847.10

CONSOLIDATION BALANCE SHEET (CONTINUED)

(Amount in million RMB)

Items	N	December 31, 2018	January 1, 2018	December 31, 2017

CONSOLIDATION BALANCE SHEET (CONTINUED)

(Amount in million Chinese Yuan, RMB)

Items	N	December 31, 2018	January 1, 2018	December 31, 2017
Equity:				
Paid-up capital (Share capital)	VI (XXXVI)	1,706,523,000.00	1,706,523,000.00	1,706,523,000.00
Surplus reserves		1,030,952,000.00	1,030,952,000.00	1,030,952,000.00
Undistributed profits		1,030,952,000.00	1,030,952,000.00	1,030,952,000.00
Capital reserves				
Preferred shares				
Minority interests		675,571,000.00	675,571,000.00	675,571,000.00
#Liabilities				
Paid-up capital (Share capital) -	VI (XXXVI)	1,706,523,000.00	1,706,523,000.00	1,706,523,000.00
Other items				
Undistributed profits				
Capital reserves	VI (XXXVII)	3,715,737,494.12	3,690,197,230.17	3,690,197,230.17
Liabilities				
Other items	VI (XXXVIII)	66,045,215.97	18,514,209.22	18,514,209.22
Undistributed profits		2,716,262.19	-691,329.32	-691,329.32
Shareholders' equity	VI (XXXIX)	30,812,983.78	19,377,426.96	19,377,426.96
Shareholders' equity	VI (XL)	809,136,649.47	786,529,945.86	786,529,945.86
Undistributed profits		809,136,649.47	786,529,945.86	786,529,945.86
Other items				
#Reserves				
#Capital reserves				
#Reserves				
Guaranteed				
Reserves	VI (XLI)	8,698,026,738.58	8,649,609,089.09	8,649,609,089.09
Equity attributable to owners of the parent		15,026,282,081.92	14,870,750,901.30	14,870,750,901.30
*Minority interests		1,282,748,516.51	1,271,400,777.32	1,271,400,777.32
Total owner's equity		16,309,030,598.43	16,142,151,678.62	16,142,151,678.62
Total liabilities and owner's equity		56,541,982,676.06	64,838,093,072.98	64,838,093,072.98

Capital reserves

Capital reserves

Capital reserves

BALANCE SHEET

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

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

BALANCE SHEET (CONTINUED)

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

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

C r a r a :

C i f A c c a :

A c c i S r i r :

BALANCE SHEET (CONTINUED)

(Amount in thousands of Renminbi)

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

BALANCE SHEET (CONTINUED)

(All amounts in millions of RMB)

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

BALANCE SHEET (CONTINUED)

(Amount in thousands of RMB)

Items	N	December 31, 2018	January 1, 2018	December 31, 2017
Equity:				
Paid-up capital (share capital)		1,706,523,000.00	1,706,523,000.00	1,706,523,000.00
Surplus reserves		1,030,952,000.00	1,030,952,000.00	1,030,952,000.00
Undistributed profit		1,030,952,000.00	1,030,952,000.00	1,030,952,000.00
Capital surplus				
Other reserves				
Undistributed profit				
Other reserves		675,571,000.00	675,571,000.00	675,571,000.00
Minority interest				
Paid-up capital (share capital) - equity		1,706,523,000.00	1,706,523,000.00	1,706,523,000.00
Other equity instruments				
Preferred shares				
Other equity instruments				
Capital surplus		3,625,820,100.48	3,628,404,836.53	3,628,404,836.53
Liabilities				
Other comprehensive income		63,358,777.91		
Undistributed profit				
Shareholders' equity				
Surplus reserves		645,909,005.07	623,302,301.46	623,302,301.46
Undistributed profit		645,909,005.07	623,302,301.46	623,302,301.46
Other equity instruments				
#Reserves				
#Capital management fees				
#Reserves				
Guarantee				
Borrowings		1,168,904,907.68	991,042,420.20	991,042,420.20
Total owner's equity		7,210,515,791.14	6,949,272,558.19	6,949,272,558.19
Total liabilities and owner's equity		16,463,722,726.51	17,200,221,108.93	17,200,221,108.93

Carrying amount:

Classification:

Accounting:

CONSOLIDATION INCOME STATEMENTS

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

Items	N	Current Period	Pre-Period
1. Revenue		26,302,310,419.37	31,980,647,049.20
Income from operations	VI (XLII)	25,879,460,850.62	31,540,323,856.38
Income from other operations	VI (XLIII)	422,786,538.17	440,314,100.89
Provision for impairment losses			
Financial income	VI (XLIV)	63,030.58	9,091.93
2. Total cost		26,407,437,378.71	31,704,374,594.40
Income from operations	VI (XLII)	22,687,530,919.78	27,267,954,227.34
Income from other operations	VI (XLIII)	20,736,138.63	24,780,211.04
Financial income	VI (XLIV)	27,263.79	15,292.72
Capital expenditure			
Non-current assets			
Non-current assets			
Prepaid expenses			
Receivables			
Trade receivables	VI (XLV)	203,240,789.57	178,624,849.16
Short-term receivables	VI (XLVI)	731,236,125.20	639,375,988.88
Advances	VI (XLVII)	1,465,162,135.63	1,695,026,548.09
Income from partnerships		17,227,024.91	
Research and development	VI (XLVIII)	591,928,067.08	558,679,659.76
Finance	VI (XLIX)	36,096,224.78	322,789,200.85
Income from operations		124,294,753.28	241,715,596.09
Income from other operations		62,278,154.48	47,822,335.41
Non-current assets		43,507,919.60	
Non-current assets			100,183,554.29
Income from operations	VI (L)	179,934,482.68	1,017,128,616.56
Current income	VI (LI)	491,545,231.57	
Other income			
Add: Other income	VI (LII)	174,777,343.70	45,731,908.93
Income from operations (non-current)	VI (LIII)	139,663,587.58	121,466,718.09
Income from operations from financial assets			
Income from operations		33,832,648.30	26,360,761.31
Gain from financial assets (non-current)	VI (LIV)	-4,285.22	496.06
Non-current assets (non-current)	VI (LV)	812,129.03	
Gain from financial assets (non-current)	VI (LVI)		-12,995,817.33
Pre-current assets (non-current)	VI (LVII)	2,283,473.35	3,627,423.23

CONSOLIDATION INCOME STATEMENTS (CONTINUED)

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

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

CONSOLIDATION INCOME STATEMENTS (CONTINUED)

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

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

C r r a r r a i :

C i f A c c a :

A c c i S r i r

INCOME STATEMENTS

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

INCOME STATEMENTS (CONTINUED)

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

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

INCOME STATEMENTS (CONTINUED)

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

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

Continued

Continued

Continued

CONSOLIDATION CASH FLOW STATEMENT

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

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

CONSOLIDATION CASH FLOW STATEMENT (CONTINUED)

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

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

CONSOLIDATION CASH FLOW STATEMENT (CONTINUED)

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

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

Cash and cash equivalents

Cash and cash equivalents

Cash and cash equivalents

CASH FLOW STATEMENT (CONTINUED)

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

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

CASH FLOW STATEMENT (CONTINUED)

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

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

CONSOLIDATION STATEMENTS OF CHANGES IN EQUITY

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

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CONSOLIDATION STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

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

Items	P r i n c i p a l s											
	Paid cash	O u t l i n e P r i n c i p a l s	O u t l i n e P r i n c i p a l s	C a s h	L o a n s	S e c u r i t i e s	G u a r a n t e e s	R e c e i v a b l e s	O t h e r	S u b a c c o u n t s	M i n o r i t y	T o t a l
1. Ending balance of last year	1,376,806,000.00	1,376,806,000.00	1,376,806,000.00	2,764,208,480.41	-6,938,794.70	15,801,146.88	766,529,945.66	8,496,686,529.09	13,433,083,309.54	1,209,321,445.94	14,642,414,755.48	
Add: I n t e r n a t i o n a l I n v e s t m e n t s												
D e b t f i n a n c i n g												
O t h e r												
2. Beginning balance of current year	1,376,806,000.00	1,376,806,000.00	1,376,806,000.00	2,764,208,480.41	-6,938,794.70	15,801,146.88	766,529,945.66	8,496,686,529.09	13,433,083,309.54	1,209,321,445.94	14,642,414,755.48	
3. Increase/decrease for current year**												
for decrease												
(1) Total comprehensive income	329,717,000.00	329,717,000.00	329,717,000.00	925,988,749.76	25,453,003.92	3,576,276.08		152,922,560.00	1,437,657,591.76	62,079,331.38	1,499,736,923.14	
(2) Owner's contributions and withdrawals of capital	329,717,000.00	329,717,000.00	329,717,000.00	925,988,749.76	25,453,003.92	3,576,276.08		194,226,740.00	219,679,743.92	69,179,091.35	288,858,835.27	
1. C o n t r i b u t i o n s												
2. C a s h												
3. S a r v i c e												
4. O t h e r												
(3) Accrual and utilization of specialized reserve												
1. A c c r u a l												
2. U t i l i z a t i o n												
(4) Profit distribution												
1. A v a i l a b l e												
2. D i s t r i b u t i o n												
3. R e t a i n e d												
(5) Transfer within owner's equity												
1. C a s h												
2. S u b s i d i a r y												
3. R e t a i n e d												
4. D e b t f i n a n c i n g												
5. O t h e r												
6. O t h e r												
4. Ending balance of current year	1,706,523,000.00	1,706,523,000.00	1,706,523,000.00	3,690,197,230.17	16,514,203.22	19,377,426.96	766,529,945.66	8,649,609,089.09	14,870,750,901.30	1,271,400,777.32	16,142,151,676.62	

STATEMENTS OF CHANGES IN EQUITY

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

Items	Current period											
	Paid-in capital	Preferred stock	Other equity instruments	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	General risk provision	Retained earnings	Others	Total owner's equity
1. Ending balance of last year	1,706,523,000.00			3,628,404,635.53				623,302,201.46		991,042,420.20		6,949,272,559.19
Add: / decrease of												
accrued												
Increase / decrease of												
Other												
2. Beginning balance of current year	1,706,523,000.00			3,628,404,635.53				623,302,201.46		991,042,420.20		6,949,272,559.19
3. Increase/decrease for current year "+" for decrease												
(1) Total comprehensive income						63,353,777.91						
(2) Owner's contributions and withdrawals of capital						63,353,777.91						
1. Contribution												
2. Call contribution												
3. Shareholder contribution												
4. Other												
(3) Accrual and utilization of specialized reserve												
1. Accrual												
2. Utilization												
(4) Profits distribution												
1. Appropriation								22,606,703.61		-48,204,348.61		
Dividend								22,606,703.61		-22,606,703.61		
Dividend								22,606,703.61		-22,606,703.61		
Accrual												
Dividend												
Other												
(5) Transfer within owner's equity												
1. Call contribution												
2. Shareholder contribution												
3. Retention												
4. Dividend												
5. Other												
6. Other												
4. Ending balance of current year	1,706,523,000.00			3,628,404,635.53		63,353,777.91		645,999,005.07		1,188,904,907.68		7,410,515,791.14

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

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

I. INFORMATION ABOUT THE COMPANY

(I) Company profile

Harbi Electric Company Limited (the Company) was established in Harbin, Heilongjiang Province, P.R. China. The Company is a wholly-owned subsidiary of Harbin Electric Corporation (HEC Corporation) and is affiliated to Harbin Electric Machinery Works, Harbin Boiler Works and Harbin Transformer Works (collectively, the Harbin Electric Machinery Works). The Company was established on October 6, 1994. The Company is a public company listed on the Shanghai Stock Exchange since November 5, 1994.

The total assets of the Company were CNY1,189,151,000, of which CNY720,000,000 were contributed by HEC Corporation, representing 60.55% of the total assets. Offshore H Shares of CNY469,151,000, representing 39.45% of the total assets, were issued to the Shanghai Stock Exchange on December 16, 2007. After being listed on the Shanghai Stock Exchange, the Company issued CNY93,830,000 H Shares, of which CNY85,300,000 were used to purchase back 10,235,000 shares of the Company in 2005. After completion of the acquisition of H Shares, the total assets of the Company were CNY1,274,451,000. After being listed on the Shanghai Stock Exchange in 2007, the Company issued 112,590,000 H Shares, of which 102,355,000 were used to purchase back 10,235,000 shares of the Company. Pursuant to the Order of the Shanghai Stock Exchange [2006] No. 1492, the Company issued 10,235,000 shares of A Shares to the public. On March 2, 2007, the Company issued 102,355,000 shares of H Shares, of which CNY1,376,806,000.00, of which CNY701,235,000.00 were used to purchase back 10,235,000 shares of the Company, representing 50.93% of the total assets. On December 1, 2017, the Company issued 3,297,700 shares of H Shares, of which CNY3,297,700.00 were used to purchase back 10,235,000 shares of the Company. On December 6, 2017, the Company issued 329,717,000 shares of H Shares, of which CNY329,717,000.00 were used to purchase back 10,235,000 shares of the Company.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

I. INFORMATION ABOUT THE COMPANY (CONTINUED)

(I) Company profile (Continued)

Registration Number of the Company: 91230100127575573H

Legal Representative: Si Zhen

Address: No. 1399 Changjiang Road, Shibei District, Harbin

Parent Company of the Company: Harbin Electric Company

The Company is a public company listed on the Shanghai Stock Exchange. The Company's main business is the production and sale of electrical equipment and related services.

Main business: Manufacturing of electrical equipment, including power transformers, power cables, and other electrical products. The Company also provides related services such as design, installation, and maintenance.

The financial statements were approved by the Board of Directors on March 7, 2019.

(II) Scope of consolidated financial statements

As of December 31, 2018, the consolidated financial statements include the following entities:

- Harbin Electric Company
- Harbin Electric Macroeconomic Control Company, Ltd.
- Harbin Electric Safety Technology Company, Ltd.
- Harbin Electric International Engineering Company, Ltd.
- Harbin Electric Power Equipment National Engineering Research Center Company, Ltd.
- Harbin Electric Power Technology and Trade Company, Ltd.
- Harbin Electric Company (QHD) Harbin Electric Company, Ltd.
- Harbin Electric Power Equipment Company, Ltd.
- Harbin Electric Group Harbin Electric Safety Valve Company, Ltd.
- Harbin Electric Company Financial Control Company, Ltd.
- Harbin Electric Company
- Harbin Electric (H.E) Company
- Harbin Electric Group Safety Engineering Protection Engineering Company, Ltd.

The consolidated financial statements are prepared in accordance with the accounting standards for consolidated financial statements issued by the Ministry of Finance of the People's Republic of China.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are also presented in English. Where there is a discrepancy between the two versions, the Chinese text shall prevail.)

II. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

(I) Basis of preparation

Based on the basic accounting principles, the financial statements are prepared on the accrual basis in accordance with the Accounting Standards for Business Enterprises, the Accounting Standards for Business Enterprises, the Accounting Standards for Business Enterprises and the Accounting Standards for Business Enterprises (revised) issued by the Ministry of Finance (hereinafter referred to as "CAS"), and the accounting system of the Parent Company in accordance with the "Regulations on the Accounting System of the State-owned Enterprises" issued by the State-owned Assets Supervision and Administration Commission of the State Council (Public Notice No. 15), the "Regulations on the Accounting System of the State-owned Enterprises" issued by the State-owned Assets Supervision and Administration Commission of the State Council (Public Notice No. 15), the "Regulations on the Accounting System of the State-owned Enterprises" issued by the State-owned Assets Supervision and Administration Commission of the State Council (Public Notice No. 15), and the "Regulations on the Accounting System of the State-owned Enterprises" issued by the State-owned Assets Supervision and Administration Commission of the State Council (Public Notice No. 15).

(II) Going concern

The management has evaluated the going concern of the Company for the period from January 1, 2018 to December 31, 2018, and has concluded that the Company is a going concern.

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Company and its subsidiaries have adopted the basic accounting principles and accounting estimates in accordance with the Accounting Standards for Business Enterprises, the Accounting Standards for Business Enterprises, the Accounting Standards for Business Enterprises and the Accounting Standards for Business Enterprises (revised) issued by the Ministry of Finance (hereinafter referred to as "CAS"), and the accounting system of the Parent Company in accordance with the "Regulations on the Accounting System of the State-owned Enterprises" issued by the State-owned Assets Supervision and Administration Commission of the State Council (Public Notice No. 15).

(I) Statement of compliance with corporate accounting standards

The financial statements of the Company and its subsidiaries are prepared in accordance with the Accounting Standards for Business Enterprises, the Accounting Standards for Business Enterprises, the Accounting Standards for Business Enterprises and the Accounting Standards for Business Enterprises (revised) issued by the Ministry of Finance (hereinafter referred to as "CAS"), and the accounting system of the Parent Company in accordance with the "Regulations on the Accounting System of the State-owned Enterprises" issued by the State-owned Assets Supervision and Administration Commission of the State Council (Public Notice No. 15).

(II) Accounting period

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

(III) Operating Cycle

The operating cycle of the Company is 12 months.

(IV) Reporting currency

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

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

The identifiable intangible assets of the acquiree are recognized and measured at fair value, and the difference between the consideration transferred and the fair value of the identifiable intangible assets is recognized as goodwill. The difference between the consideration transferred and the fair value of the identifiable intangible assets is recognized as goodwill.

(VI) Preparation of consolidated financial statements

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

The subsidiaries are included in the consolidated financial statements if they are controlled by the Company. The consolidated financial statements are prepared based on the financial statements of the Company and its subsidiaries. The consolidated financial statements are prepared based on the financial statements of the Company and its subsidiaries.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued from previous page)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Preparation of consolidated financial statements (Continued)

(2) Disposal of subsidiaries (Continued)

Subsidiaries disposed

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

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

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

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

(3) Acquisition of subsidiaries

The consolidated financial statements shall be prepared on the basis of the consolidated financial statements of the subsidiaries for the period from the beginning of the reporting period to the date of acquisition. The consolidated financial statements shall be prepared on the basis of the consolidated financial statements of the subsidiaries for the period from the beginning of the reporting period to the date of acquisition. The consolidated financial statements shall be prepared on the basis of the consolidated financial statements of the subsidiaries for the period from the beginning of the reporting period to the date of acquisition.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Preparation of consolidated financial statements (Continued)

(4) Paria di... a f... i... m... i... b idia'i... i... c...

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

(VII) Classification of joint venture arrangements and accounting treatment

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

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

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

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

F... a... c... c... i... i... c... i... f... c... m... a... r... i... m... i... i... r... ,... N... o... III... (15) L... -... m... i... i... m... .

(VIII) Determination of cash and cash equivalents

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. 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 transactions are recorded in CNY. For foreign currency transactions, the exchange rate is the rate of the transaction date. For the foreign currency transactions, the exchange rate is the rate of the transaction date.

The balance of foreign currency transactions is recorded in the exchange rate of the transaction date. For the foreign currency transactions, the exchange rate is the rate of the transaction date. The exchange rate is the rate of the transaction date. For the foreign currency transactions, the exchange rate is the rate of the transaction date.

2. Conversion of foreign currency financial statements

All assets and liabilities are converted into the reporting currency at the reporting date. For the foreign currency transactions, the exchange rate is the rate of the transaction date. For the foreign currency transactions, the exchange rate is the rate of the transaction date.

For the foreign currency transactions, the exchange rate is the rate of the transaction date. For the foreign currency transactions, the exchange rate is the rate of the transaction date. For the foreign currency transactions, the exchange rate is the rate of the transaction date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I additi... cia , i fa... CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments

Fi a cia i ' m i c d fi a cia a , fi a cia i abili a d i i ' m .

1. Ca i f i c a i f i f i a cia i ' m

T i c i f i m ' a a i d i f i a i c a i f i f i a cia i ' m i c d : Harbi E c r i c C . , L d . a d a i b i d i a r i ; a c c r d i b i m d f c m a ' m a a m f i f i a cia a a d c r a c a c a f c r a c r i c f i f i a cia a , fi a cia a a r c a i f i d a i i a r c i i a : F i a cia a m a r d a a n r i z d c , fi a cia a m a r d a f a i a ' r f i ' , a d r f i a cia a a a r m a r d a f a i a ' r f i ' . F r a d i i i ' m i m , C m a d i n i a i i a r c i i d i a d a f i a cia a (i i i ' m) a i m a r d a f a i a a d c a a r i c d d i ' c m ' i c m .

Fi a cia i abili a r c a i f i d i f i a cia i abili a f a i a ' r f i ' a d f i a cia i abili m a r d a a n r i z d c .

2. C f i n a i b a i a d n a ' m n d f i f i a cia i ' m

Fi a cia a m a r d a a n r i z d c

Fi a cia a m a r d a a n r i z d c i c d ' c i a b a d a c c ' c i a b , ' c i a b , ' m ' c i a b , a d d b i m , i c a r i i i a m a r d a f a i a , a d r a d r a a c i c a r i c d d i i i a r c i i a n ; A c c ' c i a b a d c a i i f i c a f i a c i c m a d a c c ' c i a b a C m a a d c i d d c i d f i f a f i a c i c m f i m ' a a r a r i i a m a r d a c r a c a r a a c i r i c .

I r c a c a d b f f c i i ' m d d r i r i d f d i i c d d i c ' ' r f i a d .

W r c r i r d i i , d i f f c b r i c b a i d a d b a f f i a cia a i c d d i c ' ' r f i a d .

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

2. Classification of financial assets and liabilities (Continued)

Financial assets and liabilities are classified into different categories based on the business model for managing the assets and liabilities and the characteristics of the assets and liabilities.

Financial assets (including financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortized cost, and financial assets at cost) are classified based on the business model for managing the assets and the characteristics of the assets. Financial liabilities are classified based on the business model for managing the liabilities and the characteristics of the liabilities.

When the business model for managing the assets or liabilities changes, the classification of the assets or liabilities should be reassessed.

Financial assets and liabilities are classified into different categories based on the business model for managing the assets and liabilities and the characteristics of the assets and liabilities.

Financial assets (including financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortized cost, and financial assets at cost) are classified based on the business model for managing the assets and the characteristics of the assets. Financial liabilities are classified based on the business model for managing the liabilities and the characteristics of the liabilities.

When the business model for managing the assets or liabilities changes, the classification of the assets or liabilities should be reassessed.

Financial assets and liabilities are classified into different categories based on the business model for managing the assets and liabilities and the characteristics of the assets and liabilities.

Financial assets (including financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortized cost, and financial assets at cost) are classified based on the business model for managing the assets and the characteristics of the assets. Financial liabilities are classified based on the business model for managing the liabilities and the characteristics of the liabilities.

When the business model for managing the assets or liabilities changes, the classification of the assets or liabilities should be reassessed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I addi cia , i faη i CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

2. C fiη a i ba i a dη a ' η η d .fi.a cia i ' η (C i d)

Fi a cia iab i i η a ' d a fa r a ' r fi ' r

Fi a cia iab i i η a ' d a fa r a ' r fi ' r , i c d i d-f ' r a d i fi a cia iab i i , d r i a i fi a cia iab i i , c , a r i i a η a ' d a fa r a , a d r a d r a a c i i r c i z d i r fi ' r . T fi a cia iab i i a r b η η a ' d a fa r a , a d c a i fa r a a r c i d i r fi ' r .

W ' c i i i η i a d , d i f f ' c b fa r a a d i i a ' r c d d a η i r c i z d a i η i c η , a d a i a d f η c a i fa r a a r a d d .

Fi a cia iab i i η a ' d a a η ' i z d c

Fi a cia iab i i η a ' d a a η ' i z d c i c d ' r η b ' i , b i a a b a d a c c a a b , ' r a a b , ' η b ' i , b d a a b , ' η a a b , i i a η a ' d a fa r a , a d r a d r a a c i c a r i c d d i i i a ' c i i a η .

I r c a c a d b f f c i i ' η d d i r i d f d i i c d d i c ' r fi a d .

W d ' c i i i η i a d , d i f f ' c b c i d r a i a i d a d c a r i a η f fi a cia iab i i i r c i z d i r fi ' r .

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in RMB, the figures are also presented in US dollars and Hong Kong dollars (CNY))

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

3. Classification of financial assets and liabilities

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

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

(1) The classification of financial assets;

(2) The classification of financial assets that are held for trading or are held for trading; if a financial asset is held for trading, it is a financial asset that is held for trading; if a financial asset is held for trading, it is a financial asset that is held for trading.

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

(1) The classification of financial assets;

(2) The classification of financial assets that are held for trading or are held for trading; if a financial asset is held for trading, it is a financial asset that is held for trading; if a financial asset is held for trading, it is a financial asset that is held for trading.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I additi... cia... i... f... CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

4. C... f... m... f... a... iab... i

If a... a... f... c... b... i... a... f... a... cia... iab... i... a... b... d... i... c... a... d... , f... i... a... cia... iab... i...
... a... f... i... d... c... i... d... i... f... c... m... a... i... a... a... r... m... i... c... d... i... r... a... c... i... i...
f... i... a... cia... iab... i... f... i... f... i... a... cia... iab... i... , a... d... c... r... a... c... a... m... f... f... i... a... cia... iab... i...
a... d... i... i... f... i... a... cia... iab... i... a... r... b... a... i... a... d... i... f... f... , i... i... f... i... a... cia... iab... i... a... r...
d... c... i... d... a... d... f... i... a... cia... iab... i... a... r... c... i... z... a... d... .

If a... a... f... c... r... a... c... m... f... i... a... f... i... a... cia... iab... i... a... r... b... a... i... a... a... n... d... d... ,
i... i... a... f... i... a... cia... iab... i... b... d... r... c... i... z... a... d... i... f... i... a... r... , a... d... f... i... a... cia... iab... i... m...
a... b... a... n... d... d... a... b... r... c... i... z... a... d... a... f... i... a... cia... iab... i... .

W... f... i... a... cia... iab... i... i... d... r... c... i... z... a... d... i... f... i... a... r... , d... i... f... f... c... b... c... a... r... i... a... n... f...
f... i... a... cia... iab... i... d... r... c... i... z... a... d... a... d... c... i... d... r... a... i... d... (i... c... d... i... r... a... f... f... d... -ca... a...
r... f... i... a... cia... iab... i...) i... r... c... i... z... a... d... i... f... i... a... r... f... f... c... r... i... d... .

W... C... m... a... r... c... a... a... r... f... i... f... i... a... cia... iab... i... , c... a... r... i... a... n... f... c... f... i... a... cia...
iab... i... b... a... c... a... d... a... c... c... d... i... r... a... i... f... a... r... a... b... c... i... d... r... c... i... z... a... d... a... d...
d... r... c... i... z... a... d... a... r... c... a... d... a... . T... d... i... f... f... c... b... c... a... r... i... a... n... f... f... i... a... cia...
iab... i... d... r... c... i... z... a... d... a... d... c... i... d... r... a... i... d... (i... c... d... i... r... a... f... f... d... -ca... a...
r... f... i... a... cia... iab... i...) i... r... c... i... z... a... d... i... f... i... a... r... f... f... c... r... i... d... .

5. M... d... f... d... m... i... f... a... r... a... f... i... a... cia... a... a... d... iab... i

A... f... i... a... cia... i... m... a... a... c... i... m... a... r... a... d... m... i... i... f... a... r... a... b... d... r... i... c... i... a... a... c... i...
m... a... r... . F... i... a... cia... i... m... a... d... i... i... a... a... c... i... m... a... r... a... a... i... c... i... d... m... i...
i... f... a... r... a... . A... m... f... a... i... , C... m... a... a... a... i... c... i... a... a... r... a... i... c... a... b... i...
c... c... i... r... c... m... a... c... a... d... a... a... r... f... f... i... c... i... . r... d... b... d... a... a... d... r... i... f... m... a... i... , i... a...
m... a... c... c... r... a... c... r... i... c... f... a... r... i... a... b... i... c... i... d... r... d... b... m... a... r... a... r... i... c... a... i... r... a... a... c... i...
f... f... i... a... a... a... r... i... a... b... i... , a... d... r... i... i... z... a... f... i... a... b... r... a... b... i... . U... b... r... a... b...
i... a... r... d... i... f... i... a... b... r... a... b... i... a... r... a... a... i... a... b... r... a... r... a... c... i... c... a... b... .

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

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

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

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

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

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

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

(2) ... h... a... f... m... ;

(3) R... a... a... b... a... d... id... c... -b... a... d... i... f... m... a... i... a... , c... r... c... d... i... , a... d... f... r...
 c... m... i... c... c... d... i... a... a... r... a... a... i... a... b... a... b... a... c... da... c... a... r...
 a... d... d... i... a... c... r... f... f... .

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I addizionale, in RMB, in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

6. *Term deposit and accrued interest* (creditors' liabilities) (Continued)

Financial instruments recorded in the balance sheet, Group's credit liabilities are classified into current liabilities. Term deposit and accrued interest are classified into current liabilities:

Para 1: If credit liabilities are classified into current liabilities, Group's credit liabilities are classified into current liabilities for 12 months;

Para 2: If credit liabilities are classified into current liabilities, but the period of the term deposit and accrued interest is longer than 12 months, Group's credit liabilities are classified into current liabilities for 12 months;

Para 3: Financial instruments are classified into current liabilities, Group's credit liabilities are classified into current liabilities for 12 months.

Debt instruments are measured at fair value less transaction costs. The fair value is determined by the market price of the debt instruments, and the fair value is determined by the market price of the debt instruments.

The fair value is determined by the market price of the debt instruments, and the fair value is determined by the market price of the debt instruments. The fair value is determined by the market price of the debt instruments, and the fair value is determined by the market price of the debt instruments. The fair value is determined by the market price of the debt instruments, and the fair value is determined by the market price of the debt instruments.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

7. Off-balance sheet financial liabilities

When a company provides financial guarantees, it is recognized as a liability on the balance sheet. The company's financial guarantees are recorded as off-balance sheet financial liabilities. The company's financial guarantees are recorded as off-balance sheet financial liabilities.

8. Derivative financial instruments and derivatives

At the end of the reporting period, the company's derivatives are recorded as off-balance sheet financial instruments. The company's derivatives are recorded as off-balance sheet financial instruments.

Financial instruments are financial liabilities, derivatives, and derivatives.

When a company's derivatives are recorded as off-balance sheet financial instruments, the company's derivatives are recorded as off-balance sheet financial instruments.

(XI) Provision for bad debt of the accounts receivable

Receivable and accounts receivable, accounts receivable, and accounts receivable.

Each reporting period, the company's bad debt provision is recorded as off-balance sheet financial instruments.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(1) Accounts receivable

For accounts receivable, the Company identifies a credit risk, and makes a reasonable estimate of the expected credit loss based on the historical loss experience, current conditions, and economic forecasts of the future. The Company uses a matrix to estimate the expected credit loss.

The Company combines accounts receivable according to their credit characteristics (aging) and makes a reasonable estimate of the expected credit loss based on the historical loss experience, current conditions, and economic forecasts of the future.

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

If the credit risk of accounts receivable has changed, the Company makes a reasonable estimate of the expected credit loss based on the historical loss experience, current conditions, and economic forecasts of the future.

The Company's accounts receivable are classified into different categories based on their credit characteristics and the historical loss experience, current conditions, and economic forecasts of the future.

1) Standard for accounts receivable impairment:

The Company's accounts receivable are classified into different categories based on their credit characteristics and the historical loss experience, current conditions, and economic forecasts of the future.

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(1) Accounts receivable (Continued)

II) The amount of provision for bad debt:

The amount of provision for accounts receivable is determined on the basis of the aging of accounts receivable. The amount of provision for bad debt is determined on the basis of the aging of accounts receivable.

III) The amount of provision for bad debt:

Accounts receivable provision ratio:

On the basis of the aging of accounts receivable, the amount of provision for bad debt is determined on the basis of the aging of accounts receivable.

(2) Other receivables

The amount of provision for other receivables is determined on the basis of the aging of other receivables.

The amount of provision for other receivables:

On the basis of the aging of other receivables, the amount of provision for bad debt is determined on the basis of the aging of other receivables.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XII) Inventories

1. *Classification*

Inventories are classified into raw materials, finished goods, work-in-progress, and consumables (including spare parts).

2. *Valuation method*

Inventories are valued at acquisition cost. Cost of finished goods is calculated by the weighted average method. Work-in-progress and consumables are valued at acquisition cost.

Acquisition cost includes purchase price and related taxes.

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs to be incurred to bring the inventory to the condition necessary for sale.

3. *Development of inventory*

At the end of the reporting period, inventory is measured at the lower of cost and net realizable value.

Net realizable value is determined by the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs to be incurred to bring the inventory to the condition necessary for sale. For inventory that is held for sale, net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs to be incurred to bring the inventory to the condition necessary for sale. For inventory that is held for sale, net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs to be incurred to bring the inventory to the condition necessary for sale.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIII) Contract assets and contract liabilities

The Company's contract assets and contract liabilities are based on the contract terms and conditions. The contract assets (contract receivables) are the Company's right to receive consideration in exchange for the goods or services transferred to the customer. The contract liabilities (contract payables) are the Company's obligation to transfer goods or services to the customer in exchange for the consideration received from the customer.

For contract assets, the Company recognizes a loss allowance based on the expected credit loss model. For contract liabilities, the Company recognizes a loss allowance based on the expected credit loss model. The Company's contract assets and contract liabilities are measured at fair value.

(XIV) Classified as assets held for sale

The Company's classified as assets held for sale (including the related liabilities) are measured at the lower of carrying amount and fair value less costs to sell.

- (1) Based on the fair value less costs to sell, the Company's classified as assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.
- (2) The Company's classified as assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. The Company's classified as assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments

1. Significant influence and control

Long-term equity investments are accounted for using the cost method, and the investment cost is determined based on the actual cost of the investment. The investment cost is adjusted for the difference between the investment cost and the fair value of the investment at the time of acquisition. The investment cost is adjusted for the difference between the investment cost and the fair value of the investment at the time of acquisition.

Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee, but not control or joint control. When the Company holds 20% or more of the equity of the investee, it is presumed that the Company has significant influence over the investee.

2. Derivative financial instruments

(1) Foreign exchange rate derivatives and foreign exchange contracts

Foreign exchange rate derivatives and foreign exchange contracts are accounted for using the cost method. The Company enters into foreign exchange rate derivatives and foreign exchange contracts to hedge the foreign exchange risk of its foreign currency denominated assets and liabilities. The Company uses the forward exchange rate as the fair value of the foreign exchange rate derivatives and foreign exchange contracts. The Company uses the forward exchange rate as the fair value of the foreign exchange rate derivatives and foreign exchange contracts. The Company uses the forward exchange rate as the fair value of the foreign exchange rate derivatives and foreign exchange contracts.

Foreign exchange rate derivatives and foreign exchange contracts are accounted for using the cost method. The Company enters into foreign exchange rate derivatives and foreign exchange contracts to hedge the foreign exchange risk of its foreign currency denominated assets and liabilities. The Company uses the forward exchange rate as the fair value of the foreign exchange rate derivatives and foreign exchange contracts. The Company uses the forward exchange rate as the fair value of the foreign exchange rate derivatives and foreign exchange contracts.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued from previous page)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

2. Dividend income (Continued)

(2) Long-term equity investments

The dividend income from long-term equity investments is recognized when the dividend is declared by the investee.

The dividend income from long-term equity investments is recognized when the dividend is declared by the investee.

If the investee is a subsidiary, the dividend income is recognized when the dividend is declared by the investee. If the investee is an associate or joint venture, the dividend income is recognized when the dividend is declared by the investee. If the investee is a financial institution, the dividend income is recognized when the dividend is declared by the investee.

The dividend income from long-term equity investments is recognized when the dividend is declared by the investee.

3. Share-based payments (Continued)

(1) Long-term equity investments

Long-term equity investments are measured at cost. The cost of long-term equity investments is the purchase price plus any related costs. The cost of long-term equity investments is measured at the fair value of the shares at the time of acquisition.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements, the financial statements are presented in Chinese Renminbi Yuan (RMB) and US Dollars (USD). All amounts are in millions of USD unless otherwise specified.)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

3. Subsequent measurement method (Continued)

(2) Long-term equity investments measured at cost

Long-term equity investments measured at cost are those investments in which the investor has significant influence over the investee but does not have control or joint control over the investee. The initial cost of the investment is the fair value of the consideration paid for the investment. Subsequent measurement is based on the carrying amount, which is the initial cost less any impairment losses. Dividends received from the investee are recognized as income.

As of December 31, 2018, the carrying amount of long-term equity investments measured at cost was \$11.3 million, of which \$0.5 million was impaired.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

3. Subsequent measurement method (Continued)

(2) Long-term investment method (Continued)

For the long-term investment method, the Company shall determine whether it has significant influence over the investee. If the Company has significant influence over the investee, it shall use the long-term investment method. If the Company does not have significant influence over the investee, it shall use the cost method. For the long-term investment method, the Company shall determine whether it has significant influence over the investee. If the Company has significant influence over the investee, it shall use the long-term investment method. If the Company does not have significant influence over the investee, it shall use the cost method.

(3) Dividend method

For the dividend method, the Company shall determine whether it has significant influence over the investee. If the Company has significant influence over the investee, it shall use the long-term investment method. If the Company does not have significant influence over the investee, it shall use the cost method. For the dividend method, the Company shall determine whether it has significant influence over the investee. If the Company has significant influence over the investee, it shall use the long-term investment method. If the Company does not have significant influence over the investee, it shall use the cost method.

When the Company uses the cost method, it shall determine whether it has significant influence over the investee. If the Company has significant influence over the investee, it shall use the long-term investment method. If the Company does not have significant influence over the investee, it shall use the cost method. When the Company uses the cost method, it shall determine whether it has significant influence over the investee. If the Company has significant influence over the investee, it shall use the long-term investment method. If the Company does not have significant influence over the investee, it shall use the cost method.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

3. Subsidiary companies (Continued)

(3) Dalian - Investment (Continued)

Wang Group's subsidiary Dalian Dalian Investment and Finance Co., Ltd. is a wholly-owned subsidiary of the Group. It is a public company listed on the Shanghai Stock Exchange. The company is engaged in the business of investment management and financial services. The company's main business is to provide investment management services to its clients. The company's revenue is primarily derived from the management fees of the investment funds it manages. The company's financial statements are audited by a qualified independent accounting firm.

The company's financial statements are prepared in accordance with the accounting standards and practices of the People's Republic of China. The company's financial statements are audited by a qualified independent accounting firm. The company's financial statements are prepared in accordance with the accounting standards and practices of the People's Republic of China. The company's financial statements are audited by a qualified independent accounting firm.

(XVI) Investment property

The company's investment property includes land use rights, buildings, and other long-term assets that are held for rental or capital appreciation. The company's investment property is measured at cost less accumulated depreciation and impairment losses. The company's investment property is revalued at fair value at the end of each reporting period.

The company's investment property is measured at cost less accumulated depreciation and impairment losses. The company's investment property is revalued at fair value at the end of each reporting period. The company's investment property is measured at cost less accumulated depreciation and impairment losses. The company's investment property is revalued at fair value at the end of each reporting period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVII) Fixed assets

1. Cost of fixed assets

Fixed assets are recorded at their original cost less accumulated depreciation and impairment losses. The original cost includes the purchase price of the asset, related taxes, and other costs incurred to bring the asset to the location and condition necessary for it to be available for use.

(1) Intangible assets are recorded at their original cost less accumulated amortization and impairment losses.

(2) Intangible assets are recorded at their original cost less accumulated amortization and impairment losses.

2. Depreciation of fixed assets

Fixed assets are depreciated on a straight-line basis over their estimated useful lives. Depreciation is calculated based on the original cost of the asset less its estimated residual value. The depreciation period and rate are determined based on the nature of the asset and the company's accounting policy.

For fixed assets, the depreciation period and rate are determined based on the nature of the asset and the company's accounting policy. The depreciation period and rate are determined based on the nature of the asset and the company's accounting policy.

The depreciation period and rate are determined based on the nature of the asset and the company's accounting policy.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVII) Fixed assets (Continued)

3. 固定资产的折旧方法采用直线法计提折旧。

除已计提减值准备的固定资产外，计提折旧时不考虑减值准备。

对于使用寿命有限的固定资产，公司根据与资产相关的经济利益的预期实现方式，分别采用直线法、工作量法计提折旧。使用寿命不确定的无形资产不摊销。使用寿命有限的无形资产，其摊销方法采用直线法。

无形资产的使用寿命为有限的，估计该使用寿命的年限或者生产的产品数量作为使用寿命，并按照使用寿命有限的无形资产摊销政策进行摊销；使用寿命不确定的无形资产不予摊销。

对使用寿命有限的无形资产，公司在其预计使用寿命内分期平均摊销，计入当期损益；对于使用寿命不确定的无形资产，在每年年度终了，对其使用寿命进行复核，如有证据表明使用寿命是有限的，则按上述使用寿命有限的无形资产摊销政策处理。

对使用寿命有限的无形资产，公司在其预计使用寿命内分期平均摊销，计入当期损益。

无形资产的使用寿命为有限的，估计该使用寿命的年限或者生产的产品数量作为使用寿命，并按照使用寿命有限的无形资产摊销政策进行摊销；使用寿命不确定的无形资产不予摊销。

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVII) Fixed assets (Continued)

4. *Right of use assets*

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

(1) The lease term is almost equal to the economic life of the leased asset;

(2) The present value of the minimum lease payments is almost equal to the fair value of the leased asset at the beginning of the lease term;

(3) The lessee has the option to purchase the leased asset at a price significantly below the fair value at the end of the lease term;

(4) The leased asset is specialized for the lessee and has no alternative use.

For operating leases, the company shall recognize the right of use asset and the lease liability at the beginning of the lease term. The right of use asset is measured at the present value of the minimum lease payments, less the lease incentives. The lease liability is measured at the present value of the minimum lease payments. The company shall recognize the depreciation of the right of use asset and the interest expense of the lease liability over the lease term.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVIII) Construction in progress (Continued)

3. The amount of construction in progress is determined based on the actual cost of construction.

At the end of the reporting period, the amount of construction in progress is determined based on the actual cost of construction.

When the actual cost of construction is determined, the amount of construction in progress is determined based on the actual cost of construction. When it is difficult to determine the actual cost of construction, the amount of construction in progress is determined based on the actual cost of construction.

The construction in progress is determined based on the actual cost of construction. The amount of construction in progress is determined based on the actual cost of construction.

When the actual cost of construction is determined, the amount of construction in progress is determined based on the actual cost of construction. When it is difficult to determine the actual cost of construction, the amount of construction in progress is determined based on the actual cost of construction.

On the reporting date, the amount of construction in progress is determined based on the actual cost of construction.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the accompanying notes, the financial statements are presented in Chinese Renminbi Yuan (RMB) and US Dollars (USD), with the primary currency being RMB and the reporting currency being USD)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Borrowing costs

1. Capitalized borrowing costs

Borrowing costs are capitalized as interest expense on the balance sheet, and are recognized as an asset when they are incurred for the purpose of acquiring or constructing a long-term asset. Capitalized borrowing costs are calculated as the weighted average of the borrowing costs multiplied by the amount of the borrowing costs that are eligible for capitalization.

For borrowing costs that are capitalized, the amount of borrowing costs that is capitalized is limited to the amount of borrowing costs that have been incurred. Once the asset is ready for use, the borrowing costs are no longer capitalized. Borrowing costs that are not capitalized are recognized as an expense in the period in which they are incurred.

At the end of the reporting period, the amount of borrowing costs that is capitalized is determined as the amount of borrowing costs that have been incurred, less the amount of borrowing costs that have been capitalized in previous periods.

Capitalized borrowing costs are included in the cost of the asset to which they relate.

(1) The amount of borrowing costs that is capitalized is determined as the amount of borrowing costs that have been incurred, less the amount of borrowing costs that have been capitalized in previous periods.

(2) Borrowing costs are capitalized as interest expense on the balance sheet.

(3) At the end of the reporting period, the amount of borrowing costs that is capitalized is determined as the amount of borrowing costs that have been incurred, less the amount of borrowing costs that have been capitalized in previous periods.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Borrowing costs (Continued)

2. Capitalization of borrowing costs

The capitalization of borrowing costs commences when the following conditions are met: (1) the asset is identifiable; (2) the borrowing costs are directly attributable to the asset; and (3) the asset is being constructed or otherwise produced for its intended use or sale.

Capitalization of borrowing costs ceases when the following conditions are met: (1) the asset has been completed or otherwise ready for its intended use or sale; (2) the asset is being sold; or (3) the asset is being held for sale.

If the asset is being sold, capitalization of borrowing costs ceases when the asset is sold. If the asset is being held for sale, capitalization of borrowing costs ceases when the asset is held for sale.

If different rates of interest are applicable to different parts of the asset, capitalization of borrowing costs shall be applied to each part of the asset on a separate basis. If the asset is being sold, capitalization of borrowing costs ceases when the asset is sold. If the asset is being held for sale, capitalization of borrowing costs ceases when the asset is held for sale.

3. Specific capitalization of borrowing costs

Capitalization of borrowing costs ceases when the following conditions are met: (1) the asset has been completed or otherwise ready for its intended use or sale; (2) the asset is being sold; or (3) the asset is being held for sale. If the asset is being sold, capitalization of borrowing costs ceases when the asset is sold. If the asset is being held for sale, capitalization of borrowing costs ceases when the asset is held for sale. If the asset is being held for sale, capitalization of borrowing costs ceases when the asset is held for sale.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Borrowing costs (Continued)

4. Calculation of capitalization rate for borrowing costs

Specific borrowing costs are accrued on the basis of the actual amount of borrowings, less any accumulated borrowing costs. The capitalization rate is determined by dividing the total borrowing costs by the total borrowings.

For the purpose of calculating the capitalization rate, the actual amount of borrowings is determined by adding the carrying amount of borrowings to the unamortized discount on borrowings. The capitalization rate is calculated as follows:

If the actual amount of borrowings is not available, the capitalization rate is determined by dividing the total borrowing costs by the total borrowings.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Intangible assets

1. *Valuation of identifiable intangible assets*

(1) *Identifiable intangible assets are recorded at cost*

They are measured at the fair value of the consideration given, less any

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in Chinese Yuan)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Intangible assets (Continued)

2. *Enlightenment of the value of the intangible assets:*

When the value of the intangible assets is determined, the following factors should be considered: (1) The nature of the intangible assets; (2) The nature of the intangible assets, the nature of the intangible assets; (3) Market demand; (4) The nature of the intangible assets; (5) The nature of the intangible assets; (6) The nature of the intangible assets; (7) The nature of the intangible assets.

When the value of the intangible assets is determined, the following factors should be considered: (1) The nature of the intangible assets; (2) The nature of the intangible assets; (3) Market demand; (4) The nature of the intangible assets; (5) The nature of the intangible assets; (6) The nature of the intangible assets; (7) The nature of the intangible assets.

When the value of the intangible assets is determined, the following factors should be considered: (1) The nature of the intangible assets; (2) The nature of the intangible assets; (3) Market demand; (4) The nature of the intangible assets; (5) The nature of the intangible assets; (6) The nature of the intangible assets; (7) The nature of the intangible assets.

3. *Judgment of the value of the intangible assets:*

The value of the intangible assets is determined by the following factors: (1) The nature of the intangible assets; (2) The nature of the intangible assets; (3) Market demand; (4) The nature of the intangible assets; (5) The nature of the intangible assets; (6) The nature of the intangible assets; (7) The nature of the intangible assets.

The value of the intangible assets is determined by the following factors: (1) The nature of the intangible assets; (2) The nature of the intangible assets; (3) Market demand; (4) The nature of the intangible assets; (5) The nature of the intangible assets; (6) The nature of the intangible assets; (7) The nature of the intangible assets.

The value of the intangible assets is determined by the following factors: (1) The nature of the intangible assets; (2) The nature of the intangible assets; (3) Market demand; (4) The nature of the intangible assets; (5) The nature of the intangible assets; (6) The nature of the intangible assets; (7) The nature of the intangible assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Intangible assets (Continued)

4. Patents and other intangible assets

Patents and other intangible assets are acquired through purchase, exchange, or other means, and are recorded at cost.

Patents and other intangible assets are amortized on a straight-line basis over their useful lives.

Patents and other intangible assets are tested for impairment at the end of each reporting period. If the carrying amount of an intangible asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount. The recoverable amount is the maximum of the fair value less costs of disposal and the value in use. It is difficult to estimate the recoverable amount of patents and other intangible assets. Therefore, the carrying amount of patents and other intangible assets is not reduced.

Trade names and other intangible assets are recorded at cost. The carrying amount of trade names and other intangible assets is tested for impairment at the end of each reporting period. If the carrying amount of an intangible asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount. The recoverable amount is the maximum of the fair value less costs of disposal and the value in use. It is difficult to estimate the recoverable amount of trade names and other intangible assets. Therefore, the carrying amount of trade names and other intangible assets is not reduced.

Work-related intangible assets are recorded at cost. The carrying amount of work-related intangible assets is tested for impairment at the end of each reporting period. If the carrying amount of an intangible asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount. The recoverable amount is the maximum of the fair value less costs of disposal and the value in use. It is difficult to estimate the recoverable amount of work-related intangible assets. Therefore, the carrying amount of work-related intangible assets is not reduced.

At the end of each reporting period, patents and other intangible assets are tested for impairment. If the carrying amount of an intangible asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount. The recoverable amount is the maximum of the fair value less costs of disposal and the value in use. It is difficult to estimate the recoverable amount of patents and other intangible assets. Therefore, the carrying amount of patents and other intangible assets is not reduced.

Other intangible assets are recorded at cost. The carrying amount of other intangible assets is tested for impairment at the end of each reporting period. If the carrying amount of an intangible asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount. The recoverable amount is the maximum of the fair value less costs of disposal and the value in use. It is difficult to estimate the recoverable amount of other intangible assets. Therefore, the carrying amount of other intangible assets is not reduced.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Intangible assets (Continued)

5. Scientific and technological innovation intangible assets

The Company's scientific and technological innovation intangible assets are measured at cost. The Company's scientific and technological innovation intangible assets are measured at cost.

Recognition: Scientific and technological innovation intangible assets are recognized when the Company has obtained the related legal rights and the intangible asset can be identified.

Measurement: The Company's scientific and technological innovation intangible assets are measured at cost. The Company's scientific and technological innovation intangible assets are measured at cost.

6. Goodwill

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXI) Impairment of long-term assets

Long-term assets, including long-term investments, fixed assets, intangible assets, etc., are tested for impairment at the end of each reporting period. If the carrying amount of the asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount. The recoverable amount is the maximum amount of cash or cash equivalents that can be obtained from the disposal of the asset, less the costs of disposal. The recoverable amount is determined as the maximum amount of the present value of the cash flows expected to be derived from the asset or the fair value less costs of disposal. The recoverable amount is determined as the maximum amount of the present value of the cash flows expected to be derived from the asset or the fair value less costs of disposal. The recoverable amount is determined as the maximum amount of the present value of the cash flows expected to be derived from the asset or the fair value less costs of disposal.

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

When the carrying amount of long-term assets is higher than the recoverable amount, the carrying amount is reduced to the recoverable amount. When the carrying amount of long-term assets is lower than the recoverable amount, the carrying amount is increased to the recoverable amount. The recoverable amount is the maximum amount of cash or cash equivalents that can be obtained from the disposal of the asset, less the costs of disposal. The recoverable amount is determined as the maximum amount of the present value of the cash flows expected to be derived from the asset or the fair value less costs of disposal. The recoverable amount is determined as the maximum amount of the present value of the cash flows expected to be derived from the asset or the fair value less costs of disposal.

When the carrying amount of long-term assets is higher than the recoverable amount, the carrying amount is reduced to the recoverable amount. If the carrying amount of long-term assets is lower than the recoverable amount, the carrying amount is increased to the recoverable amount. The recoverable amount is the maximum amount of cash or cash equivalents that can be obtained from the disposal of the asset, less the costs of disposal. The recoverable amount is determined as the maximum amount of the present value of the cash flows expected to be derived from the asset or the fair value less costs of disposal. The recoverable amount is determined as the maximum amount of the present value of the cash flows expected to be derived from the asset or the fair value less costs of disposal.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXII) Long-term prepaid expenses

Long-term prepaid expenses are recognized as assets when the related benefits are expected to be realized over more than one year. They are amortized on a straight-line basis over their useful lives.

Long-term prepaid expenses are recognized as liabilities when the related benefits are expected to be realized over more than one year. They are amortized on a straight-line basis over their useful lives. For long-term prepaid expenses, the related benefits are recognized as expenses when the benefits are realized.

(XXIII) Employee Remuneration

1. Short-term employee benefits

Short-term employee benefits are recognized as liabilities when the company has a present obligation as a result of past service provided by employees, the obligation is measurable, and the company is expected to settle the obligation within 12 months after the reporting period.

Short-term employee benefits are recognized as expenses when the benefits are provided. For short-term employee benefits, the related benefits are recognized as expenses when the benefits are provided. For short-term employee benefits, the related benefits are recognized as expenses when the benefits are provided.

Wages and salaries are recognized as liabilities when the company has a present obligation as a result of past service provided by employees, the obligation is measurable, and the company is expected to settle the obligation within 12 months after the reporting period.

2. Long-term employee benefits

(1) Defined contribution plans

For defined contribution plans, the company recognizes a liability when the company has a present obligation as a result of past service provided by employees, the obligation is measurable, and the company is expected to settle the obligation within 12 months after the reporting period. For defined contribution plans, the related benefits are recognized as expenses when the benefits are provided.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIII) Employee Remuneration (Continued)

2. Method of accounting for employee remuneration benefits (Continued)

(2) Defined benefit plan

The fair value of the defined benefit plan liability is determined by using the projected benefit method. The liability is measured as the present value of the defined benefit obligation at the reporting date, less the fair value of plan assets.

The defined benefit plan liability is measured using the projected benefit method. The liability is measured as the present value of the defined benefit obligation at the reporting date, less the fair value of plan assets. The defined benefit plan liability is measured using the projected benefit method. The liability is measured as the present value of the defined benefit obligation at the reporting date, less the fair value of plan assets.

The defined benefit plan liability is measured using the projected benefit method. The liability is measured as the present value of the defined benefit obligation at the reporting date, less the fair value of plan assets. The defined benefit plan liability is measured using the projected benefit method. The liability is measured as the present value of the defined benefit obligation at the reporting date, less the fair value of plan assets.

The defined benefit plan liability is measured using the projected benefit method. The liability is measured as the present value of the defined benefit obligation at the reporting date, less the fair value of plan assets. The defined benefit plan liability is measured using the projected benefit method. The liability is measured as the present value of the defined benefit obligation at the reporting date, less the fair value of plan assets.

The defined benefit plan liability is measured using the projected benefit method. The liability is measured as the present value of the defined benefit obligation at the reporting date, less the fair value of plan assets. The defined benefit plan liability is measured using the projected benefit method. The liability is measured as the present value of the defined benefit obligation at the reporting date, less the fair value of plan assets.

For details, see Note VI. (XXVI) Employee Remuneration and Benefits.

3. Accounting for derivative financial instruments

The Company uses derivative financial instruments to hedge its foreign exchange risk. The Company uses derivative financial instruments to hedge its foreign exchange risk. The Company uses derivative financial instruments to hedge its foreign exchange risk.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIV) Estimated liabilities

Wangchuan Information Technology Co., Ltd. (the Company) is a company limited by shares, incorporated in the People's Republic of China, with its registered office in Beijing, China. The Company is a public company listed on the Shanghai Stock Exchange.

1. Recognized contingent liabilities

The Company has no recognized contingent liabilities as of the end of the reporting period.

(1) Guarantees provided by the Company;

(2) Guarantees provided by the Company to its subsidiaries;

(3) Guarantees provided by the Company to its associates.

2. Estimated liabilities

The Company has no estimated liabilities as of the end of the reporting period.

The Company has no estimated liabilities as of the end of the reporting period. For information, the Company has no estimated liabilities as of the end of the reporting period.

The Company has no estimated liabilities as of the end of the reporting period.

The Company has no estimated liabilities as of the end of the reporting period. For information, the Company has no estimated liabilities as of the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIV) Estimated liabilities (Continued)

2. Modified impairment allowance for other receivables (Continued)

The Company provides a specific allowance (provision) for other receivables (provision), which is based on the credit risk of the debtor, the historical loss experience, and the current economic conditions. The Company also provides a general allowance for other receivables, which is based on the historical loss experience and the current economic conditions.

The Company also provides a specific allowance for other receivables (provision) based on the credit risk of the debtor, the historical loss experience, and the current economic conditions. The Company also provides a general allowance for other receivables, which is based on the historical loss experience and the current economic conditions.

(XXV) Safety production fee

The Company's safety production fee is calculated based on the following standards:

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

The Company's safety production fee is calculated based on the following standards: 1. Other receivables of CNY10 million and below, accrued 2%; 2. Other receivables of CNY10 million to CNY100 million, accrued 1%; 3. Other receivables of CNY100 million to CNY1,000 million, accrued 0.2%; 4. Other receivables of CNY1,000 million to CNY5,000 million, accrued 0.1%; 5. Other receivables above CNY5,000 million, accrued 0.05%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I addi... cia , I faη I CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVI) Share-based payments (Continued)

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(XXVII) Revenue

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVII) Revenue (Continued)

(2) If the company provides services to customers, it shall recognize revenue when the following conditions are met:

The company has transferred control of the service to the customer.

The company can identify the service as a distinct service.

The company can determine the price of the service, and the price is not subject to significant changes.

(3) Contract revenue from services shall be recognized when the following conditions are met:

For services, the contract is approved by the company and the customer, and the contract is enforceable.

The contract has commercial substance, and the company can identify the contract as a distinct contract.

The contract has a fixed or determinable price, and the company can identify the contract as a distinct contract.

The contract has a fixed or determinable price, and the company can identify the contract as a distinct contract.

The contract has a fixed or determinable price, and the company can identify the contract as a distinct contract.

The contract has a fixed or determinable price.

Other conditions are met, and the company can identify the contract as a distinct contract.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVII) Revenue (Continued)

(4) Construction contracts

For construction contracts, the contract revenue is recognized over the period of construction. The contract revenue is recognized when the contract is completed, the contract is approved by the relevant parties, and the contract is approved by the relevant parties. The contract revenue is recognized when the contract is completed, the contract is approved by the relevant parties, and the contract is approved by the relevant parties. The contract revenue is recognized when the contract is completed, the contract is approved by the relevant parties, and the contract is approved by the relevant parties.

When the contract is completed, the contract revenue is recognized when the contract is approved by the relevant parties, and the contract is approved by the relevant parties. The contract revenue is recognized when the contract is completed, the contract is approved by the relevant parties, and the contract is approved by the relevant parties.

(5) Specific contract

The contract is a 600MW (total 600MW) contract, which is completed in 2018. The contract revenue is recognized when the contract is completed, the contract is approved by the relevant parties, and the contract is approved by the relevant parties. The contract revenue is recognized when the contract is completed, the contract is approved by the relevant parties, and the contract is approved by the relevant parties.

The contract is a contract, which is completed in 2018. The contract revenue is recognized when the contract is completed, the contract is approved by the relevant parties, and the contract is approved by the relevant parties. The contract revenue is recognized when the contract is completed, the contract is approved by the relevant parties, and the contract is approved by the relevant parties.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVIII) Contractual costs

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

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

1. The costs of direct materials and direct labor.
2. The costs of materials and labor that are not directly related to the production process.
3. The costs of depreciation and amortization.

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIX) Government grant

1. Total

Government grants are accounted for as income when the grant is received. Total government grants are recorded as income when received.

Government grants are recorded as income when received. Government grants are recorded as income when received.

2. Accounting method adopted

Total government grants are recorded as income when received.

Government grants are recorded as income when received. Government grants are recorded as income when received. Government grants are recorded as income when received. Government grants are recorded as income when received. Government grants are recorded as income when received.

Government grants are recorded as income when received. Government grants are recorded as income when received. Government grants are recorded as income when received. Government grants are recorded as income when received. Government grants are recorded as income when received. Government grants are recorded as income when received. Government grants are recorded as income when received. Government grants are recorded as income when received. Government grants are recorded as income when received. Government grants are recorded as income when received.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXX) Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are measured at the best estimate of the tax benefits to be realized in the future. Deferred income tax assets and liabilities are measured at the best estimate of the tax benefits to be realized in the future.

For deferred income tax liabilities, deferred income tax assets are recognized to the extent that it is probable that sufficient taxable income will be available to utilize the tax benefits.

Since the company's tax status is subject to change, deferred income tax assets and liabilities are measured at the best estimate of the tax benefits to be realized in the future. The company's tax status is subject to change, deferred income tax assets and liabilities are measured at the best estimate of the tax benefits to be realized in the future.

When the company's tax status is subject to change, deferred income tax assets and liabilities are measured at the best estimate of the tax benefits to be realized in the future. The company's tax status is subject to change, deferred income tax assets and liabilities are measured at the best estimate of the tax benefits to be realized in the future.

When the company's tax status is subject to change, deferred income tax assets and liabilities are measured at the best estimate of the tax benefits to be realized in the future. The company's tax status is subject to change, deferred income tax assets and liabilities are measured at the best estimate of the tax benefits to be realized in the future.

(XXXI) Leases

1. Operating leases

- (1) The company's operating leases are classified as operating leases. The company's operating leases are classified as operating leases. The company's operating leases are classified as operating leases.

When the company's operating leases are classified as operating leases, the company's operating leases are classified as operating leases. The company's operating leases are classified as operating leases.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) Discontinued Operation

Disclosed in the financial statements are the following discontinued operations:

- (1) The company's investment in the subsidiary, which is a subsidiary of the company;
- (2) The company's investment in the subsidiary, which is a subsidiary of the company;
- (3) The company's investment in the subsidiary.

(XXXIII) Hedge accounting

1. Cash flow hedge:

- (1) The company's investment in the subsidiary, which is a subsidiary of the company.
- (2) The company's investment in the subsidiary, which is a subsidiary of the company.
- (3) The company's investment in the subsidiary, which is a subsidiary of the company.

2. Derivative financial instrument:

The company's investment in the subsidiary, which is a subsidiary of the company.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I addi cia , i faη i CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXIII) Hedge accounting (Continued)

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

(2) Ca f d

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in the financial statements, the Company's financial statements are prepared in U.S. dollars and are denominated in U.S. dollars.)

IV.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements, the Company also provides financial statements in CNY)

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

(I) Changes in accounting policies (Continued)

2. Effect of Accounting Policy Changes (2018) Circumstances of the change and its effect on the financial statements

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the accompanying notes, all amounts are in RMB Yuan unless otherwise specified)

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

(I) Changes in accounting policies (Continued)

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

The following table shows the impact of the change in accounting policy on the consolidated balance sheet as of December 31, 2017. The impact is calculated based on the accounting policy that was applied in the period immediately preceding the change.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(II) Change in accounting estimates

There are no changes in accounting estimates.

(III) Important corrections of prior period errors

There are no important corrections of prior period errors.

(IV) Other matters adjustment

None.

V. TAXATION

(I) Main types of taxes and corresponding tax rates

Tax Type	Tax basis	Tax rate
Value-added Tax (VAT)	Taxable sales and taxable services, including the sale of goods, processing, repair, installation, transportation, and other services, and the sale of intangible assets and real estate.	3%, 6%, 10%, 11%, 16%, 17%
Corporate Income Tax	Profit before tax, adjusted for tax purposes.	7%
Enterprise Income Tax	Profit before tax.	25%, 15%

According to the Circular Notice of the Ministry of Finance and the State Administration of Taxation, the VAT rate for the sale of goods, processing, repair, installation, transportation, and other services, and the sale of intangible assets and real estate is 17% (16%, and VAT rate for the sale of real estate, construction, and other services is 11% and 10%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

V. TAXATION (CONTINUED)

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

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

Name of the companies	Income tax rate
Harbi Electric Company Limited (N 1)	15%
Harbi Trading Company Limited and Subsidiary (N 2)	15%
Harbi Power Technology & Trading	25%
Harbi Electric Machinery Company Limited and Subsidiary (N 3)	15%
Harbi Power Equipment National Engineering Research Center Co., Ltd (N 4)	15%
HE Harbi Power Plant Company Limited (N 5)	15%
China Sinter Technology Company	25%
Harbi Boiler Company Limited and Subsidiary (N 6)	15%
Harbi Electric Power Equipment Company Limited (N 7)	15%
Harbi Electric Control (QHD) and Engineering Company Limited (N 8)	15%
Harbi Electric Control Financial Company Limited	25%
Harbi Electric Control and Engineering Company Limited (N 9)	15%
Harbi Electric (H.E) Control	25%
Hadia Group Sinter Technology and Engineering Research Center Co., Ltd.	25%

(II) Tax Preferences

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

V. TAXATION (CONTINUED)

(II) Tax Preferences (Continued)

2. Harbin Turbine Company Limited Subsidiaries

On August 28, 2017, Harbin Turbine Company Limited Subsidiary Harbin Nanchang Turbine Engineering (No. GR201723000107) has obtained Harbin Science and Technology Award (黑龍江省科學技術廳), Harbin Finance Award (黑龍江省財政廳), Harbin State Tax Bureau Award (黑龍江省國家稅務局), and Harbin Local Tax Bureau Award (黑龍江省地方稅務局), for a period of 12 months, and has been granted a 15% discount rate.

On August 28, 2017, Harbin Turbine Aircraft Engine Engineering Company Limited Subsidiary Harbin Turbine Company Limited Subsidiary Harbin Nanchang Turbine Engineering (No. GR201723000051) has obtained Harbin Science and Technology Award (黑龍江省科學技術廳), Harbin Finance Award (黑龍江省財政廳), Harbin State Tax Bureau Award (黑龍江省國家稅務局), and Harbin Local Tax Bureau Award (黑龍江省地方稅務局), for a period of 12 months, and has been granted a 15% discount rate.

3. Harbin Electric Machinery Company Limited Subsidiaries

On August 28, 2017, Harbin Electric Machinery Company Limited Subsidiary Harbin Nanchang Turbine Engineering (No. GR201723000101) has obtained Harbin Science and Technology Award (黑龍江省科學技術廳), Harbin Finance Award (黑龍江省財政廳), Harbin State Tax Bureau Award (黑龍江省國家稅務局), and Harbin Local Tax Bureau Award (黑龍江省地方稅務局), for a period of 12 months, and has been granted a 15% discount rate.

On August 28, 2017, Harbin Electric Machinery Company Limited Subsidiary Harbin Nanchang Turbine Engineering (No. GR201723000137) has obtained Harbin Science and Technology Award (黑龍江省科學技術廳), Harbin Finance Award (黑龍江省財政廳), Harbin State Tax Bureau Award (黑龍江省國家稅務局), and Harbin Local Tax Bureau Award (黑龍江省地方稅務局), for a period of 12 months, and has been granted a 15% discount rate.

4. Harbin Power Engineering Nanchang Turbine Engineering Rarc Corporation Limited

On August 28, 2017, Harbin Power Engineering Nanchang Turbine Engineering Rarc Corporation Limited Subsidiary Harbin Nanchang Turbine Engineering (No. GR201723000350) has obtained Harbin Science and Technology Award (黑龍江省科學技術廳), Harbin Finance Award (黑龍江省財政廳), Harbin State Tax Bureau Award (黑龍江省國家稅務局), and Harbin Local Tax Bureau Award (黑龍江省地方稅務局), for a period of 12 months, and has been granted a 15% discount rate.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V. TAXATION (CONTINUED)

(II) Tax Preferences (Continued)

5. HE Harbi P Pa Va Cη a Lη i d

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

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

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

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

7. Harbi E c i c P E i η Cη a Lη i d

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

8. Harbi E c i c C r a i (QHD) H a E i η Cη a Lη i d

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

V. TAXATION (CONTINUED)

(II) Tax Preferences (Continued)

9. Harbin Electric Service Company Limited

Harbin Electric Service Company Limited is a high-tech enterprise (技術先進型服務企業). Recognition number: JF20162301100003. Tax preferential rate of 15% is applicable according to Cai Shui [2009] No. 63 (財稅(2009)63號文件).

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(I) Cash and bank

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

The following table shows the details of the cash and bank deposits:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

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

(II) Due from banks and other financial institutions

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

(III) Notes receivable and accounts receivable

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

1. D a i r y r e c i a b l e

(1) N o t e r e c i a b l e a c a l i c a t i o n

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

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

(III) Notes receivable and accounts receivable (Continued)

1. Details of receivables (Continued)

(2) The following table shows the details of receivables and accounts receivable at the end of the reporting period:

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

2. Details of accounts receivable

The following table shows the details of accounts receivable at the end of the reporting period. The amount of accounts receivable is classified into various categories based on the nature of the receivables. The amount of accounts receivable is classified into various categories based on the nature of the receivables. The amount of accounts receivable is classified into various categories based on the nature of the receivables.

(1) The following table shows the details of accounts receivable:

Age	Closing balance	Opening balance
Within 1 year	4,020,608,853.48	4,325,601,379.58
1-2 years	1,646,863,673.80	1,479,843,186.24
2-3 years	537,649,317.28	810,790,231.08
Over 3 years	469,624,472.63	607,074,907.68
Total	6,674,746,317.19	7,223,309,704.58

The following table shows the details of accounts receivable. The amount of accounts receivable is classified into various categories based on the nature of the receivables. The amount of accounts receivable is classified into various categories based on the nature of the receivables.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(III) Notes receivable and accounts receivable (Continued)

2. Details of accounts receivable (Continued)

(2) Accounts receivable by category

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(III) Notes receivable and accounts receivable (Continued)

2. Debtors' accounts receivable (Continued)

(3) Accounts receivable impairment identification and identification of bad debt reasons are as follows:

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

Note: The company identified the debtor's credit risk based on MSEC010056, N. LSA2004026 and N. LSA2005045 issued by China Chamber of Commerce & Industry of Foreign Economic Relations on July 15, 2001, September 21, 2004 and December 27, 2001 issued by Ministry of Commerce, Sida Group Power Finance and Power Finance, and identified the credit risk of the debtor. According to the identification of December 31, 2018, the company's accounts receivable impairment provision is USD47,124,405.58, which is the same as the company's identification of CNY324,902,081.81. The company's identification of bad debt provision is USD47,124,405.58, which is the same as the company's identification of CNY323,424,220.37.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(III) Notes receivable and accounts receivable (Continued)

2. Details of accounts receivable (Continued)

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

Accounts receivable aging and bad debt provision by category of receivables:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(III) Notes receivable and accounts receivable (Continued)

2. Details of accounts receivable (Continued)

(5) Accounts receivable with significant credit risk and bad debt loss risk are as follows:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued)

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

(III) Notes receivable and accounts receivable (Continued)

2. Debtors' accounts receivable (Continued)

(5) Accounts receivable impairment identification table: according to the aging analysis method: (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB, unless otherwise specified in CNY)

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

(III) Notes receivable and accounts receivable (Continued)

2. Details of accounts receivable (Continued)

(5) Accounts receivable impairment identification table: accounts receivable bad debt ratio table (Continued)

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

(6) Total impairment loss: bad debt ratio table

Total bad debt ratio: CNY175,642,144.92, Ratio: bad debt ratio CNY266,333,218.77.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(III) Notes receivable and accounts receivable (Continued)

2. Details of accounts receivable (Continued)

(7) Details of accounts receivable with impairment

Debtor	Nature of accounts receivable	Write-off amount	Reasons for writing off	Fulfilment of verification procedures	Is it due to a related transaction
Zha Tian Trade Co., Ltd.	Trade receivable	2,440,000.00	Material loss	Completed	N
Xin Tian Trade Co., Ltd.	Trade receivable	2,320,434.14	Material loss	Completed	N
Bai Hanyuan Co., Ltd.	Trade receivable	2,233,790.00	Material loss	Completed	N
Sunshine Finance Co., Ltd. (Shanghai Branch)	Trade receivable	1,343,154.00	Material loss	Completed	N
HZ Trade Service Co., Ltd.	Trade receivable	1,059,000.00	Material loss	Completed	N
Sciencad Trade Co., Ltd.	Trade receivable	1,021,121.40	Material loss	Completed	N
Sunshine Finance Co., Ltd. (Central Distribution Office)	Trade receivable	601,672.00	Material loss	Completed	N
Paizhi Trade Co., Ltd.	Trade receivable	417,000.00	Material loss	Completed	N
Others		13,410,464.93	Material loss	Completed	N
Total		24,846,636.47			

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued) (in million RMB, unless otherwise specified)

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

(III) Notes receivable and accounts receivable (Continued)

2. Debtors' accounts receivable (Continued)

(8) Trade debtors' accounts receivable and advances

Debtor	Closing balance		
	Amount	Proportion of total account receivable (%)	Bad debt provision
703 Rongli of China SIBID Ltd. (China Liaoning)	648,080,507.44	5.77	106,616,050.37
Liaoning Wazhi Jintan Petrochemical Co., Ltd.	281,294,350.00	2.50	14,064,717.50
Saierai of Ribic of Soda (Mingpu)	271,370,288.28	2.41	271,370,288.28
Haila Laca Rihd	164,685,894.02	1.47	8,234,294.70
Haila Laca Rihd	145,237,060.00	1.29	33,165,725.00
Total	1,510,668,099.74	13.44	433,451,075.85

(9) Receivable discounts and other receivables

Notes receivable discounts and other receivables

(10) Trade receivables and advances

Total trade receivables and advances

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(IV) Prepayments

1. Liabilities

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

Significant advance payment over 1 year

Creditor Name	Debtor Name	Closing balance	Aging	Unliquidated Reason
Harbin Shantou Water Treatment Plant Co., Ltd.	Jiamaibi Co., Ltd.	165,084,997.53	12 months; 23 months	Technical contract; contract; contract
Harbin Electric Machinery Co., Ltd.	China Petroleum & Chemical Corporation; Greiner Bionics Co., Ltd.	56,923,019.00	23 months	Technical contract; contract
Harbin Electric Group (QHD) Heavy Equipment Co., Ltd.	Shandong S.M.T.	41,392,919.33	23 months; 33 months	Technical contract; contract
Harbin Electric Industrial Equipment Co., Ltd.	Northeast Heavy Industry Group Co., Ltd.	41,120,410.00	12 months	Technical contract; contract
Harbin Electric Group (QHD) Heavy Equipment Co., Ltd.	VALINOX NUCLEAIRE	39,398,157.16	23 months; 33 months	Technical contract; contract
Harbin Electric Power Equipment Co., Ltd.	Henan Industrial Equipment Co., Ltd.	37,882,218.20	12 months	Technical contract; contract
Harbin Electric Power Equipment Co., Ltd.	China West Energy Co., Ltd.	33,464,282.39	Over 3 months	Technical contract; contract
Harbin Electric Machinery Co., Ltd.	Zhejiang Nucleonics Co., Ltd.	29,819,881.35	12 months	Technical contract; contract

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(IV) Prepayments (Continued)

1. Liabilities (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(IV) Prepayments (Continued)

1. Liabilities (Continued)

Creditor Name	Debtor Name	Closing balance	Aging	Unliquidated Reason
Harbin Electric International Engineering Co., Ltd.	Harbin Electric Power Co., Ltd. Construction Finance Department	9,060,365.55	1.2 years	Technical backlog
Harbin Electric Group (QHD) Heavy Equipment Co., Ltd.	Various Heavy Equipment Trucks	9,009,949.79	0-3 years	Technical backlog
Harbin Boiler Factory Co., Ltd.	Qinda Saila Machine Structure Co., Ltd.	8,759,856.00	2.3 years	Technical backlog
Harbin Electric Power Equipment Co., Ltd.	Zhongda Engineering and Equipment Co., Ltd.	8,683,200.00	1.2 years	Technical backlog
Harbin Electric Group (QHD) Heavy Equipment Co., Ltd.	Wangjiacai (Gaoxi) Co., Ltd.	8,259,256.20	1.2 years	Technical backlog
Harbin Boiler Factory Co., Ltd.	Dalia Boiler Equipment Engineering Co., Ltd.	7,263,000.01	1.2 years	Technical backlog
Harbin Electric International Engineering Co., Ltd.	China Electric Equipment Corporation	7,250,000.00	0-3 years	Technical backlog
Harbin Boiler Factory Co., Ltd.	Harbin Yida Ship Manufacturing Co., Ltd.	6,891,680.00	2.3 years	Technical backlog
Harbin Boiler Factory Co., Ltd.	GOLD TRIPOD ZHENLONG (HONGKONG) LIMITED	6,826,178.89	1.2 years	Technical backlog
Harbin Electric International Engineering Co., Ltd.	Zhida Power Equipment Accessories Factory	6,725,154.00	0-3 years	Technical backlog
Harbin Electric International Engineering Co., Ltd.	Harbin Electric Group Accessory Co., Ltd.	6,476,299.05	2.3 years; 3 years	Technical backlog
Harbin Electric International Engineering Co., Ltd.	Saizi Zhenlong Engineering Co., Ltd.	6,434,000.00	1.2 years	Technical backlog
Harbin Electric Power Equipment Co., Ltd.	Formal	6,343,860.32	1.2 years; 2.3 years	Technical backlog
Harbin Boiler Factory Co., Ltd.	Hadia Heavy Equipment Manufacturing Co., Ltd.	6,321,600.00	1.2 years	Technical backlog

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(IV) Prepayments (Continued)

1. Liabilities (Continued)

Creditor Name	Debtor Name	Closing balance	Aging	Unliquidated Reason
Harbin Electric (China) Ltd.	China Electric Power Group Zibo Electric Power Distribution	5,947,500.00	1-2 years; 2-3 years	Technical requirements
Harbin Santribi Water Control Ltd.	France TP Macnamara	5,499,952.80	0-3 years	Technical requirements
Harbin Boiler Factory Ltd.	Jiamen Boiler Works Electric Ltd.	5,400,000.00	1-2 years	Technical requirements
Harbin Electric (China) Ltd.	W. S. Hard	4,813,328.00	0-3 years	Technical requirements
Harbin Electric (China) Ltd.	Luoyi Electric (Henan) Ltd.	4,739,047.92	1-2 years; 2-3 years; 3-5 years	Technical requirements
Total		790,484,495.33		

(V) Other receivables

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in the financial statements, the financial statements are presented in Chinese Renminbi Yuan (RMB) and US Dollars (USD). All amounts are in Chinese Renminbi Yuan (RMB) unless otherwise specified.)

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

(V) Other receivables (Continued)

1. Other receivables

(1) Classified other receivables

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

2. Other receivables

Investee	Closing balance	Opening balance
Harbin East Far East Real Estate Development Co., Ltd.	144,453.39	144,453.39
Harbin Xinren Real Estate Development Co., Ltd.	38,388.88	
Guangdong Haier Electric Appliances Co., Ltd. (Qionghua) Co., Ltd.	28,423,330.15	
Total	28,606,172.42	144,453.39

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(V) Other receivables (Continued)

3. Details of other receivables

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(V) Other receivables (Continued)

3. Details of other receivables (Continued)

(1) Other receivables with a closing balance of RMB 1,011,111,111.00, of which RMB 10,515,676.92 is provided for bad debt.

Debtor	Closing balance		
	Accounts receivable	Bad debt provision	Percentage Reason (%)
Harbi Electric Group Co., Ltd.	162,095,125.59		Related parties don't accrue
Harbi Hadia Industrial Development Co., Ltd.	20,000,000.00		– Related parties don't accrue
Harbi Electric Macau Industrial Development Co., Ltd.	10,515,676.92	10,515,676.92	100.00 It cannot be recovered
Ecuadorian Power Transmission and Trading Co., Ltd.	99,914,573.35		– Advance Ecuadorian hydropower owners on-site costs
Ecuadorian Power Development Co., Ltd.	65,006,872.04		– Advance Ecuadorian hydropower owners on-site costs
Cia Wapac Andhra Pradesh Electricity Co., Ltd.	33,987,149.29		– Advance project funds
Jilipac Power Transmission and Trading Co., Ltd.	29,328,435.35		– Advance project funds
LID ENERGY HOLDINGS LTD	25,942,841.57		– Suma project guarantee deposit
Nalpa Power Pakistan Management Co., Ltd.	25,715,220.83		– Advance Pakistani Bailukai project owner's customs clearance fee
Cia Wapac Andhra Pradesh Electricity Board	15,348,947.92		– Advance project funds
Pakistan Federal Government Office	14,944,959.01		– Pakistan Bailukai project owners withhold income tax
Cia Electric Group of Nigeria Power Transmission and Trading Co., Ltd.			

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(V) Other receivables (Continued)

3. Details of other receivables (Continued)

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

Other receivables accrued bad debt based on credit risk characteristics:

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

Note: As of the reporting period, the closing balance of other receivables accrued bad debt based on credit risk characteristics is RMB 218,020,020.29, which is 73.81% of the total other receivables. The bad debt provision is RMB 204,569,695.20, which is 93.83% of the total bad debt provision.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(V) Other receivables (Continued)

3. Details of other receivables (Continued)

(3) Other receivables are classified as follows: *accrued bad debt:*

Other receivables (By company)	Closing balance		
	Amount	Bad debt provision	Proportion Reason
			0.68T0Td(Reason)Tj0 (0.68T0Td)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued)

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

(V) Other receivables (Continued)

3. Details of other receivables (Continued)

(4) Bad debt provision details

Total bad debt provision at the end of the reporting period: CNY35,145,712.61, of which the amount of bad debt provision at the beginning of the reporting period is CNY30,381,739.20.

(5) Details of other receivables based on aging

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(VI) Inventories

1. Classification of inventories

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

Notes:

1. A detailed account of the classification of inventories is provided in the notes to the consolidated financial statements. The classification is based on the nature of the goods and the method of their valuation.
2. A detailed account of the closing balance of inventories as of December 31, 2018, is provided in the notes to the consolidated financial statements. The closing balance of inventories is CNY529,622,897.22, which is 4.82% of the total assets of CNY10,984,535,208.47.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(VI) Inventories (Continued)

2. Provision for inventory impairment

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

Raw materials inventory impairment provision: As of the end of the reporting period, the raw materials inventory impairment provision was calculated based on the cost of raw materials and the market price of raw materials.

Raw materials inventory impairment provision: When the market price of raw materials is lower than the cost of raw materials, the difference between the market price and the cost of raw materials is recognized as an impairment provision.

Raw materials inventory impairment provision: When the market price of raw materials is higher than the cost of raw materials, the difference between the market price and the cost of raw materials is recognized as a reversal of impairment provision.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(VII) Contractual assets and contractual liabilities

1. *Deferred tax assets and deferred tax liabilities*

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

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

2. *Provision for impairment of financial assets*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(VIII) Current portion of non-current assets

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

Note: Due from other parties in 2016 balance sheet represents the amount of receivables from related parties of CNY49,955,000.00.

(IX) Other current assets

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(X) Loans and advances issued

1. Loans and advances issued by the company

Item	Closing balance	Opening balance
Loans issued by the company		
Credit card		
Personal loans		
Business loans		497,038.49
Loans issued by the company		497,038.49
Business loans		497,038.49
Loans issued by the company		497,038.49
Loans issued by the company		4,970.38
Loans issued by the company		4,970.38
Business loans		492,068.11

2. Loans and advances issued by the company

Industry	Closing balance	Proportion (%)	Opening balance	Proportion (%)
Family and personal				
Micro-finance				
Retail				
Credit				
Financial				
Other			497,038.49	100.00
Business loans			497,038.49	100.00
Loans issued by the company			4,970.38	1.00
Loans issued by the company				
Business loans			4,970.38	1.00
Business loans			492,068.11	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(X) Loans and advances issued (Continued)

5. Loans and advances issued

Items	Current period		Laundry Individual	Combination
	Individual	Combination		
[Redacted content]				

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

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

(XI) Other debt investment

1. Debt investment

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

2. Debt investment

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

Note: On January 27, 2016, the Company purchased 2016 bond investment (RMB) with a face value of 50 million RMB. The bond has a fixed interest rate of 2.55% and a maturity date of January 28, 2019. The bond was purchased at a discount of 45,000 RMB. The current interest income is 1,180,684.93 RMB.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the consolidated financial statements in CNY)

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

(XII) Long term receivables

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XIII) Long-term equity investments

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. Subsidiaries											
Shanghai Harbin Power Equipment Trade Company Limited	3,000,000.00							3,000,000.00		3,000,000.00	
Subtotal	3,000,000.00							3,000,000.00		3,000,000.00	
2. Associates											
Guangdong Electric Equipment Harbin Power Equipment Service (Qionghua) Company Limited	135,003,849.87		30,101,873.68				45,342,884.15	119,762,839.40			
Harbin Biogate Chemical Harbin Power Equipment Company Limited	51,265,399.11							51,265,399.11		10,223,752.07	
Harbin HELE Harbin Electric Equipment Trade Company Limited	6,570,491.74			233,304.71				6,803,796.45			
Harbin HELE Power Equipment Company Limited	5,823,729.61			3,020,037.04			2,293,598.96	6,550,167.69			
Harbin Harbin Electric Equipment Trade Company Limited	3,850,222.15		3,920,930.55	70,708.40				-			
Harbin Harbin Electric Equipment Trade Company Limited	1,638,475.76			406,724.47			30,000.00	2,015,200.23			
Harbin Rife Electric Equipment Trade Company Limited		6,000,000.00						6,000,000.00			
Subtotal	204,152,168.24	6,000,000.00	3,920,930.55	33,832,648.30			47,666,483.11	192,397,402.88		10,223,752.07	
Total	207,152,168.24	6,000,000.00	3,920,930.55	33,832,648.30			47,666,483.11	195,397,402.88		13,223,752.07	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XIV) Other equity instruments investments

1. Details of other equity instruments

Item	Closing balance	Original balance
Harbin International Property Co., Ltd. ()	563,358,772.26	
China United Gas Turbine Technology Co., Ltd.	114,000,000.00	12,000,000.00
Jiangsu Fuyuan Energy Development Co., Ltd.	30,000,000.00	15,000,000.00
Harbin Xiaohua Hadia New Energy Investment Co., Ltd.	2,000,000.00	2,000,000.00
Beijing F3DP Energy Investment Co., Ltd.	400,000.00	400,000.00
Harbin Xinli Deyi Co., Ltd.	695,000.00	695,000.00
Beijing Hainan Gas Turbine and Gasification Combined Cycle Energy Technology Co., Ltd.	5,500,000.00	5,500,000.00
Harbin Power Energy Investment Co., Ltd.	1,000,000.00	1,000,000.00
Total	716,953,772.26	36,595,000.00

Note: According to the provisions of the 14th meeting of the 8th Board of Directors of Harbin Energy, Harbin Energy has issued a dividend of 76,335,877.00 yuan, accounting for 0.49% of Harbin International Property Co., Ltd.'s equity.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XV) Investment property

1. Investment property owned

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XV) Investment property (Continued)

2. Investment property measured at fair value:

Item	Closing balance	Opening balance
Investment property	121,364,993.17	138,538,405.66
Investment property (10-50 years)	121,364,993.17	138,538,405.66
Investment property (10 years)		
Investment property	111,808,262.68	92,248,317.12
Investment property (10-50 years)	111,808,262.68	92,248,317.12
Investment property (10 years)		
Total	233,173,255.85	230,786,722.78

(XVI) Fixed assets

1. Fixed assets measured at cost:

Item	Closing balance	Opening balance
Fixed assets	5,868,709,208.85	5,960,718,217.02
Fixed assets	205.14	201,003.47
Total	5,868,709,413.99	5,960,919,220.49

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(XVI) Fixed assets (Continued)

2. Data disclosed

Item	Housing and buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Office facilities	Others	Total
1. Original value							
(1) Original value	4,534,069,928.59	7,636,725,613.13	381,045,726.78	591,310,339.72	283,259,590.94	9,361,706.93	13,435,772,906.09
(2) Depreciation	111,120,262.64	422,251,729.45	6,687,731.60	35,360,460.75	34,630,441.61		610,050,626.05
Accumulated depreciation	550.00	55,144,602.12	3,608,462.99	7,345,270.46	9,274,589.55		75,373,475.12
Original value	111,119,712.64	367,107,127.33	2,632,541.77	22,936,060.70	25,355,852.06		529,151,294.50
Original value			446,726.84	5,079,129.59			5,525,856.43
(3) Depreciation	5,987,455.67	115,148,672.67	11,289,126.63	20,498,976.30	17,938,705.64		170,862,936.91
Depreciation	1,668,219.13	115,148,672.67	11,289,126.63	20,498,976.30	17,881,074.61		166,486,069.34
R	4,319,236.54						4,319,236.54
Original value					57,631.03		57,631.03
(4) Original value	4,639,202,735.56	7,943,828,669.91	376,444,331.75	606,171,824.17	299,951,326.91	9,361,706.93	13,874,960,595.23
2. Accumulated depreciation							
(1) Original value	1,417,499,822.57	5,028,958,955.08	316,405,948.69	458,081,554.78	198,388,315.43	7,199,137.47	7,426,533,734.02
(2) Depreciation	142,974,309.44	457,182,773.67	19,576,032.61	46,659,406.30	25,030,506.81	8,953.92	691,431,982.75
Depreciation	142,974,309.44	457,182,773.67	19,576,032.61	46,659,406.30	25,030,506.81	8,953.92	691,431,982.75
(3) Depreciation	1,593,076.45	111,093,004.70	10,260,034.31	19,868,361.84	17,342,800.58		160,157,277.88
Depreciation	1,453,133.19	111,093,004.70	10,260,034.31	19,868,361.84	17,342,800.58		160,017,334.62
Original value	139,943.26						139,943.26
(4) Original value	1,558,881,055.56	5,375,048,724.05	325,721,946.99	484,872,599.24	206,076,021.66	7,208,091.39	7,957,808,438.89
3. Provision for impairment							
(1) Original value	11,369,595.89	35,976,097.29	1,172,424.50	2,837.37			48,520,955.05
(2) Depreciation				1,897,670.88			1,897,670.88
Depreciation				1,897,670.88			1,897,670.88
(3) Depreciation		1,973,305.50	2,372.94				1,975,678.44
Depreciation		75,634.62	2,372.94				78,007.56
Original value		1,897,670.88					1,897,670.88
(4) Original value	11,369,595.89	34,002,791.79	1,170,051.56	1,900,508.25			48,442,947.49
4. Carriage							
Carriage							
(1) Original value	3,068,952,084.11	2,534,777,154.07	49,552,333.20	119,398,716.68	93,875,305.25	2,153,615.54	5,868,709,208.85
Carriage							
(2) Original value	3,105,200,510.13	2,571,790,560.76	63,467,353.59	133,225,947.57	84,871,275.51	2,162,569.46	5,960,718,217.02

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XVI) Fixed assets (Continued)

3. *Fixed assets*

Part of the fixed assets are measured at fair value. The fair value is determined by the independent professional appraisal firms.

4. *Buildings*

Items	Closing balance	Original value
Buildings	2,969,773,193.36	3,004,776,277.22
Buildings (10 years)	2,969,773,193.36	3,004,776,277.22
Buildings (10 years)		
Buildings	99,178,890.75	100,424,232.91
Buildings (10 years)	99,178,890.75	100,424,232.91
Buildings (10 years)		
Total	3,068,952,084.11	3,105,200,510.13

5. *Fixed deposits*

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

6. *Other*

Fixed deposits are measured at fair value. The fair value is determined by the independent professional appraisal firms.

(XVII) Construction in process

1. *Construction in process*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(XVII) Construction in process (Continued)

2. Construction in process

Item	Closing balance			Opening balance		
	Remaining carrying amount	Provision for impairment	Carrying value	Remaining carrying amount	Provision for impairment	Carrying amount
Construction in process	269,877,098.08		269,877,098.08	447,354,691.76		447,354,691.76
Construction in process	150,023,516.03		150,023,516.03	181,332,226.29		181,332,226.29
Construction in process	69,953,800.02		69,953,800.02	40,912,277.76		40,912,277.76
Construction in process - Domestic						
Aircraft manufacturing CAP1400						
Siddic Project (M)						
Rosa	35,088,821.55		35,088,821.55	35,086,357.66		35,086,357.66
Gara radi	23,599,353.83		23,599,353.83	18,113,041.24		18,113,041.24
Construction in process - Overseas						
Scientific Research Base	20,509,921.48		20,509,921.48	2,551,577.19		2,551,577.19
EPC	19,946,322.14		19,946,322.14			
Construction in process	13,709,276.81		13,709,276.81	13,445,465.12		13,445,465.12
Construction in process - Domestic						
E-commerce						
Manufacturing (N. 1813)	7,198,439.98		7,198,439.98	17,760,396.32		17,760,396.32
FX-030 CAP1400 T						
Manufacturing (Iraq)	6,484,453.74		6,484,453.74	5,214,776.45		5,214,776.45
1742302						
Construction in process	2,468,686.98		2,468,686.98			
Jiaji Research Base Upgrade						
Gara, Research Base						
Project	1,298,349.11		1,298,349.11	1,298,349.11		1,298,349.11
PMS						
Manufacturing	11,915.08		11,915.08	3,271,985.13		3,271,985.13
4050				29,405,143.51		29,405,143.51
Harbin Aircraft Brackets						
Project				11,684,618.51		11,684,618.51
ERP				10,679,437.44		10,679,437.44
813 16 1 1				8,401,709.40		8,401,709.40
HQC-D15 2017, EQ006 CNC Ga						
Milling Machine				2,051,282.07		2,051,282.07
Ca				1,173,273.26		1,173,273.26
Differential				708,240.47		708,240.47
Other	29,913,960.02	569,610.88	29,344,349.14	30,174,643.63	569,610.88	29,605,032.75
Total	658,281,844.60	569,610.88	657,712,233.72	860,619,492.32	569,610.88	860,049,881.44

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XVII) Construction in process (Continued)

3. Significant construction in process

Project	Budget	Original balance	Increase in the period	Amount transfer to fixed assets in the period	Other decreased amount in the period	Closing balance	Ratio of accumulated contribution to the construction to budget (%)	Construction process	Interest on the accumulative amount of the capitalization	Including: the amount of interest capitalization in the current period	Current interest rate	Sources of funds
Nuclear construction	913,800,000.00	447,354,691.76	47,442,244.09	220,539,564.66		274,257,371.19	93.83	95	65,136,494.28	20,622,944.28	3.56	State-owned
Infrastructure	457,000,000.00	181,332,226.29		31,308,710.26		150,023,516.03	42.88	42.88				State-owned
Construction	183,400,000.00	40,912,277.76	34,914,756.09	5,873,233.83		69,953,800.02	89.14	89.14				State-owned
Major construction	41,880,000.00	35,086,357.66	2,980,745.72	2,978,281.83		35,088,821.55	90.90	90.90				State-owned
CPA1400												
4050	40,500,000.00	29,405,143.51		29,405,143.51		-	72.61	100				Government
General	23,599,353.83	18,113,041.24	26,218,549.76	20,732,237.17		23,599,353.83	100	99				State-owned
Engineering	31,250,000.00	17,760,396.32	2,000,313.57	12,562,269.91		7,198,439.98	67.23	67.23				State-owned
Nuclear construction	768,000,000.00	13,445,465.12	263,811.69			13,709,276.81	2.15	2.15				State-owned
Building construction	14,589,100.58	11,694,618.51	2,200,081.42	388,451.00	13,496,248.93	-	95.17	100				State-owned
ERP	39,000,000.00	10,679,437.44	12,525,673.40	23,205,110.84		-	67.58	100				State-owned
8131611	18,000,000.00	8,401,709.40		8,401,709.40		-	46.68	100				State-owned
CAP1400 Safety	8,500,000.00	5,214,776.45	7,547.17			5,222,323.62	61.44	61.44				State-owned
Engineering	4,210,000.00	3,271,985.13	806,254.70		4,066,324.75	11,915.08	96.87	96.87				State-owned
PMS construction	590,000,000.00	2,551,577.19	31,752,002.33	13,613,462.71	73,435.90	20,616,680.91	10.88	10.88				State-owned
Infrastructure	2,400,000.00	2,051,282.07		2,051,282.07		-	85.47	100				State-owned
HQC D15 2017 EQ006		1,298,349.11				1,298,349.11						State-owned
CNC Gas												
Major infrastructure	16,850,000.00	1,173,273.26	1,863,021.70	3,036,294.96		-	80.99	100				State-owned
State-owned	35,000,000.00	83,773.59	34,738,051.60	33,697,130.25		1,124,694.94	99.49	99				State-owned
Engineering	36,942,110.28		27,697,157.78	27,697,157.78		-	74.97	100				State-owned
EQWS JS2009007			19,946,322.14			19,946,322.14	66.49	66.49				State-owned
EPC		30,799,110.51	118,169,288.04	93,661,254.32	19,076,164.84	36,230,979.39						
Total	3,224,920,564.69	860,619,492.32	363,525,821.20	529,151,294.50	36,712,174.42	658,281,844.60			65,136,494.28	20,622,944.28		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

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

(XVII) Construction in process (Continued)

4. *Prepaid expenses and other receivables*

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

5. *Construction materials*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XVIII) Intangible assets

Item	Software	Land use rights	Non-patented				Total
			Patent	technology	Franchise	Others	
1. Original intangible assets							
(1) Intangible assets	61,115,654.00	732,718,657.25	22,223,425.59	221,535,036.33	323,861,418.15	5,558,308.09	1,367,012,499.41
(2) Intangible assets	21,927,254.15			6,566,100.60	26,014,915.99	369,706.02	54,877,976.76
- acquired	17,171,274.22			5,186,100.60	26,014,915.99	305,603.46	48,677,894.27
- internally developed				1,380,000.00		64,102.56	1,444,102.56
- transferred	4,755,979.93				18,758,496.16		23,514,476.09
(3) Discontinued intangible assets			18,758,496.16				18,758,496.16
- disposed			18,758,496.16				18,758,496.16
(4) Intangible assets	83,042,908.15	732,718,657.25	3,464,929.43	228,101,136.93	368,634,830.30	5,928,014.11	1,421,890,476.17
2. Accumulated amortization							
(1) Intangible assets	39,966,414.79	246,223,562.25	19,008,276.49	184,242,643.14	90,508,924.16	4,806,560.43	584,756,381.26
(2) Intangible assets	4,855,174.30	15,305,957.31	1,993.44	10,237,272.94	44,258,002.68	237,802.62	74,896,203.29
- purchased	4,855,174.30	15,305,957.31	1,993.44	10,237,272.94	28,700,662.19	237,802.62	59,338,862.80
- internally developed					15,557,340.49		15,557,340.49
(3) Discontinued intangible assets			15,557,340.49				15,557,340.49
- disposed			15,557,340.49				15,557,340.49
(4) Intangible assets	44,821,589.09	261,529,519.56	3,452,929.44	194,479,916.08	134,766,926.84	5,044,363.05	644,095,244.06
3. Internally developed intangible assets							
(1) Intangible assets	2,137,376.41			8,402,511.71		90,863.26	10,630,751.38
(2) Intangible assets							
- purchased							
- internally developed							
(3) Discontinued intangible assets							
- disposed							
- internally developed							
(4) Intangible assets	2,137,376.41			8,402,511.71		90,863.26	10,630,751.38
(1) Carried over from the previous period	36,083,942.65	471,189,137.69	11,999.99	25,218,709.14	233,867,903.46	792,787.80	767,164,480.73
(2) Carried over from the previous period	19,011,862.80	486,495,095.00	3,215,149.10	28,889,881.48	233,352,493.99	660,884.40	771,625,366.77

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued) (in million RMB, unless otherwise specified)

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

(XIX) Development disbursements

Item	Original balance	Increase		Decrease		Closing balance
		Internal development expenditure	Confirmed as intangible assets	Confirmed as intangible assets	Recorded into the profits and losses of the current period	
K. Specific Project CAP1400 Research and Development (Phase I) (Phase I)	231,354,185.98	30,789,141.87			13,479,598.76	248,663,729.09
SAPS (Phase I) Project SAP (Phase I) Ltd.		7,640,639.65				7,640,639.65
ERP Phase I Project Service Field Management Center (Phase I) Ltd.		3,447,169.82				3,447,169.82
17.33002 India Biodata Application (Phase I)		2,334,905.67				2,334,905.67
17.12001 Smart Home Application (Phase I)		2,205,128.21				2,205,128.21
National Engineering Laboratory Field Data Application (Phase I) Ltd.						
Phase I Laboratory	592,901.37	631,898.76				1,224,800.13
Home (Phase I) Ltd.	1,039,614.59					1,039,614.59
Domestic 282 180112019 (Phase I) Ltd.						
(Phase I) Ltd.		764,957.28				764,957.28
Domestic (Phase I) Ltd.		1,260,155.56			715,543.50	544,612.06
Research and Development (Phase I) Ltd.						
Research and Development (Phase I) Ltd.	418,341.03	102,372.13			102,372.13	418,341.03
Research and Development (Phase I) Ltd.						
Research and Development (Phase I) Ltd.	68,119.66	103,060.35				171,180.01
Domestic AP1000MSR (Phase I) Ltd.	1,380,000.00	239,852.60	1,380,000.00	239,852.60		-
Home (Phase I) Ltd.						
Home (Phase I) Ltd.	64,102.56		64,102.56			-
Capital (Phase I) Ltd.	4,288,584.48	14,441,255.93		12,086,572.52	1,036,111.11	5,607,156.78
Total	239,205,849.67	63,960,537.83	1,444,102.56	26,623,939.51	1,036,111.11	274,062,234.32

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the consolidated financial statements in CNY)

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

(XX) Long-term deferred expenses

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

(XXI) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets and deferred tax liabilities

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

2. Bad debt provision and deferred tax assets

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

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

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

3. Non-current deferred tax liabilities

Item	Closing balance		O r i g i n a l b a l a n c e	
	Taxable temporary differences	Deferred income tax liabilities	Taxable differences	Deferred tax liabilities
Carrying amount of intangible assets			29,448,750.79	7,280,974.79
T a			29,448,750.79	7,280,974.79

(XXII) Short-term borrowings

1. Short-term borrowings by category

Item	Closing balance	O r i g i n a l b a l a n c e
Prepaid		
Notes payable	15,900,000.00	15,900,000.00
Guaranteed		330,000,000.00
Current	1,557,008,534.19	2,737,668,542.78
T a	1,572,908,534.19	3,083,568,542.78

(XXIII) Placement from banks and other financial institutions

Item	Closing balance	O r i g i n a l b a l a n c e
Fixed deposits from banks	300,000,000.00	
Fixed deposits from other financial institutions		
T a	300,000,000.00	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XXIV) Deposits and placements from other financial institutions

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

(XXV) Notes payable and accounts payable

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

1. Notes payable

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in thousands of RMB unless otherwise specified)

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

(XXV) Notes payable and accounts payable (Continued)

2. Accounts payable

(1) Liabilities payable

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

(2) Significant accounts payable

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XXV) Notes payable and accounts payable (Continued)

2. Accounts payable (Continued)

(2) Significant accounts payable (Continued)

Item	Closing balance	Reason for outstanding or not paying back
Chongqing Chongqing-Nanchong Expressway Co., Ltd.	13,101,307.19	Trade payable
Chongqing Xidie Transportation Co., Ltd.	12,832,605.00	Trade payable
Jilin Provincial Power Generation Co., Ltd.	12,752,249.39	Trade payable
Yunnan Huahong (Group) Co., Ltd.	12,452,132.82	Trade payable
Zhejiang Dafa Holdings Macroeconomic Co., Ltd.	12,163,330.00	Trade payable
Wuhan Tianfa Investment Co., Ltd.	12,059,783.28	Trade payable
China National Petroleum & Chemical Co., Ltd.	11,200,270.71	Trade payable
Saichang Electric Power Co., Ltd.	11,100,000.00	Trade payable
Saidai Taichang Electric Co., Ltd.	11,004,997.44	Trade payable
Saichang Xi'an Macroeconomic Co., Ltd.	10,607,644.51	Trade payable
Enrica DMD International YS Co., S.A.	10,117,113.18	Trade payable
Total	804,595,861.68	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

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

(XXVI) Employee benefits payable

1. Liabilities

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

2. Long-term liabilities

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued from previous page)

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

(XXVI) Employee benefits payable (Continued)

3. Employee benefits payable (Continued)

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

(XXVII) Taxes and surcharges payable

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XXVIII) Other payables

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

1. Interest payable

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

2. Dividend payable

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(XXVIII) Other payables (Continued)

2. Deferred tax liabilities

The deferred tax liabilities are as follows:

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

3. Other payables

(1) Other payables by nature

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XXVIII) Other payables (Continued)

3. Other payables (Continued)

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

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

(XXIX) Current portion of non-current liabilities

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

Note: On February 18, 2013, the Company issued RMB 200 million of Short-term Corporate Bonds (Term: 12 months) [2013] No. 159, and the closing balance of the bonds is RMB 200 million. On March 11, 2013, the Company issued Harbin Electric Co., Ltd. 2012 Corporate Bonds (Term: 3 years) with a face value of RMB 3 billion at an interest rate of 4.9%, and the closing balance of the bonds is RMB 200 million as of March 11, 2018. The bonds are listed on the Shanghai Stock Exchange. The Company has issued RMB 200 million of Long-term Corporate Bonds (Term: 3 years) with a face value of RMB 200 million at an interest rate of 4.9%, and the closing balance of the bonds is RMB 200 million as of March 11, 2018. The bonds are listed on the Shanghai Stock Exchange. The Company has issued RMB 200 million of Long-term Corporate Bonds (Term: 3 years) with a face value of RMB 200 million at an interest rate of 4.9%, and the closing balance of the bonds is RMB 200 million as of March 11, 2018. The bonds are listed on the Shanghai Stock Exchange.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XXX) Other current liabilities

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

(XXXI) Long-term borrowings

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

(XXXII) Long-term payables

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

1. Long-term payable

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XXXII) Long-term payables (Continued)

2. Significant items

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

(XXXIII) Long-term employee benefits payable

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XXXIV) Provisions

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

Note 1: The provision for doubtful accounts is calculated based on the aging of accounts receivable at 0.3% to 0.5% for different categories of receivables.

Note 2: The loss provision for bad debts is calculated based on the historical loss experience of the Company and the current economic conditions.

Note 3: Other provisions are provided for liabilities of the Company, including the provision for the Harbin Electric Power Macroeconomic Research Center, Ltd.

(XXXV) Deferred income

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XXXV) Deferred income (Continued)

Item description and unit:

Liabilities items	Original balance	New addition	Accounted for as non-operating income amount	Other changes	Closing balance	Associated with the asset/related to earnings
Grant for research and development						
Jiaobi	39,104,038.89		1,363,566.66		37,740,472.23	Related to earnings
New material manufacturing cost	14,894,523.04	5,390,000.00	896,152.57		19,388,370.47	Related to earnings
Domestic 600MW data center 820 00 1308	16,917,876.42		10,080.10		16,907,796.32	Related to earnings
Tongji Research Institute 820 00 1104	22,500,000.00		5,625,000.00		16,875,000.00	Related to earnings
Laboratory equipment	8,346,800.00				8,346,800.00	Related to earnings
Patent management fee	7,400,000.00				7,400,000.00	Related to earnings
National Science and Technology Major Project (Major Scientific Equipment)	5,290,000.00				5,290,000.00	Related to earnings
Shanghai Manufacturing Network 820 00 1705	5,000,000.00		356,412.92		4,643,587.08	Related to earnings
Deferred research and development cost	4,236,600.00			-712,400.00	3,524,200.00	Related to earnings
Laboratory equipment	3,727,633.33		212,133.34		3,515,499.99	Related to earnings
Other	27,339,143.03	16,852,402.96	13,018,327.59	-9,870,000.00	21,303,218.40	
Total	154,756,614.71	22,242,402.96	21,481,673.18	-10,582,400.00	144,934,944.49	

Note: Other categories of deferred income include research and development grants, research and development cost, and other deferred income.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XXXVI) Share capital

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

(XXXVII) Capital reserve

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

Note: Total amount of share premium is calculated based on the difference between the actual amount of shares issued and the amount of shares issued at par value. The amount of share premium is recorded in the consolidated financial statements of Harbi Electric Group Co., Ltd.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(XXXVIII) Other comprehensive income

Item	Original amount	The amount incurred in current period					Closing balance
		Current amount before the current income tax	Earnings are included in other consolidated income/Retained earnings	Less: income tax expense	After tax attribution to the parent company	After tax attributable to minority shareholders	
1. Other comprehensive income attributable to the parent							
Beginning balance		63,358,777.91			63,358,777.91		63,358,777.91
Included: Capital reserve							
Add: Additional contribution margin							
Less: Dividends attributable to the parent							
Less: Dividends attributable to minority shareholders							
Less: Cash flow hedge							
Less: Other							
Ending balance		63,358,777.91			63,358,777.91		63,358,777.91
2. Other comprehensive income attributable to minority shareholders							
Beginning balance	18,514,209.22	4,062,591.51	19,791,288.72	41,930.65	-15,827,771.16	57,143.30	2,686,438.06
Included: Other comprehensive income attributable to minority shareholders							
Less: Dividends attributable to minority shareholders							
Less: Cash flow hedge							
Less: Other							
Ending balance							
Provision for impairment of available-for-sale financial assets	-463,930.83	655,000.00		163,750.00	434,106.70	57,143.30	-29,824.13
Provision for impairment of available-for-sale financial assets							
Less: Cash flow hedge	18,979,159.69		18,979,159.69		-18,979,159.69		
Efficacy of financial instruments							
Less: Dividends	690,309.68		812,129.03	-121,819.35	-690,309.68		
Transfer of financial assets							
Less: Dividends	-691,329.32	3,407,591.51			3,407,591.51		2,716,262.19
Ending balance	18,514,209.22	67,421,369.42	19,791,288.72	41,930.65	47,531,006.75	57,143.30	66,045,215.97

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XXXIX) Specialized reserve

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

(XL) Surplus reserve

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

(XLI) Retained earnings

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

Note: The Company distributed cash dividends to equity holders in 2017 after the annual general meeting held on May 25, 2018. Based on the Company's articles of association, the Company distributed cash dividends to equity holders in 2017 of CNY 0.015 per share (including the cash dividends of 2017 financial results of CNY 25,597,845.00 per share).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

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

(XLII) Operating revenue and operating cost

Details of operating revenue and operating cost

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XLII) Operating revenue and operating cost (Continued)

Daiyifanhuo yu jingyi chengben (Continued)

Tongjicongshu yu jingyichengben (Continued)

Project item	Contracted value	Total Cost of the project	Progress of Completion (%)	Accumulated	Accumulated	Accumulated	Settlement price	Revenue	Cost recognized
				revenue recognized	cost recognized	gross profit recognized		recognized in current period	in current period
1. Fidiyicongshu									
Daiyifanhuo yu jingyi chengben									
Pingliang	16,024,280,541.38	15,990,956,366.35	43.39	6,952,581,307.29	6,938,122,683.97	14,458,623.32	5,323,707,141.71	5,264,932,220.70	5,224,944,849.51
Haidian J. #4	598,450,000.00	442,565,524.68	100.00	515,905,172.41	442,565,524.68	73,339,647.73	598,450,000.00	515,905,172.41	442,565,524.68
Daili #1	573,660,000.00	430,732,629.66	100.00	494,534,482.76	430,732,629.66	63,801,853.10	573,660,000.00	494,534,482.76	430,732,629.66
Paili 1223MW									
Changde C. P.	3,633,172,621.03	3,803,045,690.80	96.08	3,490,644,098.55	3,653,853,087.04	-163,208,988.49	3,094,668,118.51	456,861,914.29	474,274,884.50
Daili #2	573,660,000.00	430,730,000.00	83.12	408,686,677.98	358,022,410.71	50,664,267.27	451,368,900.00	408,686,677.98	358,022,410.71
W. Pa. II#1	435,110,000.00	311,481,119.96	100.00	372,347,480.01	311,481,119.96	60,866,360.05	435,110,000.00	372,347,480.01	311,481,119.96
Paili 1180MW									
Changde C. P.	3,483,995,495.45	3,530,297,219.39	94.9	3,306,347,557.64	3,350,288,369.87	-43,940,812.23	2,774,289,592.38	234,273,658.20	237,117,138.83
Ecodayi									
Changde C. P.	3,653,488,740.85	3,569,210,762.78	84.87	3,100,618,270.84	3,029,093,802.81	71,524,468.03	3,653,488,740.85	217,125,572.76	218,297,037.98
Daili									
Ba. #1	334,745,000.00	231,721,800.00	69.75	201,279,859.91	161,626,920.13	39,652,939.78	200,635,250.00	201,279,859.91	161,626,920.13
N. Xi. #1	359,760,000.00	265,709,400.00	63.25	196,162,241.38	168,061,210.67	28,101,030.71	197,880,000.00	196,162,241.38	168,061,210.67
Ta	29,670,322,398.71	29,006,450,513.62		19,039,107,148.77	18,843,847,759.50	195,259,389.27	17,303,257,743.45	8,362,109,280.40	8,027,123,726.63

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XLIII) Interest income and interest expense

Item	Current period	La	Period
Interest income	422,786,538.17		440,314,100.89
Deposits	405,729,913.62		426,929,921.87
Discounts	11,223,948.75		12,832,809.58
Leases	4,172,777.80		194,444.44
Leases and commissions	1,474,198.55		129,816.62
Interest on deposits and commissions			
Commissions			
Discounts	1,467,212.25		129,816.62
Bills and commissions	6,986.30		
Bills			
Others	185,699.45		227,108.38
Interest on bills and commissions			
Interest expense	20,736,138.63		24,780,211.04
Deposits			
Bills			
Bills			
Deposits	20,736,138.63		24,780,211.04
Proceeds of REPO			
Interest on bills			
Others			
Net interest income	401,168,108.21		415,533,889.85

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the consolidated financial statements in CNY)

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

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

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

(XLV) Taxes and surcharges

Item	Current period	Last period
Corporate income tax	72,358,108.72	52,668,666.68
Education surcharge	37,354,742.20	27,697,758.47
Local education surcharge	14,500,164.28	9,982,015.83
Stamp duty	12,520,941.52	20,126,937.74
Property tax	41,059,101.89	37,861,675.67
Taxes	25,319,648.15	29,709,121.47
Vice and other	87,136.80	68,060.42
Other	40,946.01	510,612.88
Taxes	203,240,789.57	178,624,849.16

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All additional amounts are in million CNY)

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

(XLVI) Selling expenses

Item	Current period	La	ri d
Salar	263,792,484.72	199,437,711.67	
Qual	229,446,765.75	228,295,986.87	
Tran	97,092,202.25	71,646,606.53	
Tran	35,019,917.90	49,182,240.75	
ac	20,785,591.44	14,302,815.74	
O	13,659,803.47	26,198,056.33	
c	20,093,739.06	15,117,553.31	
I	101,494.57	507,309.43	
B	16,743,132.67	1,644,148.22	
Offic	3,470,830.90	2,847,602.77	
Pr	354,623.35	1,177,655.50	
Ad	3,884,431.00	5,528,203.24	
O	26,791,108.12	23,490,098.52	
T a	731,236,125.20	639,375,988.88	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in the financial statements, the Company's financial statements are presented in CNY)

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

(XLVII) Administrative expenses

Item	Current period	Last period
Salaries	789,422,392.92	912,691,025.61
Participating in profit	17,227,024.91	
Direct administrative	151,454,472.32	156,185,688.65
Material	125,539,743.24	131,225,125.14
Travel	39,888,582.14	73,558,640.36
Service charges	40,943,234.05	44,800,268.99
Office	32,076,274.80	39,732,877.44
Office	25,395,351.75	19,297,468.58
Material	8,750,990.78	12,270,270.49
Utilities	12,079,776.60	14,108,527.82
Health	18,744,051.84	15,482,229.12
Food	9,969,050.03	9,396,518.27
Entertainment	16,370,855.98	28,137,684.13
Debt management	13,776,452.68	12,733,794.34
Accident	4,751,285.17	11,297,272.97
Administrative	2,358,490.57	2,358,490.57
Administrative	4,347,388.20	3,916,929.16
Commissions	3,949,919.82	7,547,220.37
Verification	4,105,810.23	4,492,751.60
Insurance	5,705,010.46	8,333,349.96
Liability	2,825,157.26	969,067.47
Transportation	33,677.19	99,321.87
Board	488,867.32	297,032.38
Share	3,146,262.12	3,897,940.28
Other	131,812,013.25	182,197,052.52
Total	1,465,162,135.63	1,695,026,548.09

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XLVIII) Research and development expenses

Item	Current period	La	ri d
R e s e a r c h a n d d e v e l o p m e n t e x p e n s e s	591,928,067.08	558,679,659.76	
T a	591,928,067.08	558,679,659.76	

(XLIX) Financial expenses

Category	Current period	La	ri d
I n t e r e s t e x p e n s e s	124,294,753.28	241,715,596.09	
L o s s e s o n f i n a n c i n g a s s e t s	62,278,154.48	47,822,335.41	
E c a r r i e d f o r w a r d	-43,507,919.60	100,183,554.29	
H a n d i c a p e x p e n s e s	16,125,922.94	22,693,862.71	
O t h e r	1,461,622.64	6,018,523.17	
T a	36,096,224.78	322,789,200.85	

(L) Impairment on assets

Item	Current period	La	ri d
B a d d e b t		496,943,368.14	
I m p a i r m e n t o n a s s e t s	179,934,482.68	485,214,814.27	
L a s s e s o n a s s e t s		-92,236.44	
I m p a i r m e n t o n a s s e t s		4,000,000.00	
L o s s e s o n f i n a n c i n g a s s e t s		1,419,804.00	
F i d a n c i a r y a s s e t s		27,048,626.92	
I m p a i r m e n t o n f i n a n c i n g a s s e t s		366,000.00	
I m p a i r m e n t o n f i n a n c i n g a s s e t s		2,228,239.67	
T a	179,934,482.68	1,017,128,616.56	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(LI) Credit impairment losses

Item	Current period
Net credit impairment losses	-90,691,073.85
Bad debt expense	4,763,973.41
Adjustment to allowance	-7,000.00
Debit to allowance	
Other debit to allowance	
Loss on credit impairment	
Carrying amount	477,484,302.39
Allowance	99,995,029.62
Total	491,545,231.57

(LII) Other income

Item	Current period	Last period
Government subsidy	174,777,343.70	45,731,908.93
Total	174,777,343.70	45,731,908.93

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued from previous page)

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

(LII) Other income (Continued)

Other income (continued)

Item	Current period	Related to assets/related to income
Diminished value of property	61,620,000.00	Related income
Company's share of EIT in the equity of K. C. M. of H. T. M. of G. - C. of R. of C.	40,529,271.91	Related income
Military	21,133,864.94	4,832,981.66 Related income
Harbin Military Finance Bureau 2017 Annual Income Tax	8,000,000.00	Related income
Subsidy	6,253,411.44	Related income
Donation of CAP1400 Haif-S. of Sa. of d. S. of T. of bi	5,877,588.50	Related income
T. of G. of ia. of arc. of i. 820.00. 1104	5,625,000.00	5,625,000.00 Related income
Company's share of income tax	5,000,000.00	Related income
Property income tax	4,030,000.00	Related income
Research and development	2,017,145.99	2,553,566.00 Related income
Jiangxi Scientific Research Bureau Project Subsidy	1,363,566.66	Related income
Company's share of income tax	1,249,946.18	Related income
Laboratory	1,245,218.03	Related income
Share of income tax	1,106,200.00	1,768,865.63 Related income
Jointly owned	833,928.45	Related income
Donation of 700 shares of H. of C. of a. of -f. of d.	799,553.65	Related income
Zhejiang	750,000.00	Related income
Transfer	700,000.00	Related income
Donation of 1000MW High Efficiency and Widely Used Ultra-Supercritical Steam Turbine	644,620.19	Related income
Donation of 700 shares of H. of C. of a. of -f. of d.	600,000.00	Related income
Tax	508,616.08	Related income

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

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

(LII) Other income (Continued)

Gross amount based on the original invoice (Continued)

Item	Current period	La	Related to assets/related to income
Traffic Ticket Harbi Muzika Fiac Bra (E... Tc... Rarc C...)	500,000.00		Related income
Traffic ticket	450,000.00		Related income
Individual income tax Individual income tax	450,000.00		Related income
Individual income tax Individual income tax	356,412.92		Related income
Subsidy	320,000.00		Related income
Academy	300,000.00		Related income
Education	280,000.00		Related income
Ministry	266,666.64	266,666.64	Related income
Local government	212,133.34		Related income
Traffic Ticket Mac... Fd... Ticket	200,000.00		Related income
Pr... Pr...	200,000.00		Related income
Local government	183,244.00		Related income
Local government	165,674.56	165,674.63	Related income
PDM	159,760.52	159,760.52	Related income
C... C...	100,500.00		Related income
S... S...	100,000.00		Related income
Hi... Hi...	96,750.00		Related income
E... E...	69,999.97		Related income
Pr... Pr...	55,000.00		Related income
Rc... Rc...	50,000.00		Related income
Lab... Lab...	49,105.50		Related income

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued)

Item	Current period	Related to assets/related to income
2011BAF03B03 (Yearly) ...	45,461.45	45,461.46 R a d i c m
D ...	36,690.00	R a d i c m
Harbi Wa ...	27,757.35	R a d i c m
M ...	26,320.18	R a d i c m
M ...	23,276.04	R a d i c m
Harbi ...	21,709.10	R a d i c m
H Y C ...	20,794.09	R a d i c m
R ...	20,779.29	9,216.00 R a d i c m
R ...	18,000.06	R a d i c m
D ...	17,302.93	R a d i c m
H ...	15,359.22	R a d i c m

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I addi... cia , ... f a n ... CNY)

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

(LII) Other income (Continued)

G r m b i d i c d d i c r r f i a d (C i d)

Item	Current period	La r i d	Related to assets/related to income
H b i P r i c i a D a r m f F i a c d i a AP1000 a n r a r m a f a c r i c r a r c f		500,000.00	R a d i c m
T r a f r CAP1400 c i a f d f H a r b i S c i c a d T c B r a		700,000.00	R a d i c m
T r a f r r i c i a a c c i a f d f H a r b i S c i c a d T c B r a i 2016		8,000.00	R a d i c m
T r a f r H a r b i F i a c i a T r a r P a m C r C i A i d T c R a r c D m P r c G r a (D m f CAP1400 N c a r P U i M a i W a S C c V a)		285,000.00	R a d i c m
R a r c P r a r a i T c a d A i c a i f C a S r a		2,986,453.00	R a d i c m
S d H i T m r a r P r f m a c f H i T m r a r A M a r i a f G a T b i		1,616,226.61	R a d i c m
N c a r r c b i d f d		12,575,700.00	R a d i c m
M a r i E r l r a d T c i c a S r i c P a f m C r c i 820 00 1401		3,871.41	R a d i c m
D m f i f f i c i c 660,000 W r a r c i c a a n b i		100,000.00	R a d i c m
J i d m f i f f i c i c r a r m a r a i c		1,868,913.40	R a d i c m
h a c r a r c i a b i d		8,100,000.00	R a d i c m
D m f d r a i c f m a c f 700 n a r a d m d r a i 820 00 1501		442,728.38	R a d i c m
2017 a a m i c i a r i c r i d m c i a f d		800,000.00	R a d i c m
2016 P r i c i a P a T c F d		91,000.00	R a d i c m
T a	174,777,343.70	45,731,908.93	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I addizionale, in milioni di CNY)

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

(LIII) Investment income

Item	Current period	La 'ri d
L - m i c m i c m c a c a d b i m d	33,832,648.30	26,360,761.31
L m i c m f m d i a f - m i	-408,962.33	25,721,172.72
L m i c m f r a d i f i a c i a a d r i d i	55,459,397.94	
L m i c m f f i a c i a a m a r d a f a r a	49,367,161.06	
L m i c m f m d i a f r a d i f i a c i a a	1,275,000.00	
L m i c m f m f i a c i a a m a r d a f a r a		
L r i c m a r d d r i d i f d b i m		
L m i c m f a a r a b - f r a f i a c i a a d r i d i		69,195,981.50
L m i c m f m d i a f d b i m		
L m i c m f m d i a f a a r a b - f r a f i a c i a a		271,077.79
L r i c m a r d d r i d i f r d b i m		
L m i c m f m d - m a r i i m d r i d i		
L m i c m f m d i a f r d b i m		
D i d d i c m a r d d r i r i d f i m i r	138,342.61	
L m i c m f r - c r f i a c i a a d r i d i		
L m i c m f m d i a f r - c r f i a c i a a		
A f r i c r , m a i i l i r m a r d a f a r a		
R f m d i a f d i a r a c i b i		
F r i c a d i b i d i r r f i a d		-82,275.23
T a	139,663,587.58	121,466,718.09

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(LIV) Gain on foreign exchange

Item	Current period	Last period
Exchange gain	-4,285.22	496.06
Total	-4,285.22	496.06

(LV) Net exposure hedging returns

Sources of net exposure hedging gains	Current period	Last period
Transaction of accommodation fair value change of derivative instruments		
Transaction of cash flow hedge of derivative instruments	812,129.03	
Total	812,129.03	

(LVI) Gain from fair-value changes

Sources of income from changes in fair value	Current period	Last period
Fair value change of available-for-sale financial assets		-12,995,817.33
Income from changes in fair value of derivative financial instruments		-12,995,817.33
Fair value change of available-for-sale financial liabilities		
Income from changes in fair value of derivative financial liabilities		
Total		-12,995,817.33

Note: Fair value change of available-for-sale financial assets and fair value change of available-for-sale financial liabilities are recorded in the "Other comprehensive income" item in the consolidated profit and loss statement. Income from changes in fair value of derivative financial instruments and income from changes in fair value of derivative financial liabilities are recorded in the "Financial assets and liabilities at fair value through profit or loss" item in the consolidated profit and loss statement.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(LVII) Proceeds from asset disposal

Items	Current period	La	ri	d	Amount included in current non-recurring gains and losses
Disposal of fixed assets	2,283,473.35	3,627,423.23			2,283,473.35
Disposal of financial assets					
Total	2,283,473.35	3,627,423.23			2,283,473.35

(LVIII) Non-operating income

1. Non-recurring income

Items	Current period	La	ri	d	Included in the amount of the non-recurring gains and losses of the current period
Transfer of non-current assets	3,598,537.20				3,598,537.20
Disposal of fixed assets	3,598,537.20				3,598,537.20
Disposal of financial assets					
Gain on disposal of non-current assets	1,620,168.00	325,314.71			1,620,168.00
Gain on disposal of financial assets					
Disposal of non-current assets	4,876,415.01	50,539,789.12			4,876,415.01
Other	37,166,522.57	21,359,762.52			37,166,522.57
Total	47,261,642.78	72,224,866.35			47,261,642.78

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(LVIII) Non-operating income (Continued)

2. Government grants (Continued)

Items	Current period	La	Related to assets/ related to income
Harbin Xiaofa District Urban and Rural Construction Bureau	960,000.00		Related income
Reconstruction bid fund	880,000.00		Related income
Harbin Traffic Planning Center Traffic Safety Fund	179,000.00		Related income
Qizha Harbin Sili Ma'oshi Bureau	150,000.00		Related income
Harbin Traffic Planning Center Fund	110,289.48		Related income
Ladang	79,968.64		Related income
Harbin Science and Technology Bureau 2017 Technology Innovation Project Fund	50,000.00		Related income
Harbin Engineering and Technology Office (Laboratory Sili Ma'oshi Bureau)	50,000.00		Related income
Hilichuan	50,000.00		Related income
Ladang	38,400.00		Related income
Harbin Sa Taai Bureau Laboratory	34,584.63		Related income
Kunming Laboratory	31,150.00		Related income
Government grant		20,000,000.00	Related income
Civilian science and technology		12,060,000.00	Related income
Sabid	311,869.69	6,244,713.39	Related income
Industrial management fund		3,283,000.00	Related income
Taxation Taxation	415,000.00	1,215,000.00	Related income
Harbin Mici Ma'oshi Bureau Administrative Management Award		1,000,000.00	Related income
Patent		677,500.00	Related income
National science and technology Union management	896,152.57	671,569.24	Related income
Union management		553,722.11	Related income
Central Economic Trade Bureau Construction bid fund		501,200.00	Related income
Harbin Union Management Management Center		496,995.16	Related income
Midea Hadia Grant		460,000.00	Related income
Widening		443,042.56	Related income

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(LVIII) Non-operating income (Continued)

2. Government grants received (Continued)

Items	Current period	Related to assets/ Laundry related to income
Receivable from Ministry of Science and Technology	250,000.00	R a d i c m
Enterprise Scientific Research and Development Expenses	239,880.74	R a d i c m
Xi'di District Economic and Technological Development Promotion Incentive	213,500.00	R a d i c m
Harbin Science and Technology Bureau	200,000.00	R a d i c m
Harbin Science and Technology Bureau	200,000.00	R a d i c m
Science and Technology Innovation Incentive	130,000.00	R a d i c m
Harbin Science and Technology Bureau	100,000.00	R a d i c m
Technology Innovation Incentive	100,000.00	R a d i c m
Harbin Economic and Technological Development	50,000.00	R a d i c m
Vice Mayor	43,000.00	R a d i c m
Kangri Harbin	38,250.00	R a d i c m
Qiqihar Science and Technology Bureau	30,500.00	R a d i c m
Bureau	12,000.00	R a d i c m
Others	640,000.00	1,325,915.92 R a d i c m
T a	4,876,415.01	50,539,789.12

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(LIX) Non-operating expenses

Item	Amount for this period	Amount for the period	Including the amount of non-recurring gains and losses of the current period
Transaction expenses	3,066,608.59	3,695,842.30	3,066,608.59
Losses from disposal of assets	3,066,608.59	3,695,842.30	3,066,608.59
Losses from disposal of non-current assets	38,647,346.91		38,647,346.91
Non-current asset impairment losses	500,000.00		500,000.00
Exchange losses		156,360,284.89	
Others	60,598,842.15	2,905,518.01	60,598,842.15
Total	102,812,797.65	162,961,645.20	102,812,797.65

(LX) Income tax

1. Domestic income tax

Item	Amount for this period	Amount for the period
Current income tax payable	113,890,721.19	163,258,837.00
Deferred income tax	-59,724,224.57	-80,861,025.97
Total	54,166,496.62	82,397,811.03

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(LX) Income tax (Continued)

2. Accounting for deferred income tax assets and liabilities

Item	Amount for this period
Tax assets	156,854,134.23
Income tax assets arising from taxable temporary differences	23,528,120.13
Subsidiary tax differences arising from taxable temporary differences	15,925,333.85
Deferred income tax assets arising from deductible temporary differences	1,153,478.29
Deferred income tax liabilities arising from taxable temporary differences	-20,420,104.44
Net deferred tax assets, net of deferred tax liabilities	47,332,548.18
Deferred tax assets arising from deductible temporary differences	-43,244,399.28
Deferred tax liabilities arising from taxable temporary differences	29,162,082.87
Other	729,437.02
Income tax	54,166,496.62

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(LXI) Cash flow statement supplementary information

1. Cash flow statement supplementary information

Item	Amount for this period	Amount for the period
1. Receivables	102,687,637.61	260,968,593.90
Add: Increase in receivables	179,934,482.68	1,017,128,616.56
Increase in receivables	491,545,231.57	
Decrease in receivables, including decrease in receivables	700,770,755.75	696,372,060.51
Increase in receivables	59,338,862.80	50,953,111.61
Increase in receivables	13,846,896.33	12,017,505.45
Decrease in receivables, including decrease in receivables	-2,283,473.35	-3,627,423.23
Decrease in receivables (including decrease in receivables)	-531,928.61	3,695,842.30
Decrease in receivables (including decrease in receivables)		12,995,817.33
Finance (including decrease in receivables)	93,554,407.87	439,256,686.96
Loss (including decrease in receivables)	-139,663,587.58	-121,466,718.09
Decrease in receivables (including decrease in receivables)	-59,724,224.57	-80,861,025.97
Decrease in receivables (including decrease in receivables)		579,269,657.41
Decrease in receivables (including decrease in receivables)	1,744,434,904.99	579,269,657.41
Decrease in receivables (including decrease in receivables)	3,992,977,723.18	-1,274,536,453.37
Decrease in receivables (including decrease in receivables)	-7,860,180,988.23	-4,275,691,999.21
Other	7,293,652.03	-8,723,349.80
Net cash flow	-675,999,647.53	-2,692,249,077.64
2. Marketable securities		
Change in marketable securities		
Change in marketable securities		
Change in marketable securities		
Change in marketable securities		
3. Net cash flow		
Change in cash	11,705,681,448.94	15,206,290,892.00
Change in cash	15,206,290,892.00	17,204,139,648.41
Change in cash		
Change in cash		
Change in cash	-3,500,609,443.06	-1,997,848,756.41

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

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

(LXI) Cash flow statement supplementary information (Continued)

2. Cash flow statement supplementary information:

Item	Closing balance	Opening balance
1. Cash	11,705,681,448.94	15,206,290,892.00
Included: Cash	7,192,181.04	6,045,527.87
Balance of cash and cash equivalents	11,426,169,264.16	14,826,342,631.29
Other cash equivalents		
Cash balances of subsidiaries	50,692,260.02	107,027,977.01
Derivative	221,627,743.72	266,874,755.83
Liquidity		
2. Cash		
Included: Balance of cash and cash equivalents		
3. Cash and cash equivalents	11,705,681,448.94	15,206,290,892.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(LXII) Assets with limited ownership or use rights

Item	Closing book value	Reason
Married	837,570,251.25	Accrued from the closing of the company's financial statements.
Fiduciary	84,885,716.64	None
Leasehold	29,148,360.58	None
Total	951,604,328.47	

None:

- (1) The closing book value of the company's assets with limited ownership or use rights is RMB 80,803,380.12, and the closing book value of the company's liabilities is RMB 25,574,278.61. The company's assets with limited ownership or use rights are as follows: 1) The company's assets with limited ownership or use rights are RMB 29,937,700.00, which are the company's assets with limited ownership or use rights. The company's assets with limited ownership or use rights are RMB 29,937,700.00, which are the company's assets with limited ownership or use rights. The company's assets with limited ownership or use rights are RMB 29,937,700.00, which are the company's assets with limited ownership or use rights. 2) The company's assets with limited ownership or use rights are RMB 54,967,600.00, which are the company's assets with limited ownership or use rights. The company's assets with limited ownership or use rights are RMB 54,967,600.00, which are the company's assets with limited ownership or use rights. The company's assets with limited ownership or use rights are RMB 54,967,600.00, which are the company's assets with limited ownership or use rights. 3) The company's assets with limited ownership or use rights are RMB 21,991,830.00, which are the company's assets with limited ownership or use rights. The company's assets with limited ownership or use rights are RMB 21,991,830.00, which are the company's assets with limited ownership or use rights. The company's assets with limited ownership or use rights are RMB 21,991,830.00, which are the company's assets with limited ownership or use rights.
- (2) The closing book value of the company's assets with limited ownership or use rights is RMB 4,082,336.52, and the closing book value of the company's liabilities is RMB 3,574,081.97. The company's assets with limited ownership or use rights are as follows: 1) The company's assets with limited ownership or use rights are RMB 4,082,336.52, which are the company's assets with limited ownership or use rights. The company's assets with limited ownership or use rights are RMB 4,082,336.52, which are the company's assets with limited ownership or use rights. The company's assets with limited ownership or use rights are RMB 4,082,336.52, which are the company's assets with limited ownership or use rights. 2) The company's assets with limited ownership or use rights are RMB 3,574,081.97, which are the company's assets with limited ownership or use rights. The company's assets with limited ownership or use rights are RMB 3,574,081.97, which are the company's assets with limited ownership or use rights. The company's assets with limited ownership or use rights are RMB 3,574,081.97, which are the company's assets with limited ownership or use rights.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(LXIII) Foreign Currency Items

Items	Closing balance	Exchange rate	Closing balance
Ca			722,756,490.94
I c d i : USD	100,018,947.34	6.8632	686,450,039.32
EUR	726,853.71	7.8473	5,703,839.12
P a i a R	149,836,502.72	0.0495	7,424,398.71
U i d A r a b E n i a D i r a n	12,214,529.68	1.8679	22,815,519.99
S d a d	2,516,435.21	0.1441	362,693.80
Acc r c i ab			442,839,296.91
I c d i : USD	63,591,390.03	6.8632	436,440,428.04
EUR	791,805.90	7.8473	6,213,538.44
S d a d	1,285,856.05	0.1441	185,330.43
O r c i ab			409,509,843.09
I c d i : USD	46,330,802.15	6.8632	317,977,561.32
EUR	4,000.00	7.8473	31,389.20
P a i a R	1,502,209,869.69	0.0495	74,434,498.77
D i r a n	2,592,900.26	1.8679	4,843,278.40
I d i a R i a	25,841,681,551.45	0.0005	12,223,115.40
Acc a ab			312,157,496.59
I c d i : USD	45,482,791.78	6.8632	312,157,496.59
O r m a r			
O r a ab			28,450,922.11
I c d i : USD	4,145,431.01	6.8632	28,450,922.11
O r m a r			
Ab r b d d i			7,700,344.38
I c d i : USD	1,121,975.81	6.8632	7,700,344.38
I r a ab			129,688.61
I c d i : USD	18,896.23	6.8632	129,688.61

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

VII. CHANGE OF SCOPE

(I) Entities newly included in and no longer included in the scope of consolidation in this period

1. Entities newly included in the scope of consolidation in this period

No.	Name	Way of forming control	Net assets at the end of the period	Current new profit
1	Yi Li Real Estate Co., Ltd.	Establishment		
2	India Rehabilitation Co.	Establishment		
3	Harbi Economic Macroeconomic (Brazil) Co., Ltd.	Establishment	3,366,331.60	-91,868.39
4	Hadia Group S.A. Eritrean Precious Metals Co., Ltd.	Establishment	98,000,000.00	

2. Entities no longer included in the scope of consolidation in this period

(1) Basic information of the subsidiary

No.	Name	Registration	Nature	Shareholding rate (%)	Proportion of voting rights (%)	Reason why it is no longer a subsidiary this period
1	Harbi Hadia Economic and Trade Co., Ltd.	Harbi	Wholly owned subsidiary	94.06	94.06	Discontinued

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

VIII. EQUITY IN OTHER ENTITIES

(I) Equity in subsidiaries

1. Total investment

Name	Main operating place	Registration	Main business country	Nature	Share holding proportion (%)		Method
					Direct	Indirect	
Harbi Bili Co., Ltd.	Harbi	Harbi	China	Manufacturing	92.08		Shareholding
Harbi Electric Machinery Co., Ltd.	Harbi	Harbi	China	Manufacturing	89.63		Shareholding
Harbi Textile Co., Ltd.	Harbi	Harbi	China	Manufacturing	70.91		Shareholding
Harbi Electric Industrial Co., Ltd.	Harbi	Harbi	China, Ecuador, Turkey, etc.	Manufacturing	100		Shareholding
Harbi Power Equipment National Electric Research Co., Ltd.	Harbi	Harbi	China	Service	75		Shareholding
Harbi Power Equipment & Trade Co., Ltd.	Harbi	Harbi	China	Trading	55.56	41.82	Shareholding
Harbi Electric Group (Qaida) Holding Co., Ltd.	Qaida	Qaida	China	Manufacturing	34.15	55.45	Shareholding
Harbi Electric Power Equipment Co., Ltd.	Harbi	Harbi	China	Manufacturing	100		Shareholding
Harbi Power Equipment Co., Ltd.	Harbi	Harbi	China	Manufacturing	100		Shareholding
Harbi Electric Finance Co., Ltd.	Harbi	Harbi	China	Finance	55.00	33.16	Shareholding

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in Chinese Yuan (CNY))

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(I) Equity in subsidiaries (Continued)

1. Total equity in subsidiaries (Continued)

Name	Main operating place	Registration	Main business country	Nature	Share holding proportion (%)		Method
					Direct	Indirect	
Chongqing Saitec Co., Ltd. (Note 4)	Chongqing	Chongqing	China	Manufacturing	40.7		Liability
Shanghai Haide Electronic Products & Trade Co., Ltd. (Note 5)	Shanghai	Shanghai	China	Trading	60		Liability
Harbin Electronic (H.E) Co., Ltd.	Harbin	Harbin	China	Operating and trading	100		Equity
Haidian Electronic Sales Enterprise Co., Ltd.	Yancheng	Yancheng	China	Wholesale and retail trading	51	45.12	Liability

Total indirect equity in subsidiaries is as follows:

Li Zhen, Zang Wei, Zhang Ya, Fan Xiaofeng, Tian Zhen, Wang Qian, Chen Dong, Xu Wei, Song Ba, Tang Ximeng, Qian Xian, Li Guo, Wang Ha, Zhang Zhen, Wang Yi, Li Chang, Yan Hong, Chen Yi, Yan Ha, Zhang Wubi, Li Widi, Li Meng, Zhang Ji, Jia Qi, Wang Guo, Yan Qi, Zhang Hua, Gao Cao, Wang Xia, Qian An, Chen Mi, Guo Yi, Wang Xia, Wang Xia, Zhang Li, Wang Song, Chen Jun, Gao Xian, Song Zhen, Xu Jidong, Yan Yi, Li Yiyi, Xu Yi, Li Liming, Chen Ma, Wang Jun, Di Yida, Zhang Jibin, Wang Yiyi, Zhang Dong, Liang Chen, Qi Wang, Zhang Xian, Song Huan, and others.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(I) Equity in subsidiaries (Continued)

1. Total amount of equity investment (Continued)

Total amount of equity investment in subsidiaries different from the amount of investment:

- Total amount of equity investment of Harbin Power Trade Co., Ltd. is 55.55% and the amount of Harbin Electric International Engineering Co., Ltd. is subsidiary investment amount is 27.77% of the amount. Harbin Electric Machinery Co., Ltd., Harbin Boiler Factory Co., Ltd. and Harbin Shaanxi Turbine Factory Co., Ltd. is 5.56% respectively, and the amount of investment is 97.38%.
- Total amount of equity investment of Harbin Electric Group (Qiongdong) Heavy Engineering Co., Ltd. is 34.15% and the amount of subsidiary investment of Harbin Electric Machinery Co., Ltd., Harbin Boiler Factory Co., Ltd. and Harbin Shaanxi Turbine Factory Co., Ltd. respectively is 21.95%, 89.60% of the amount of investment.
- Total amount of equity investment of Harbin Electric Group Finance Co., Ltd. is 55.00% and the amount of Harbin Electric International Engineering Co., Ltd. is subsidiary investment amount is 18.00% of the amount. Harbin Electric Machinery Co., Ltd., Harbin Boiler Factory Co., Ltd. and Harbin Shaanxi Turbine Factory Co., Ltd. is 6.00% respectively, and the amount of investment is 88.16% of the amount.

Total amount of equity investment in subsidiaries is different from the amount of investment, and the amount of investment is:

- Total amount of equity investment of China Saida Technology Co., Ltd. is 40.70% of the amount and 40.70% of the amount of investment is the amount. The amount of investment is different from the amount of investment.
- Total amount of equity investment of SO.5 (a)5.2 ()0.5 (T)d.5 (·)0.5 (M)0.6 (a)0.5 (c)0.5c 5 ()5.Y 55c 5 () ()

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(I) Equity in subsidiaries (Continued)

2. 哈爾濱市城市建設發展有限公司 - 哈爾濱市城市建設發展有限公司

Name	Share holding of minority shareholders (%)	Gain and loss attributable to minority shareholders during the current period	Distribute dividends to minority shareholders in this period	Balance of Minority Interests at the End of the Period
Harbin Economic Macroeconomic Consulting Co., Ltd.	10.37	2,962,129.01	463,002.77	545,932,566.49
Harbin Billion Consulting & Management Co., Ltd.	7.92	14,619,560.64	4,244,130.00	461,470,522.03
Harbin Tianbi Consulting Co., Ltd.	29.09	1,498,204.66		8,950,812.99
Harbin Economic Consulting & Financial Consulting Management Co., Ltd.	9.00	15,627,859.16	27,000,000.00	173,428,062.08

3. 馬克思主義學院 - 馬克思主義學院

Subsidiary's name	Closing balance					
	Current asset	Non-current asset	Total asset	Current liabilities	Non-current liabilities	Total liabilities
Harbin Economic Macroeconomic Consulting Co., Ltd.	10,016,741,264.15	1,731,974,128.75	11,748,715,392.90	6,187,910,897.84	296,266,727.54	6,484,177,625.38
Harbin Billion Consulting & Management Co., Ltd.	16,171,678,617.49	1,926,171,653.20	18,097,850,270.69	11,876,201,512.78	360,678,289.37	12,236,879,802.15
Harbin Tianbi Consulting Co., Ltd.	9,258,213,246.30	2,147,774,247.65	11,405,987,493.95	11,112,173,064.45	263,045,048.32	11,375,218,112.77
Harbin Economic Consulting & Financial Consulting Management Co., Ltd.	10,067,827,591.59	2,401,548,555.19	12,469,376,146.78	10,542,397,679.23		10,542,397,679.23

Subsidiary's name	Opening balance					
	Current asset	Non-current asset	Total asset	Current liabilities	Non-current liabilities	Total liabilities
Harbin Economic Macroeconomic Consulting Co., Ltd.	10,490,823,587.40	1,801,738,581.52	12,292,562,168.92	6,756,004,877.38	297,120,641.27	7,053,125,518.65
Harbin Billion Consulting & Management Co., Ltd.	18,749,066,406.17	1,883,282,508.24	20,632,348,914.41	14,599,932,353.09	310,304,139.72	14,910,236,492.81
Harbin Tianbi Consulting Co., Ltd.	9,794,830,023.87	2,255,535,355.09	12,050,365,378.96	11,901,780,374.67	125,219,559.21	12,026,999,933.88
Harbin Economic Consulting & Financial Consulting Management Co., Ltd.	14,040,276,749.79	779,739,011.95	14,820,015,761.74	12,767,745,987,498,125,173,064.45		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(I) Equity in subsidiaries (Continued)

3. Major subsidiaries (continued)

Subsidiary's name	Amount for this period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Harbin Electric Macao Co., Ltd.	3,751,901,632.19	28,564,407.00	28,564,407.00	898,401,430.76
Harbin Electric Macao Limited	7,044,365,518.45	186,520,492.48	186,520,492.48	-475,981,061.89
Harbin Tibet Co., Ltd.	4,700,442,718.76	5,150,239.48	5,150,239.48	-410,584,118.89
Harbin Electric Corporate Finance Co., Ltd.	485,520,811.01	173,642,879.52	174,134,129.52	-4,240,206,294.16

Subsidiary's name	Amount for this period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Harbin Electric Macao Co., Ltd.	3,546,878,139.25	29,662,689.14	29,662,689.14	349,981,865.72
Harbin Electric Macao Limited	8,679,103,061.65	298,044,238.05	298,044,238.05	-820,381,815.30
Harbin Tibet Co., Ltd.	6,103,657,734.41	103,178,857.61	103,178,857.61	-938,163,638.30
Harbin Electric Corporate Finance Co., Ltd.	458,653,543.63	198,669,768.59	219,622,234.90	-818,606,504.20

(II) Equity in joint venture arrangements or associates

1. Joint ventures

Name	Main operation location	Registration	Nature	Share holding (%)		Accounting for investments in joint ventures or associates method
				Direct	Indirect	
GE-HaP Electric System (Qinghai) Co., Ltd.	Qinghai	Qinghai	Equity	41		Equity
Harbin Electric Power Co., Ltd.	Harbin	Harbin	Equity	50		Equity

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(II) Equity in joint venture arrangements or associates (Continued)

2. Major Financial Instruments Held in a Joint Venture

Item	GE-Ha Power Energy Services (Qinhuangdao) Co., Ltd.	
	Closing balance	Opening balance
Current assets	335,447,251.96	333,786,606.36
Non-current assets	106,858,194.16	104,391,019.73
Total assets	442,305,446.12	438,177,626.09
Current liabilities	149,146,969.12	107,845,951.62
Non-current liabilities	149,146,969.12	107,845,951.62
Total liabilities	149,146,969.12	107,845,951.62
Investment in associates	328,872,987.96	330,331,674.47
Share-based payments	134,837,925.10	135,435,986.53
Administrative expenses	134,837,925.10	135,003,849.87
Other receivables	316,413,120.97	282,443,110.84
Financial assets	-4,291,953.56	-1,872,687.75
Income tax	26,965,129.85	17,709,280.65
Non-current liabilities	73,419,204.01	59,674,236.13
Dividends receivable	73,419,204.01	59,674,236.13
Other receivables	73,419,204.01	59,674,236.13
Dividends receivable from subsidiaries	16,919,554.00	17,767,425.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(II) Equity in joint venture arrangements or associates (Continued)

2. Major Financial Information of the Joint Venture (Continued)

Items	Huludao Binhai Electric Power Co., Ltd.	
	Closing balance	Opening balance
Current assets	76,255,087.90	76,255,087.90
Non-current assets	28,557,819.81	28,557,819.81
Total asset	104,812,907.71	104,812,907.71
Current liabilities	2,282,109.49	2,282,109.49
Non-current liabilities		
Total liabilities	2,282,109.49	2,282,109.49
Equity in joint venture arrangements		
Attributable to the parent company	102,530,798.22	102,530,798.22
Share of associates	51,265,399.11	51,265,399.11
Administrative expenses		
Goodwill		
Unrealized financial assets		
Other		
Balance of the parent company	49,898,970.38	49,898,970.38
Total financial information of the parent company		
Company's financial information		
Other financial information		
Total financial information		
Dividend from joint venture		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(II) Equity in joint venture arrangements or associates (Continued)

3. Sōmā fīā cīā i fīnā i fīnā rā i rā dā cīā

Items	Closing balance	O i bā a c
J i r i :		
T a i m b a	21,369,164.37	18,086,294.53
T a a n b a i P r i f a r d		
N r f i	3,730,774.62	1,894,324.50
O r c m i l c m		
T a c m i l c m	3,730,774.62	1,894,324.50

IX. RELATED RISKS OF FINANCIAL INSTRUMENTS

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

T r a a f c m a i r i m a a m i f m a a r i m a a m i c a m i h i r i c i c i a f f c i c m a i c m i i a d r i c i .

(I) Credit risks

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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IX. RELATED RISKS OF FINANCIAL INSTRUMENTS (CONTINUED)

(II) Market risks

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

(1) I r r a r i

I r r a r i r f r r i a f a r a r f r c a f f f a f i a c i a i r m f f c a d c a i m a r i r r a . T i r r a r i f a c d b c m a m a i c m f m r m b a b r i . T b a b r d C N Y 115,600,000.00 i c a c a d b c m a a a n a i a a d a d i r r a f r a n r i d r a c r a i r c a f i r r a . U d r a m i a r a r i a b a r c a d , r a f i r c a r a a b a d i b 100% b c m a r i c a , i f i a a a i f i c a m a c c m a l a r f i a d a r d r i .

(2) F r i c a r i

F r i c a r i r f r r i a f a r a r f r c a f f f a f i a c i a i r m f f c a d c a i f r i c a r a . T c m a l f r i c a r i i m a l r a d U S D a r , E r , H K D a r , a d B r i P d , i c i f H a r b i E c r i c l r a i a E i r i C . , L d . , a b i d i a r f C m a l , i c r c a a d U S D a r , E r , H K D a r , B r i P d , a d r m a r b i a c i i i .

(III) Liquidity risk

L i d i r i f r r i f r a f f d a r r i f f i i b i a i c a r f i a c i a a . T c m a l i c i r a i a f f i c i c a r a d b d . L i d i r i c r a c r d b c m a l f i a c i a d a r m . T f i a c i a d a r m r a c m a a f f i c i f d r a d b d r a r a a b r d i c d c r c m a c b m l i c a b a a c , c r i a c a b r a i d a a h , a d r i f r c a f c a f f r . 12m .

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

IX. RELATED RISKS OF FINANCIAL INSTRUMENTS (CONTINUED)

(III) Liquidity risk (Continued)

The following table provides a summary of the maturity of the financial assets and liabilities as of the reporting date:

	Within 1 year
Financial assets and liability:	
Monetary funds	12,543,251,700.19
Receivables	3,112,281,635.68
Accounts receivable	11,238,171,927.04
Other receivables	1,500,449,011.44
Short-term investments	1,572,908,534.19
Notes payable	5,836,028,015.25
Accounts payable	13,215,819,754.05
Warrant liabilities	296,206,737.79
Other liabilities	273,191,841.18
Net current assets and liabilities	188,548.80

X. FAIR VALUE DISCLOSURE

The following table provides a summary of the fair value of the financial assets and liabilities:

The following table provides a summary of the fair value of the financial assets and liabilities as of the reporting date:

The following table provides a summary of the fair value of the financial assets and liabilities as of the reporting date:

The following table provides a summary of the fair value of the financial assets and liabilities as of the reporting date:

The following table provides a summary of the fair value of the financial assets and liabilities as of the reporting date:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in Chinese Yuan Renminbi (RMB), the figures are also presented in US Dollars (\$) and Hong Kong Dollars (HK\$), unless otherwise stated. All figures are in million RMB, unless otherwise stated.)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(IV) Information of other related parties

Name	Relationship
Harbi Harbi Electric Industrial Development Corporation	Subidiary company
Harbi Harbi Industrial Development Corporation	Subidiary company
Harbi Harbi Industrial Development Corporation	Subidiary company
Harbi Harbi Industrial Development Corporation	Subidiary company
Harbi Electric Group Acquisition Right Co., Ltd.	Subidiary company
Jiangxi Mofac Co., Ltd.	Subidiary company
Harbi Electric Corporation Jiangxi Electric Machinery Co., Ltd.	Subidiary company
Harbi Qianqian Electric Machinery Co., Ltd.	Subidiary company

(V) Transaction information for related party

The transactions with related parties are conducted on an arm's length basis and are in accordance with the market prices. The transactions are summarized as follows:

1. Continued Transaction

The Continued Transaction mainly refers to the purchase of raw materials and services from related parties. In January 29, 2016, the Continued Transaction, Production Service Fee, etc. from related parties. In January 29, 2016, the Continued Transaction, Production Service Fee, etc. from related parties. In December 9, 2016, the Continued Transaction, Production Service Fee, etc. from related parties. In February 22, 2017, the Continued Transaction, Production Service Fee, etc. from related parties. In March 23, 2016, the Continued Transaction, Production Service Fee, etc. from related parties. In March 22, 2019, January 1, 2017, December 31, 2019, and December 31, 2016, December 30, 2019.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. Controlling Shareholder Transaction (Continued)

(1) Transaction information for related party

Related party	Amount for this period	Year-end balance
Shanghai Electric Company Limited		
- Commission income		5,562,974.47
- Agency		
- Purchase		
- Commission income	19,594,418.41	61,279,576.13
- Agency		
- Service		
- Commission income	29,433.96	
- Service		
- Commission income	64,155,310.85	55,413,302.09

The above transactions (1) are transactions with the Controlling Shareholder, Shanghai Electric Company Limited, and its subsidiaries. The transactions are conducted in accordance with the provisions of Article 14A of the Listing Rules.

(2) Loans and advances

Related party	Amount for this period	Year-end balance
Harbin Electric Company Limited	17,433,100.48	23,575,469.57
Commission income	1,117,992.61	1,194,144.74
Agency	3,642.99	10,239.37
Total	18,554,736.08	24,779,853.68

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. *Continued Transaction (Continued)*

(3) *Interest Income*

Related party	Amount for this period	Amount at the end of the period
China Development Bank	51,644.39	18,409.34
Total	51,644.39	18,409.34

(4) *Administrative Expenses*

Related party	Amount for this period	Amount at the end of the period
China Development Bank	12,263.64	
Alibaba	149.01	9,091.93
Total	12,412.65	9,091.93

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. Controlling Party Transaction (Continued)

(5) Electricity Transaction

Related party	Amount for this period	Amount for the period
Harbin Electric Company Limited	7,728,101.25	7,802,504.72
Total	7,728,101.25	7,802,504.72

The above transactions (2) (5) are transactions conducted by Harbin Electric Company Limited with the controlling party. The transactions are conducted in accordance with the provisions of Article 14A of the Listing Rules.

(6) Commission Transaction

Related party	Content of related party	Amount for this period	Amount for the period
Harbin Electric Group Company Limited	Commission	3,280,000.00	3,280,000.00
Total		3,280,000.00	3,280,000.00

The above transactions (6) are transactions conducted by Harbin Electric Company Limited with the controlling party. The transactions are conducted in accordance with the provisions of Article 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. Controlling Party (Continued)

(7) Director, Senior Executive and Senior Management Compensation

The compensation of directors, senior executives and senior management staff in 2018 is as follows:

Unit: CNY

Name	Wages and other benefits	Retirement benefit plan contributions	Total
1. Director			
(1) Independent Director			
Mr. Si Zhi			
Mr. Wang Xia	618,530.00	96,499.00	715,029.00
Mr. Zhang Yijia	553,845.00	91,721.00	645,566.00
Mr. Song Sic	550,130.00	89,741.00	639,871.00
<hr/>			
Executive Director	1,722,505.00	277,961.00	2,000,466.00
<hr/>			
(2) Non-Executive Director			
N			
(3) Independent Non-Executive Director			
Mr. Zhang Hui	60,000.00		60,000.00
Mr. He Jian	60,000.00		60,000.00
Mr. Yan Wei	60,000.00		60,000.00
Mr. Tian Ming (effective 2018.3)	50,000.00		50,000.00
<hr/>			
Subsidiary Director	230,000.00		230,000.00
<hr/>			
2. Senior Executive			
Mr. Feng Yijia (effective 2018)	31,020.00	7,478.00	38,498.00
Mr. Cheng Ga	372,480.00	75,435.00	447,915.00
Mr. Zhang Jia	405,479.00	58,162.00	463,641.00
Mr. Zhang Weng	367,524.00	33,444.00	400,968.00
Mr. Zhang Peng (effective 2017.5.26)	198,764.00	40,589.00	239,353.00
<hr/>			
Subsidiary Executive	1,375,267.00	215,108.00	1,590,375.00
<hr/>			

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. *Continued Transaction (Continued)*

(7) *Director, Senior Executive and Senior Management Compensation (Continued)*

Name	Wages and other benefits	Retirement benefit plan contributions	Total
3. <i>Senior Management</i>			
Mr. Li Zha	558,730.00	91,721.00	650,451.00
Mr. Xi Wia (Effective 2018.11.9)	60,660.00	10,160.00	70,820.00
Mr. L Zia (Effective 2018.11.9)	60,660.00	26,200.00	86,860.00
Mr. Wa Di	727,100.00	209,100.00	936,200.00
Mr. Za Haia	770,145.00	87,881.00	858,026.00
Mr. Q Z	770,145.00	87,881.00	858,026.00
Mr. AiLi (Compensation)	314,684.00	65,522.00	380,206.00
<i>Subtotal</i>	3,262,124.00	578,465.00	3,840,589.00
Total	6,589,896.00	1,071,534.00	7,661,430.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. Controlling Party (Continued)

(7) Director, Supervisor and Senior Management (Continued)

According to the audit data, (as of 2017: 1) the company's directors, supervisors and senior management members are as follows: (as of 2017: 4) the company's directors:

Unit: CNY

S/N	Position	Wages and other benefits	Retirement benefit plan contributions	Total
T 1	President of Harbin Electric Co., Ltd.	1,024,500.00	190,688.00	1,215,188.00
T 2	Harbin Electric Co., Ltd. Vice Chairman and General Manager	982,600.00	189,581.00	1,172,181.00
T 3	Deputy General Manager of Harbin Electric Co., Ltd.	823,700.00	139,004.00	962,704.00
T 4	Secretary of the Board of Directors of Harbin Electric Co., Ltd.	806,900.00	147,367.00	954,267.00
Total		3,637,700.00	666,640.00	4,304,340.00

The above table (7) is a supplementary table to the 14A.33 of the Report.

2. Controlling Party

On September 4, 2017, the company issued a notice (1) regarding the controlling party of the company. The notice is as follows: (2) the company's controlling party is Harbin Electric Group Co., Ltd. and the controlling party is Daming Securities Ltd. as follows:

Related party	Current period	Previous period
Harbin Electric Group Co., Ltd.		1,270,000,000

The above table is a supplementary table to the 14A of the Report.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(VI) Accounts receivable and payable for related party

1. Accounts receivable

Items	Related party	Closing balance		O i b a a c	
		Book balance	Bad debt allowance	B b a a c	Bad d b a a c
Acc r c i a b					
	Harbi Electric Company Limited Jiaji Electric Machinery Co., Ltd.			40,000.00	
Pa y a b l e					
	Harbi Hadia Industrial Company Limited	50,480,000.00		33,300,000.00	
	Harbi Hadia Industrial Company Limited				
	Harbi Electric Group Ac R a C ., L d .	6,895,006.65		6,895,006.65	
	Harbi Ha P S a i S a r P a r C ., L d .			1,003,995.00	
	Harbi Industrial Finance Joint Venture	29,400.00		615,000.00	
	Harbi Electric Company Limited Jiaji Electric Machinery Co., Ltd.	207,200.00		5,777.00	
O r r c i a b					
	Harbi Electric Company Limited	162,095,125.59		162,095,125.59	
	Harbi Hadia Industrial Company Limited	20,000,000.00		62,982,138.98	
	Harbi Sa ia I d i a D m C r a i	2,000,000.00		4,200,000.00	
	Harbi Electric Company Limited Jiaji Electric Machinery Co., Ltd.	100,000.00		3,003,751.55	
	Harbi Electric Group Ac R a C ., L d	9,809,479.54		1,077,707.44	
	Harbi H i E c r i c P E i r i C ., L d .			280,310.65	
	Harbi Hadia Gas Sales Co., Ltd			119,981.70	
	Harbi Ha B i r C a i r E i r i C ., L d			69,389.37	
	Harbi Industrial Finance Joint Venture			29,400.00	
	Harbi Harbi Industrial Company Limited Ma a n C ., L d			26,540.28	
I n a a b					
	Harbi Hadia Industrial Company Limited			239,250.00	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(VI) Accounts receivable and payable for related party (Continued)

2. Accounts receivable

Items	Related party	Book balance	
		Closing balance	Original balance
Debtors	Harbi Electric Corporation	1,549,328,422.43	643,164,117.73
	Harbi Hadia Industrial Development Corporation	95,251,839.85	66,762,998.90
	Harbi Hadia Industrial Development Corporation	19,275,064.76	35,394,557.94
	Jiahe Investment Finance Co., Ltd.	3,534,562.55	8,451,289.62
	Harbi Electric Group Accounting Research Co., Ltd.	3,723,293.86	8,162,193.16
	Harbi Industrial Materials Factory	1,274,175.73	6,206,267.11
	Harbi Motor Factory Huiya	60,722.05	5,922,789.08
	Harbi Hadia Industrial Development Corporation	4,071,505.00	5,669,531.00
	Harbi Electric Corporation Jiahe Electric Machinery Co., Ltd.	5,039,092.12	5,011,446.67
	Harbi Saia Industrial Development Corporation	2,267,972.84	2,943,617.96
	Harbi Tobi Co., Ltd. Huiya	575,963.19	2,824,316.40
	Harbi Bili Co., Ltd. Huiya	674,427.35	2,818,879.90
	Harbi Hadia Machinery Co., Ltd.	3,428,683.61	2,484,545.63
	Harbi Harbi Huiya Machinery Co., Ltd.	1,509,305.86	2,078,674.59
	Harbi Hadia Precision Machinery Co., Ltd.	5,338,887.61	1,480,628.49
	Harbi Hadia Industrial Machinery Service Machinery Co., Ltd.	2,330,486.05	1,290,320.33
	Huiya Hadia Machinery Service Huiya Industrial Development Corporation, Ltd.		897,146.87
	Harbi Electric Machinery Kidar	839,427.92	739,552.27
	Harbi Hadia Kijijiv Machinery	37.82	408,019.18
	Harbi Haipin Saisai Partnership Co., Ltd.	3,010,986.72	211,556.75
	Harbi Qilua Electric Machinery Co., Ltd.		96,579.66
	Harbi Hadia Industrial Development Corporation Kidar	29,681.15	5,825.49
	Harbi Hadia Machinery Distribution Corporation	75.82	2,894.96

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(VI) Accounts receivable and payable for related party (Continued)

2. Accounts receivable (Continued)

Items	Related party	Book balance	
		Closing balance	Original balance
Accounts receivable			
	Harbi Hadia Ma C m C .,L.d.	10,492,501.44	10,622,444.87
	Harbi Ha P S a i S a r P a r C .,L.d.		6,565,595.05
	Harbi E c r i c G r A c R a C .,L.d.	5,236,214.79	5,369,155.79
	Harbi Hadia Ma r i a D i r i b i C r a i	3,601,065.16	4,316,915.12
	Harbi H i P E i r i C .,L.d.		2,686,460.92
	Harbi Hadia P r . M a a m C .,L.d.	614,341.75	1,787,920.00
	Harbi Ha l d r i a D m C r a i		1,632,910.00
	Harbi l d r i a K i J i V r C m a .	209,741.00	1,075,218.64
	J i a n i M r C .,L.d.	775,098.51	702,835.51
	Harbi Ha l d r i a D m C r a i	300,981.30	640,981.30
	Harbi Ha B i E i r i T c .,L.d.		625,400.00
	Harbi B r E c r i c E i m S r c r C .,L.d.	102,430.65	278,008.65
	Harbi Q i a E c r i c a M a r i a C .,L.d.		128,502.43
	Harbi Hadia l d r i a D m C r a i	5,158.50	111,158.50
	Harbi Ha P b E c m i c a d T r a d C .,L.d.	457,852.39	
Notes receivable			
	Harbi l d r i a F r a c J i V r	1,318,618.87	503,674.00
	Harbi Hadia l d r i a D m C r a i	316,188.00	
	Harbi Ha l d r i a D m C r a i	300,000.00	
Other receivables			
	Harbi E c r i c C r a i	478,000.00	8,820,251.60
	Harbi Ha l d r i a D m C r a i	2,449,341.75	2,016,059.07
	Harbi Ha l d r i a C m r i S r i c		89,123.00
	M a a m C .,L.d.		
	GE-Ha P E r i S r i c (Q i a d a) C .,L.d.	600,000.00	
Interest receivable			
	Harbi E c r i c C r a i		4,086,954.84
	Harbi E c r i c C r a i J i a n i E c r i c M a c i		143,550.00
	C .,L.d		
	Harbi Ha l d r i a D m C r a i		31,556.25
	Harbi S a i a l d r i a D m C r a i		8,680.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(VII) Related party commitments

N/A

(VIII) Others

N/A

XII. COMMITMENTS AND CONTINGENCIES

(I) Important commitments

1. *Harbin Electric Power Corporation Limited* (哈电集团) (哈电集团)

As of December 31, 2018, the Company has entered into contracts with a total amount of RMB 24,615.01 million for the purchase of equipment and materials. The details are as follows:

Company	Unpaid contract amount (in million RMB)	Expected investment period
Harbin Electric Corporation Limited (哈电集团)	2,188.52	2019
Harbin Shipbuilding Works Corporation Limited (哈电船舶)	5,468.48	2019
Harbin Electric Machinery Manufacturing Corporation Limited (哈电电机)	3,260.40	2019
Harbin Electric Power Equipment Corporation Limited (哈电设备)	13,697.61	2019
Total	24,615.01	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued)

XII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(II) Contingencies

1. Guarantees

No.	Guarantee company	Guaranteed			Category	Anti-guarantee method	Amount	Increasing in this year	Situation of Guaranteed	Overdue situation	Sued situation
		Name	Nature	Method							
						2,035,420,477.68	917,210,956.67				
1	Harbin Electric Machinery Co., Ltd.	Harbin Transformer Co., Ltd.	Sales	Directly	Prepayment	330,000,000.00	0.00	Normal	N	N	
2	Harbin Electric Machinery Co., Ltd.	Harbin Electric Machinery Factory (Zhejiang) Co., Ltd.	Sales	Directly	Prepayment	130,000,000.00	0.00	Normal	N	N	
3	Harbin Transformer Co., Ltd.	Harbin Boiler Components Ltd.	Sales	Directly	Prepayment	174,870,800.00	14,716,200.00	Normal	N	N	
4	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Sales	Directly	Prepayment	70,473,875.00	0.00	Normal	N	N	
5	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Sales	Directly	Prepayment	155,386,300.00	0.00	Normal	N	N	
6	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Sales	Directly	Prepayment	175,061,534.22	0.00	Normal	N	N	
7	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Sales	Directly	Other	21,007,384.14	0.00	Normal	N	N	
8	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Sales	Directly	Other	30,175,665.99	0.00	Normal	N	N	
9	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Sales	Directly	Other	7,548,136.28	0.00	Normal	N	N	
10	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Sales	Directly	Other	7,548,136.28	0.00	Normal	N	N	
11	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Sales	Directly	Other	20,615,296.10	0.00	Normal	N	N	
12	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Sales	Directly	Prepayment	558,657,400.38	558,657,400.38	Normal	N	N	
13	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Sales	Directly	Prepayment	10,164,428.72	10,164,428.72	Normal	N	N	
14	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Sales	Directly	Prepayment	7,561,361.40	7,561,361.40	Normal	N	N	
15	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Sales	Directly	Other	326,111,566.17	326,111,566.17	Normal	N	N	
16	Harbin Electric Power Equipment Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Sales	Directly	Prepayment	4,290,000.00	0.00	Normal	N	N	
17	Harbin Electric Power Equipment Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Sales	Directly	Prepayment	5,220,852.00	0.00	Normal	N	N	
18	Harbin Electric Power Equipment Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Sales	Directly	Prepayment	727,741.00	0.00	Normal	N	N	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

XIII. EVENTS AFTER BALANCE SHEET DATE

After the 22nd day of the 8th Board of Directors' meeting held on December 20, 2018, there are no events after the balance sheet date that could affect the financial statements for 2018.

XIV. OTHER IMPORTANT EVENTS

(I) Segment information

1. Total and individual business segment information

According to the management's organizational structure, management reports, and the nature of the business, the segments are identified as follows: mobile communication, internet, and other business segments. Each of the segments is different from each other in terms of products, services, and markets. Since each segment is different from each other, the management reports are prepared separately for each segment. The management reports are prepared for each segment based on the management's organizational structure and the nature of the business.

The management reports are prepared based on the management's organizational structure, and the management reports are prepared for each segment based on the management's organizational structure. The management reports are prepared for each segment based on the management's organizational structure and the nature of the business. The management reports are prepared for each segment based on the management's organizational structure and the nature of the business.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

XIV. OTHER IMPORTANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Restricted Disposal Financial Instruments

(1) Segment assets, liabilities and income

Items	Thermal power equipment	Hydropower host equipment	Power station engineering services	Power station auxiliary equipment and ancillary products	Nuclear products	AC and DC motors and other	Total
Closing balance							
Restatement	38,060,046,043.09	4,981,546,381.13	5,900,713,218.18	2,224,798,407.05	5,918,287,179.76	6,783,336,804.67	63,868,728,033.88
Accruals and provisions	166,286,437.12	33,271,531.75		3,461,068.88	48,118,232.00	122,108,436.70	373,245,706.45
Prepaid expenses	37,055,011.52	5,563,549.63	3,113,450.72	3,749,449.78	41,635,536.57	32,934,371.17	124,051,369.39
Restatement	30,909,471,437.62	2,886,382,078.26	5,424,335,500.65	1,612,693,371.77	4,168,102,585.60	5,536,702,477.71	50,537,687,451.61
Amount during this period							
Segment							
Income from operations	11,877,253,493.44	1,704,635,327.78	7,411,068,070.00	899,959,203.92	1,338,543,115.52	2,648,001,639.96	25,879,460,850.62
Income before tax	2,445,150,561.55					25,907,149.35	2,471,057,710.90
Restatement	14,322,404,054.99	1,704,635,327.78	7,411,068,070.00	899,959,203.92	1,338,543,115.52	2,673,908,789.31	28,350,518,561.52
Restatement	1,688,416,137.54	151,307,340.39	253,427,300.43	90,244,697.64	279,757,718.61	762,349,542.38	3,225,502,736.99

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

XIV. OTHER IMPORTANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Reportable Financial Information (Continued)

(1) Segment information (Continued)

Item	Total Assets	Total Liabilities	Total Revenue	Total Profit	Total Operating Profit	Total Other Profit	Total Tax
Operating							
Reportable	41,212,539,999.63	4,621,011,351.10	6,651,596,886.48	3,020,134,669.35	8,114,465,554.50	6,582,095,472.16	70,201,843,933.22
Non-reportable							
Reportable	205,698,456.10	11,100,895.65	15,746,976.00	12,736,227.18	502,590,983.75	81,402,678.44	829,276,217.12
Non-reportable							
Reportable	39,551,824.68	18,813,052.57	205,009,241.96	985,708.73	25,456,422.56	39,193,899.47	329,010,149.97
Non-reportable	34,634,317,661.74	2,229,206,421.05	5,884,095,242.01	2,316,900,005.18	6,304,818,582.81	4,993,809,765.82	56,363,147,678.61
Operating							
Reportable	13,871,644,397.96	1,146,212,806.36	10,704,840,383.96	1,339,075,625.77	2,032,575,585.70	2,445,975,056.63	31,540,323,856.38
Non-reportable	2,534,289,826.09		-141,400,613.00			22,799,084.22	2,415,688,297.31
Reportable	16,405,934,224.05	1,146,212,806.36	10,563,439,770.96	1,339,075,625.77	2,032,575,585.70	2,468,774,140.85	33,956,012,153.69
Non-reportable	2,371,509,963.21	182,328,452.21	490,768,642.94	195,206,172.08	519,357,241.58	594,919,083.22	4,354,089,555.24

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued) (in Chinese, unless otherwise specified in CNY)

XIV. OTHER IMPORTANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Restricted Financial Assets (Continued)

(2) Segment Information

Items	Closing balance	Opening balance
Asset		
Restricted Assets	63,868,728,033.88	70,201,843,933.22
Off-balance sheet items	-19,044,229,265.34	-20,122,713,238.83
Restricted Assets	44,824,498,768.54	50,079,130,694.39
Deferred Tax	490,142,216.40	430,581,741.83
Other Assets		
Financial Fair Value		
Receivable		
Bad Debt	8,730,639,860.30	12,155,831,808.52
Contract	635,145,558.72	747,561,319.78
Contract	50,694,420.76	107,033,625.67
Unclassified Assets	1,810,861,851.34	1,317,953,882.79
Total	56,541,982,676.06	64,838,093,072.98
Liability		
Restricted Liabilities	50,537,687,451.61	56,363,147,678.61
Off-balance sheet items	-12,683,916,496.00	-8,721,527,596.46
Non-current Liabilities	37,853,770,955.61	47,641,620,082.15
Tax	374,043,503.79	240,442,949.52
Deferred Tax		7,280,974.79
Unclassified Liabilities	2,005,137,618.23	806,597,387.90
Total	40,232,952,077.63	48,695,941,394.36

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued)

XIV. OTHER IMPORTANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Revenue Division Financial Information (Continued)

(2) Segment Information (Continued)

Items	Amount for this period	Amount for the period ended
Revenue		
Income from operations	25,879,460,850.62	31,540,323,856.38
Interest income	2,471,057,710.90	2,415,688,297.31
Revenue from operations	28,350,518,561.52	33,956,012,153.69
Revenue from operations	3,225,502,736.99	4,354,089,555.24
Other income	33,572,806.15	81,719,926.20
Revenue from operations	3,191,929,930.84	4,272,369,629.04
Loss from operations	33,832,648.30	26,360,761.31
Interest income	485,064,692.65	488,136,436.30
Other income	179,653,758.71	96,282,405.05
Financial assets available for sale		-11,399,680.48
Financial liabilities available for sale		
Interest	145,030,891.91	266,495,807.13
Income from operations		29,642,866.59
Unaudited income	151,370,514.79	97,359,627.28
Unaudited advertising	3,739,966,519.15	4,329,604,099.85
Total	156,854,134.23	343,366,404.93

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

XIV. OTHER IMPORTANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Revenue from External Customers (Continued)

(3) Revenue from External Customers

Items	Revenue from external customers	
	2018	2017
1. Domestic (CNY)	18,482,059,253.38	20,937,172,169.16
2. Overseas:		
. Pacific Atlantic Commercial	940,501,828.49	3,883,858,635.49
. Republic of Turkey	292,124,872.39	1,771,972,533.17
. United Arab Emirates	5,275,085,949.28	1,687,649,086.59
. Republic of Ecuador	382,959,581.28	1,164,629,635.62
. Bangladesh Republic	139,432,199.33	617,243,022.29
. Republic of Indonesia	66,947,781.02	314,662,168.56
. Other countries	300,349,385.45	1,163,136,605.50
Overseas total	7,397,401,597.24	10,603,151,687.22
Total	25,879,460,850.62	31,540,323,856.38

(II) There are no other important issues that have an impact on investor decision-making in this period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES

(The following information is presented in RMB Yuan unless otherwise specified)

(I) Notes receivable and accounts receivable

Item	Closing balance	Original balance
Notes receivable	54,264,153.84	109,863,832.00
Accounts receivable	882,242,918.55	814,954,732.15
Total	936,507,072.39	924,818,564.15

1. Notes receivable

(1) Category of notes receivable

Category	Closing balance			Original balance		
	Book balance	Bad debt allowance	Book value	Book balance	Bad debt allowance	Book value
Bank acceptance bills	47,770,000.00		47,770,000.00	109,863,832.00		109,863,832.00
Commercial acceptance drafts	6,494,153.84		6,494,153.84			
Total	54,264,153.84		54,264,153.84	109,863,832.00		109,863,832.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(1) Additions, decreases, and transfers in CNY

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(I) Notes receivable and accounts receivable (Continued)

2. Accounts receivable

(1) Classification of accounts receivable

Category	Closing balance					Opening balance				
	Book balance		Bad debt allowance		Book value	Book balance		Bad debt allowance		Book value
	Amount	Rate (%)	Amount	Provision rate (%)		Amount	Rate (%)	Amount	Provision rate (%)	
Accounts receivable classification	-	-	-	-	-	-	-	-	-	-
Accounts receivable classification	1,145,527,296.60	100.00	263,329,378.05	22.99	882,197,918.55	1,055,134,925.97	99.99	240,265,193.82	22.77	814,869,732.15
Accounts receivable classification	45,000.00				45,000.00	85,000.00	0.01			85,000.00
Total	1,145,572,296.60	-	263,329,378.05	-	882,242,918.55	1,055,219,925.97		240,265,193.82		814,954,732.15

The following table shows the aging of accounts receivable as of the reporting date:

Age	Closing balance			Opening balance		
	Account receivables	Bad debt allowance	Provision rate	Account receivables	Bad debt allowance	Provision rate
Within 1 year	648,907,084.80	32,445,354.23	5.00	780,373,308.67	39,018,665.44	5.00
1-2 years	304,288,486.50	76,072,121.62	25.00	48,638,470.52	12,159,617.63	25.00
2-3 years	33,980,470.52	16,990,235.26	50.00	25,105,353.96	12,552,676.98	50.00
3-4 years	25,105,353.96	20,084,283.17	80.00	108,403,995.25	86,723,196.20	80.00
4-5 years	77,542,585.25	62,034,068.20	80.00	14,013,800.00	11,211,040.00	80.00
Over 5 years	55,703,315.57	55,703,315.57	100.00	78,599,997.57	78,599,997.57	100.00
Total	1,145,527,296.60	263,329,378.05		1,055,134,925.97	240,265,193.82	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(I) Notes receivable and accounts receivable (Continued)

2. Accounts receivable (Continued)

(2) Receivable allowance is determined based on the historical experience of the company and the current status of the receivables. The bad debt provision is as follows:

	Closing balance	
	Account receivables	Bad debt
Account receivables		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(I) Notes receivable and accounts receivable (Continued)

2. Accounts receivable (Continued)

(5) Receivable due from related parties

Notes receivable due from related parties

(6) Trade receivables due from related parties

Trade receivables due from related parties

(II) Other receivables

Items	Closing balance	Opening balance
Accounts receivable		
Due from related parties	103,848,325.26	75,124,995.11
Other receivables	1,712,642,997.30	987,349,656.17
Total	1,816,491,322.56	1,062,474,651.28

1. Due from related parties

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in the financial statements, the Company's financial statements are presented in CNY)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

2. Other receivables

(1) Closing balance of other receivables

Category	Closing balance					Other receivables				
	Book balance		Bad debt allowance			Book balance	Rate	Bad debt allowance	Provision rate	Book balance
	Amount	Rate (%)	Amount	Provision rate (%)	Book value	Amount	Rate (%)	Amount	Provision rate (%)	Book value
Other receivables arising from the sale of land use rights and land use rights	1,652,073,093.34	95.90	-	-	1,652,073,093.34	983,385,410.19	97.90	12,438,741.38	1.26	970,946,668.81
Other receivables arising from the sale of land use rights and land use rights	26,927,135.05	1.56	4,205,971.56	15.62	22,721,163.49	13,318,739.89	1.33	2,842,449.37	21.34	10,476,290.52
Other receivables arising from the sale of land use rights and land use rights	43,726,896.15	2.54	5,878,155.68	13.44	37,848,740.47	7,818,352.20	0.78	1,891,655.36	24.20	5,926,696.84
Total	1,722,727,124.54	-	10,084,127.24	-	1,712,642,997.30	1,004,522,502.28		17,172,846.11		987,349,656.17

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

2. Other receivables (Continued)

(2) Other receivables (Continued)

Other receivables	Closing balance			Provision reason
	Other receivable	Bad debt preparation	Provision rate (%)	
Harbin Electric Machinery Co., Ltd.	213,078,880.00			Related parties are not accrued
Harbin Electric Machinery Ltd.	200,362,880.00			Related parties are not accrued
Harbin Electric Power & Trading Co.	10,168,577.33			Related parties are not accrued
Harbin Electric Co., Ltd.	290,684,896.97			Related parties are not accrued
China Shenghua Co., Ltd.	16,386,473.85			Related parties are not accrued
Harbin Electric Power Equipment Co., Ltd.	276,602,347.97			Related parties are not accrued
Harbin Electric Group Harbin Power Sales & Service Co., Ltd.	21,669,316.10			Related parties are not accrued
Harbin Electric Group (Qingdao) Harbin Electric Co., Ltd.	623,119,721.12			Related parties are not accrued
Total	1,652,073,093.34			

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

2. Other receivables (Continued)

(3) The following table shows the closing balance of other receivables and the bad debt provision at the end of the reporting period.

Age	Closing balance			Other receivables		
	Other receivables	Bad debt allowance	Provision rate	Other receivables	Bad debt allowance	Provision rate
Within 1 year	19,865,750.16	993,287.50	5.00	9,257,523.87	463,353.19	5.00
1-2 years	4,831,215.87	1,207,803.97	25.00	2,234,005.49	558,501.37	25.00
2-3 years	442,322.49	221,161.25	50.00	8,293.45	4,146.73	50.00
3-4 years	8,293.45	6,634.76	80.00	12,345.00	9,876.00	80.00
4-5 years	12,345.00	9,876.00	80.00			
Over 5 years	1,767,208.08	1,767,208.08	100.00	1,806,572.08	1,806,572.08	100.00
Total	26,927,135.05	4,205,971.56		13,318,739.89	2,842,449.37	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

2. Other receivables (Continued)

(4) Other receivables are classified as follows:

Other receivables	Closing balance	
	Other receivables	Provision rate (%)
	Bad debt allowance	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

2. Other receivables (Continued)

(7) Trade receivables based on the aging method

Company	Nature	Closing balance	Age	Proportion of total accounts receivable at year-end balance (%)	Impairment preparation Closing balance
Harbi Electric Group (Qinda) Harbin Electric Co., Ltd.	Accounts receivable	623,119,721.12	1-2 years, 2-3 years, 3-4 years, 4-5 years, 5 years	36.17	
Harbin Tianbin Co., Ltd.	Accounts receivable	290,684,896.97	Less than 1 year, 4-5 years, 5 years	16.87	
Harbin Electric Power Equipment Co., Ltd.	Accounts receivable	276,602,347.97	Less than 1 year, 2-3 years, 5 years	16.06	
Harbin Electric Machinery Co., Ltd.	Accounts receivable	213,078,880.00	Less than 1 year, 2-3 years, 5 years	12.37	
Harbin Boiler Co., Ltd.	Accounts receivable	200,362,880.00	3-4 years	11.63	
Total		1,603,848,726.06		93.10	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(III) Long term equity investments

Item	Closing balance			Opening balance		
	Booking balance	Impairment preparation	Booking value	Booking balance	Impairment preparation	Booking balance
Long term equity investments	5,343,528,202.18	3,000,000.00	5,340,528,202.18	5,293,548,202.18	3,000,000.00	5,290,548,202.18
Long term equity investments	125,762,839.40		125,762,839.40	135,003,849.87		135,003,849.87
Total	5,469,291,041.58	3,000,000.00	5,466,291,041.58	5,428,552,052.05	3,000,000.00	5,425,552,052.05

1. Long term equity investments

Investee Company	Opening balance	Current increase	Current loss	Closing balance	Current impairment provision preparation	Impairment preparation Closing balance
Harbin Electric Group Finance Co., Ltd.	837,122,531.11			837,122,531.11		
Harbin Binfa Finance Co., Ltd.	716,178,892.28			716,178,892.28		
Harbin Tobi Co., Ltd.	692,422,891.68			692,422,891.68		
Harbin Electric Power Equipment Co., Ltd.	1,022,652,962.02			1,022,652,962.02		
Harbin Electric Machinery Co., Ltd.	678,546,878.74			678,546,878.74		
Harbin Electric Group (Qingdao) Haier Electric Co., Ltd.	571,568,274.84			571,568,274.84		
Harbin Electric Industrial Co., Ltd.	500,000,000.00			500,000,000.00		
Harbin Power Equipment Nanhai Electric Rarc Co., Ltd.	120,004,550.35			120,004,550.35		
Harbin Power Equipment Harbin Power Service Co., Ltd.	97,002,844.08			97,002,844.08		
Harbin Electric (H.E) Co., Ltd.	25,780,234.61			25,780,234.61		
Harbin Power Technology & Trade Co., Ltd.	15,000,000.00			15,000,000.00		
Chongqing Sanyo Co., Ltd.	14,268,142.47			14,268,142.47		
Shanghai Hadfield Trade Co., Ltd.	3,000,000.00			3,000,000.00		3,000,000.00
Hadia Group Saudi Arabia Power Equipment Co., Ltd.		49,980,000.00		49,980,000.00		
Total	5,293,548,202.18			5,343,528,202.18		3,000,000.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Continued)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(III) Long term equity investments (Continued)

2. Long term equity investments

Investee	Opening balance	Impairment	Add investment	Changes in current period					Closing balance	Write-off impairment	Closing balance for impairment
				Reduce investment	Confirmed under the equity method Investment gains and losses	Other comprehensive income adjustment	Changes in other equity	Declare cash Dividend or profit			
1. Affiliated companies											
GE-Ha P (Qinghai) Co., Ltd.	135,003,849.87				30,101,873.68			45,342,884.15		119,762,839.40	
Harbin R & N Co., Ltd.			6,000,000.00							6,000,000.00	
Total	135,003,849.87		6,000,000.00		30,101,873.68			45,342,884.15		125,762,839.40	

See also Note VI.(XIII).

(IV) Operating income and cost

Item	Current income		Total	
	Income	Cost	Income	Cost
Main business	3,065,361,504.82	2,974,211,430.68	3,005,553,573.93	2,861,617,494.39
Tina	2,460,464,620.38	2,369,675,273.59	1,939,362,906.38	1,799,962,083.25
Ncar P	604,896,884.44	604,536,157.09	1,066,190,667.55	1,061,655,411.14
Other business	12,637,622.12	5,092,994.64	28,240,545.08	18,931,297.49
Uic	796,927.13		373,609.12	
O	11,840,694.99	5,092,994.64	27,866,935.96	18,931,297.49
Total	3,077,999,126.94	2,979,304,425.32	3,033,794,119.01	2,880,548,791.88

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(V) Investment income

Item	Current period amount	T a n f r i r i d
L - m l l m l c m c a c a d b c m d	422,663,832.17	128,173,458.25
L - m l l m l c m a c c d f r b l m d	30,101,873.64	24,466,436.81
l m l c m f r m d i a f - m l l m		
l m l c m f r a d i f i a c i a a d r i d i r i d		
l m l c m f i f i a c i a a m a r d a f a i r a r f i r d r i d i r i d		
l m l c m f r m d i a f r a d i f i a c i a a		
l m a i f r m d i a f i f i a c i a a a f a i r a r f i r		
l r l c m a r d d r i d i f d b l m		
l m l c m f a a r a b - f r - a f i a c i a a d r i d i r i d		5,894,980.61
l m l c m f r m d i a f d b l m		
l m l c m f r m d i a f a a r a b - f r - a f i a c i a a		
l r l c m a r d d r i d i f r d b l m		
l m l c m f r m d - m a r i l m d r i d i r i d		
l m l c m f r m d i a f r d b l m		
D i d d i c m a r d d r i r i d f i m l r l l f m		
l m l c m f r r - c r f i a c i a a d r i d i r i d		
l m l c m f r m d i a f r r - c r f i a c i a a		
A f r a i c r , f m a i l l l f m a r d a f a i r a		
R f r m d i a f d i a r a c i b l		
O r		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the accompanying notes, the financial statements are presented in Chinese and English. Where there is a discrepancy between the Chinese and English versions, the Chinese version shall prevail.)

XVI. ADDITIONAL MATERIALS

(I) Current non-recurring profit and loss schedule

Item	Amount	Explain
Profit from disposal of long-term equity investments	2,564,309.20	
Tax benefits		
Government grants		
Disposal of non-current assets		
Other non-recurring income		
Total	179,653,758.71	
Loss from disposal of long-term equity investments		
Loss from disposal of non-current assets		
Other non-recurring expenses		
Total	-37,027,178.91	
Net non-recurring profit		
Net non-recurring loss		
Total		
Net non-recurring profit		
Net non-recurring loss		
Total		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

XVI. ADDITIONAL MATERIALS (CONTINUED)

(I) Current non-recurring profit and loss schedule (Continued)

Item	Amount	Explain
E c o n o m i c i f f i c i e n c y i m p r o v e m e n t a n d c o m p a n y m a n a g e m e n t c h a n g e s , f a i r a c c a u n t i n g f r o m d e p r e c i a t i o n a n d d e p r e c i a t i o n r e v e r s a l s a n d d e p r e c i a t i o n r e v e r s a l s , r a d i c a l a c c o u n t i n g a n d a r a b - f e e a c c o u n t i n g . I m p r o v e m e n t o f m a n a g e m e n t R e v e n u e i n c r e a s e a n d c o s t r e d u c t i o n I d e n t i f i c a t i o n o f d e p r e c i a t e d a s s e t s E x t r a o r d i n a r y i n c o m e s a n d e x p e n s e s G a i n a n d l o s s f r o m c a s u a l f a i r a c c a u n t i n g a n d a b s e n t m a r k e t i n f o r m a t i o n A c c o u n t i n g p o l i c y c h a n g e s a n d a c c o u n t i n g a d j u s t m e n t s , i f a p p l i e d r e t r o s p e c t i v e l y a n d a f f e c t c o m p a n y f i n a n c i a l p o s i t i o n s T r a n s a c t i o n i n c o m p a n y O t h e r n e t a s s e t s i n c r e a s e -23,681,226.82 O t h e r n e t l i a b i l i t y i n c r e a s e 29,025,791.20 Total non-operating profit or loss impact on total profit 150,535,453.38 I n c o m e t a x -25,933,020.77 T a x a c c e l e r a t i o n b e n e f i t -15,357,287.32 Non-recurring profit and loss impact attributable to parent company 109,245,145.29		

(II) Return on equity and earnings per share

Profit	Weighted average return on net assets (%)	Earning per share (元)	
		Basic earning per share	Diluted earnings per share
Net attributable income	0.48	0.04	0.04
Net attributable income after deducting minority interest	-0.25	-0.02	-0.02

DISCLOSURE OF SIGNIFICANT EVENTS

PRODUCTS & SERVICES

Di Februari, Jilid 1 Jilid 2 dan 3 dari buku "Cetakan" diterbitkan oleh PT. Adika. Jilid 2 dan 3 diterbitkan oleh PT. Adika. Jilid 1 diterbitkan oleh PT. Adika.

On 4 April, PT. Adika telah menerima pesanan dari PT. Adika. PT. Adika telah menerima pesanan dari PT. Adika.

On 27 September, PT. Adika telah menerima pesanan dari PT. Adika. PT. Adika telah menerima pesanan dari PT. Adika.

On October, 1,000MW dari PT. Adika telah diterima oleh PT. Adika. PT. Adika telah menerima pesanan dari PT. Adika.

On 22 October, PT. Adika telah menerima pesanan dari PT. Adika. PT. Adika telah menerima pesanan dari PT. Adika.

On 27 October, PT. Adika telah menerima pesanan dari PT. Adika. PT. Adika telah menerima pesanan dari PT. Adika.

PT. Adika telah menerima pesanan dari PT. Adika. PT. Adika telah menerima pesanan dari PT. Adika.

PT. Adika telah menerima pesanan dari PT. Adika. PT. Adika telah menerima pesanan dari PT. Adika.

DISCLOSURE OF SIGNIFICANT EVENTS (CONTINUED)

OTHER EVENTS

On 9 October, China and HPI entered into an agreement to subscribe for shares in the newly established N-biotech (A share) limited. N-biotech HPI subscribed for RMB6.55 million (equivalent to 90% of the authorized capital of RMB7.28 million (Trade Date: 9 October)), and subscribed for RMB499,999,994.35 (equivalent to HK\$568,188,268.05).

On 24 December, the board of directors of Harbin Electric Corporation, Ltd. (HE) and the board of directors of China Electric Power Construction Group Corporation Limited, Beijing (HE), jointly issued a circular resolution of the board of directors of HE, in which the board of directors of HE has approved the acquisition of H-share of China Electric Power Construction Group Corporation Limited (HK\$4.56 per share of H-share).

On 24 December, HE entered into an agreement with China Electric Power Construction Group Corporation Limited, Beijing (HE) to acquire 172 million PRC China Limited shares of PRC Limited.

INFORMATION ON THE COMPANY

REGISTERED NAME OF THE COMPANY

哈爾濱電氣股份有限公司


ENGLISH NAME OF THE COMPANY

Harbin Electric Company Limited


REGISTERED ADDRESS OF THE COMPANY

Block 3
Nan'an District High-tech Industrial Base
Harbin
Heilongjiang Province
T.P. 'R' bic of CIA
Unified social credit code: 91230100127575573H

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Heilongjiang Province
T.P. 'R' bic of CIA
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Tel: 86-451-82135727 • 58590070
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Website:  .com

PLACE OF BUSINESS IN HONG KONG

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LHTT 
31 Queen's Road Central
Hong Kong

LEGAL REPRESENTATIVE

Mr. Si Zhen

AUTHORISED REPRESENTATIVES

Mr. Wang Wenzha

Mr. Li Zhen

COMPANY SECRETARY

Mr. Ai Li

JOINT COMPANY SECRETARY

Mr. Tang Taichang, Michael

AUDITORS

BDO China SHU LUN PAN Certified Public Accountants LLP (special general partnership)

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Middle Ring Road 3rd Ring Road Xichang District, Beijing
Postal: 100029

LEGAL ADVISORS

 PRC Law

HAIWEN & PARTNERS

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Chaoyang District
Beijing
T.P. 'R' bic of CIA

LISTING INFORMATION

HSAR
The Stock Exchange of Hong Kong Limited
Stock Code: 1133

INFORMATION ON THE COMPANY (CONTINUED)

DEPOSITARY

Trust Bank of New York
America Depositary Receipt
22nd Floor
110 Barclay Street
New York, NY 10286 USA

SHARE REGISTRAR AND TRANSFER OFFICE

Harbin Registrar Limited
Suite 1712, 1716, 1717 Floor
Harbin Center
183 Qinghai Road East
Wangjiang
Harbin

INFORMATION ON THE COMPANY

Available at the Secretariat of the Board of Directors of
Harbin Electric Company Limited

1399 Changjiang Road
Songbei District
Harbin
T: PRC

SHAREHOLDERS RECEPTION TIME

October 18, 2018 (Friday)
From 9:00 a.m. to 11:00 a.m. and
From 2:00 p.m. to 4:00 p.m.
T: 86-451-82135727 • 58590070
Fa: 86-451-82162088

DOCUMENTS AVAILABLE FOR INSPECTION

1. T r i a c . f 2018 A a R . f C m a .
2. T r i a c . f C m a ' a d i d f i a c i a a m



HARBIN ELECTRIC CORPORATION