

ANNUAL REPORT 2018



电集团
HARBIN ELECTRIC CORPORATION

哈尔滨电气

HARBIN

Stock Code: 1133

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OVERVIEW OF THE COMPANY

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OVERVIEW OF THE COMPANY (CONTINUED)

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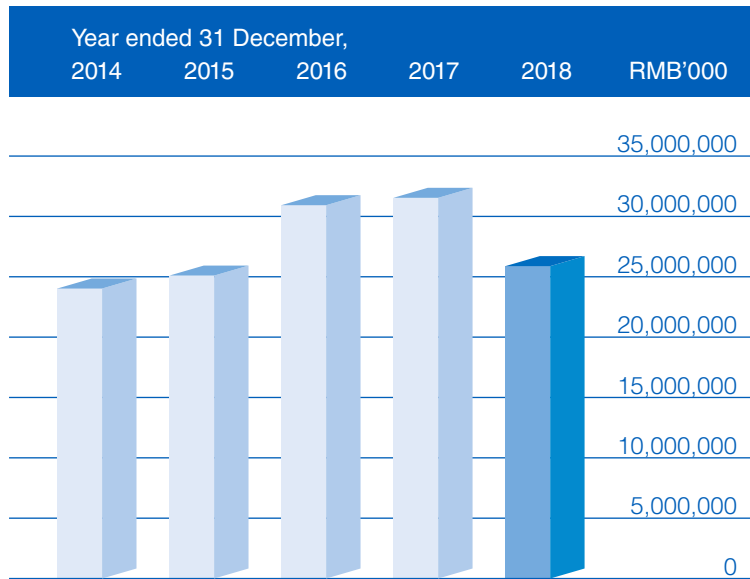
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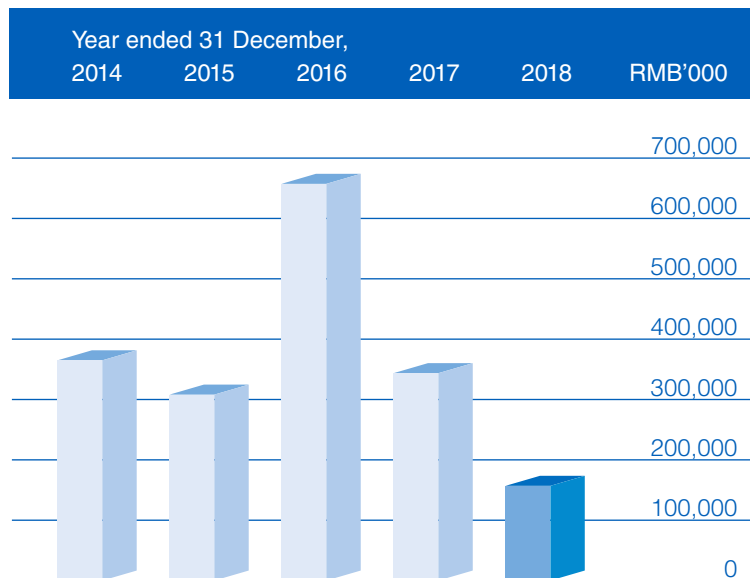
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OPERATING INCOME



TOTAL PROFITS



FINANCIAL HIGHLIGHTS (CONTINUED)

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

	Unit	Year ended 31 December				
		2018	2017	2016	2015	2014
Operating Income	RMB'000	25,879,461	31,540,324	30,929,421	25,097,225	24,026,534
Total Profit	RMB'000	156,854	343,366	657,169	307,860	364,910
Net attributable to ordinary shareholders	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
Intangible Assets	RMB'000	1,282,749	1,271,401	1,209,321	1,209,491	1,329,180
Intangible Assets attributable to ordinary shareholders	RMB'000	15,026,282	14,870,751	13,433,093	12,707,391	12,675,872
Net Assets	RMB	8.805	8.714	9.757	9.230	9.207
Equity	RMB	0.042	0.141	0.300	0.143	0.411

FINANCIAL HIGHLIGHTS (CONTINUED)

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board, I would like to thank you for your support in 2018 and the Harbin Electric Company Limited Board.

In 2018, the Company continued to adhere to the strategy of "high quality and high efficiency", and the overall performance of the Company has improved significantly. The Company's operating income increased by 17.95% compared with the same period last year, and the net profit increased by 54.32% compared with the same period last year. The Company's financial position is stable, and the cash flow is abundant.

As of the end of the reporting period, the Company's total assets were RMB25.879 billion, an increase of 17.95% compared with the end of the reporting period last year; total liabilities were RMB157 billion, an increase of 54.32% compared with the end of the reporting period last year.

During the reporting period, the Company continued to adhere to the strategy of "high quality and high efficiency", and the overall performance of the Company has improved significantly. The Company's operating income increased by 17.95% compared with the same period last year, and the net profit increased by 54.32% compared with the same period last year. The Company's financial position is stable, and the cash flow is abundant.

In 2019, the Company will continue to adhere to the strategy of "high quality and high efficiency", and the overall performance of the Company will continue to improve. The Company will focus on the development of new products and new markets, and will continue to improve the quality of products and services. The Company will also continue to improve its financial position and cash flow, and will continue to provide a good return to shareholders.



MANAGEMENT DISCUSSION AND ANALYSIS

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MACRO-ECONOMY AND INDUSTRY DEVELOPMENT

An i i i d i- a za a d c c ba za a i i a d i i a d i i , i i ba i c
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c a i a i i i i c d a c i i , c c b i d i b i a d i i i . T i ba i i i d i i

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Trade receivables: Trade receivables increased due to a higher average number of days in 2018, which was 60 days compared to 57 days in 2017. The increase was 17.82%.

Shareholders' equity: At the end of the reporting period, the total shareholders' equity was RMB14.35 billion, an increase of 92.13% compared to RMB7.47 billion at the end of 2017.

Interest expense: The interest expense for the reporting period was RMB1.35 billion, an increase of 377.6% compared to RMB0.27 billion for the same period in 2017.

Production & service

The total installed capacity of the Group's power generation assets was 14,190 MW at the end of the reporting period, an increase of 0.1% compared to 14,176 MW at the end of 2017. The total generating capacity of the Group's power generation assets was 11,930 MW at the end of the reporting period, an increase of 2.8% compared to 11,606 MW at the end of 2017. The total generating capacity of the Group's power generation assets was 10,030 MW at the end of the reporting period, an increase of 2.0% compared to 9,833 MW at the end of 2017. The total generating capacity of the Group's power generation assets was 14,180 MW at the end of the reporting period, an increase of 17.0% compared to 12,119 MW at the end of 2017. The total generating capacity of the Group's power generation assets was 14,180 MW at the end of the reporting period, an increase of 17.0% compared to 12,119 MW at the end of 2017.

The Group's total generating capacity was 14,190 MW at the end of the reporting period, an increase of 0.1% compared to 14,176 MW at the end of 2017. The total generating capacity of the Group's power generation assets was 11,930 MW at the end of the reporting period, an increase of 2.8% compared to 11,606 MW at the end of 2017. The total generating capacity of the Group's power generation assets was 10,030 MW at the end of the reporting period, an increase of 2.0% compared to 9,833 MW at the end of 2017. The total generating capacity of the Group's power generation assets was 14,180 MW at the end of the reporting period, an increase of 17.0% compared to 12,119 MW at the end of 2017.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Scientific research inputs and achievements

In 2018, Harbin Electric Company Limited's R&D expenses were RMB1.08 billion, compared with RMB282 million in 2017. The R&D expenses as a percentage of total operating income were 23.3% and 17.5% respectively. The company has achieved significant scientific research results, including the development of the world's first 100kV-class high-voltage power transformer, the world's first 100kV-class high-voltage power transformer, and the world's first 100kV-class high-voltage power transformer.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In 2019, the Group sold certain assets for a total of RMB506 million, including the disposal of a subsidiary, the sale of land and buildings, and the disposal of other non-current assets. In addition, the Group received RMB317 million from the disposal of a subsidiary, RMB182 million from the disposal of land and buildings, and RMB7 million from the disposal of other non-current assets. The total amount of cash and cash equivalents received from the disposal of assets was RMB905 million.

Major acquisitions and sales of subsidiaries, associates and joint ventures

In 2018, the Group acquired certain subsidiaries and associates and sold certain subsidiaries and associates.

MAJOR FINANCIAL INDEXES

In 2018, the Group's operating profit margin was 17.95%, which was higher than the operating profit margin of 14.38% in 2017. The increase was mainly due to the increase in the operating profit margin of the Group's subsidiaries and the decrease in the operating profit margin of the Group's associates and joint ventures. The operating profit margin of the Group's subsidiaries increased from 14.38% in 2017 to 17.95% in 2018, which was mainly due to the increase in the operating profit margin of the Group's subsidiaries and the decrease in the operating profit margin of the Group's associates and joint ventures. The operating profit margin of the Group's associates and joint ventures decreased from 28.64% in 2017 to 10.23% in 2018, which was mainly due to the decrease in the operating profit margin of the Group's associates and joint ventures.

The Group's operating profit margin in 2018 was 17.95%, compared with 14.38% in 2017. The increase was mainly due to the increase in the operating profit margin of the Group's subsidiaries and the decrease in the operating profit margin of the Group's associates and joint ventures.

Profit

In 2018, the Group's profit before tax was RMB71.32 million, which was higher than the profit before tax of RMB63.28 million in 2017. The increase was mainly due to the increase in the profit before tax of the Group's subsidiaries and the decrease in the profit before tax of the Group's associates and joint ventures. The profit before tax of the Group's subsidiaries increased from RMB63.28 million in 2017 to RMB71.32 million in 2018, which was mainly due to the increase in the profit before tax of the Group's subsidiaries and the decrease in the profit before tax of the Group's associates and joint ventures. The profit before tax of the Group's associates and joint ventures decreased from RMB0.04 million in 2017 to RMB0.10 million in 2018, which was mainly due to the decrease in the profit before tax of the Group's associates and joint ventures.

Operating income

In 2018, the Group's operating income was RMB25,879.46 million, which was higher than the operating income of RMB22,879.46 million in 2017. The increase was mainly due to the increase in the operating income of the Group's subsidiaries and the decrease in the operating income of the Group's associates and joint ventures. The operating income of the Group's subsidiaries increased from RMB11,877.25 million in 2017 to RMB17,002.21 million in 2018, which was mainly due to the increase in the operating income of the Group's subsidiaries and the decrease in the operating income of the Group's associates and joint ventures. The operating income of the Group's associates and joint ventures decreased from RMB1,702.21 million in 2017 to RMB7,877.25 million in 2018, which was mainly due to the decrease in the operating income of the Group's associates and joint ventures. The operating income of the Group's subsidiaries increased from 14.38% in 2017 to 17.95% in 2018, which was mainly due to the increase in the operating income of the Group's subsidiaries and the decrease in the operating income of the Group's associates and joint ventures. The operating income of the Group's associates and joint ventures decreased from 28.64% in 2017 to 10.23% in 2018, which was mainly due to the decrease in the operating income of the Group's associates and joint ventures. The operating income of the Group's subsidiaries increased from 14.38% in 2017 to 17.95% in 2018, which was mainly due to the increase in the operating income of the Group's subsidiaries and the decrease in the operating income of the Group's associates and joint ventures. The operating income of the Group's associates and joint ventures decreased from 28.64% in 2017 to 10.23% in 2018, which was mainly due to the decrease in the operating income of the Group's associates and joint ventures. The operating income of the Group's subsidiaries increased from 14.38% in 2017 to 17.95% in 2018, which was mainly due to the increase in the operating income of the Group's subsidiaries and the decrease in the operating income of the Group's associates and joint ventures. The operating income of the Group's associates and joint ventures decreased from 28.64% in 2017 to 10.23% in 2018, which was mainly due to the decrease in the operating income of the Group's associates and joint ventures.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In 2018, the Group's operating income was RMB7,397.40 million (decreased by 28.58% compared with 2017), operating profit was RMB3,205.75 million (decreased by 44.04%), and the total profit was RMB6,841.70 million (decreased by 28.74%). The Group's total assets were RMB382.96 million.

Cost

In 2018, the Group's operating cost was RMB22,687.53 million, an increase of 16.80% compared with 2017, mainly due to the increase in the cost of raw materials.

Gross profit and gross profit margin

In 2018, the Group's gross profit was RMB3,191.93 million, a decrease of 25.29% compared with 2017. The gross profit margin was 43.33%, a decrease of 1.21 percentage points compared with 2017. The Group's gross profit was RMB1,670.21 million in the first quarter of 2018, a decrease of 14.06% compared with the same period of 2017. The gross profit margin was 25.2%, a decrease of 0.88 percentage points compared with 2017. The Group's gross profit was RMB151.31 million in the second quarter of 2018, a decrease of 8.88% compared with the same period of 2017. The gross profit margin was 7.03%, a decrease of 3.42 percentage points compared with 2017. The Group's gross profit was RMB253.43 million in the third quarter of 2018, a decrease of 1.23% compared with the same period of 2017. The gross profit margin was 10.03%, a decrease of 4.55 percentage points compared with 2017. The Group's gross profit was RMB746.98 million in the fourth quarter of 2018, a decrease of 28.21% compared with the same period of 2017. The gross profit margin was 4.59%, a decrease of 20.90 percentage points compared with 2017. The Group's gross profit was RMB169.35 million in the first quarter of 2019, a decrease of 4.59% compared with the same period of 2018. The gross profit margin was 22.90%, a decrease of 4.65 percentage points compared with 2018. The Group's gross profit was RMB279.76 million in the second quarter of 2019, a decrease of 20.90% compared with the same period of 2018. The gross profit margin was 20.90%, a decrease of 4.65 percentage points compared with 2018. The Group's gross profit was RMB239.60 million in the third quarter of 2019, a decrease of 20.90% compared with the same period of 2018. The gross profit margin was 20.90%, a decrease of 4.65 percentage points compared with 2018. The Group's gross profit was RMB91.86 million in the fourth quarter of 2019, a decrease of 14.37% compared with the same period of 2018. The gross profit margin was 14.37%, a decrease of 1.21 percentage points compared with 2018. The Group's gross profit was RMB104.96 million in the first quarter of 2020, a decrease of 10.03% compared with the same period of 2019. The gross profit margin was 10.03%, a decrease of 4.55 percentage points compared with 2019. The Group's gross profit was RMB746.98 million in the second quarter of 2020, a decrease of 28.21% compared with the same period of 2019. The gross profit margin was 4.59%, a decrease of 20.90 percentage points compared with 2019. The Group's gross profit was RMB169.35 million in the third quarter of 2020, a decrease of 4.59% compared with the same period of 2019. The gross profit margin was 22.90%, a decrease of 4.65 percentage points compared with 2019. The Group's gross profit was RMB279.76 million in the fourth quarter of 2020, a decrease of 20.90% compared with the same period of 2019. The gross profit margin was 20.90%, a decrease of 4.65 percentage points compared with 2019.

Expenses for the Period

In 2018, the Group's operating expenses were RMB731.24 million, an increase of 14.37% compared with 2017, mainly due to the increase in the cost of raw materials. The Group's operating expenses were RMB91.86 million in the first quarter of 2018, a decrease of 14.37% compared with the same period of 2017. The operating expenses were RMB229.86 million in the second quarter of 2018, a decrease of 13.56% compared with the same period of 2017. The operating expenses were RMB591.93 million in the third quarter of 2018, a decrease of 5.95% compared with the same period of 2017. The operating expenses were RMB36.10 million in the fourth quarter of 2018, a decrease of 88.82% compared with the same period of 2017. The operating expenses were RMB731.24 million in the first quarter of 2019, an increase of 14.37% compared with the same period of 2018. The operating expenses were RMB91.86 million in the second quarter of 2019, a decrease of 14.37% compared with the same period of 2018. The operating expenses were RMB229.86 million in the third quarter of 2019, a decrease of 13.56% compared with the same period of 2018. The operating expenses were RMB591.93 million in the fourth quarter of 2019, a decrease of 5.95% compared with the same period of 2018. The operating expenses were RMB36.10 million in the first quarter of 2020, a decrease of 88.82% compared with the same period of 2019. The operating expenses were RMB731.24 million in the second quarter of 2020, an increase of 14.37% compared with the same period of 2019. The operating expenses were RMB91.86 million in the third quarter of 2020, a decrease of 14.37% compared with the same period of 2019. The operating expenses were RMB229.86 million in the fourth quarter of 2020, a decrease of 13.56% compared with the same period of 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Funding source and borrowing status

The Group's total debt as at the end of the reporting period was RMB12,543.25 million, an increase of RMB3,621.99 million from RMB8,921.26 million as at the end of the reporting period. The Group's total debt is primarily composed of bank loans, trade payables, accounts payable, and other payables. As at 31 December 2018, the Group's total debt was RMB12,543.25 million (31 December 2017: RMB8,921.26 million), an increase of RMB3,621.99 million from RMB8,921.26 million as at the end of the reporting period. The Group's total debt is primarily composed of bank loans, trade payables, accounts payable, and other payables. As at 31 December 2018, the Group's total debt was RMB12,543.25 million (31 December 2017: RMB8,921.26 million), an increase of RMB3,621.99 million from RMB8,921.26 million as at the end of the reporting period.

Monetary capital and cash flows

As at 31 December 2018, the Group's cash and cash equivalents were RMB12,543.25 million, an increase of RMB3,621.99 million from RMB8,921.26 million as at the end of the reporting period. The Group's cash and cash equivalents were primarily composed of bank deposits and cash. As at 31 December 2018, the Group's cash and cash equivalents were RMB12,543.25 million (31 December 2017: RMB8,921.26 million), an increase of RMB3,621.99 million from RMB8,921.26 million as at the end of the reporting period.

Asset structure and movements

As at 31 December 2018, the Group's total assets were RMB56,541.98 million, an increase of RMB8,296.11 million from RMB48,245.87 million as at the end of the reporting period. The Group's total assets were primarily composed of cash and cash equivalents, accounts receivable, and other assets. As at 31 December 2018, the Group's total assets were RMB56,541.98 million (31 December 2017: RMB48,245.87 million), an increase of RMB8,296.11 million from RMB48,245.87 million as at the end of the reporting period.

Liabilities

As at 31 December 2018, the Group's total liabilities were RMB40,232.95 million, an increase of RMB8,462.99 million from RMB31,769.96 million as at the end of the reporting period. The Group's total liabilities were primarily composed of bank loans, trade payables, and other liabilities. As at 31 December 2018, the Group's total liabilities were RMB40,232.95 million (31 December 2017: RMB31,769.96 million), an increase of RMB8,462.99 million from RMB31,769.96 million as at the end of the reporting period.

Owners' interests

As at 31 December 2018, the Group's total owners' interests were RMB15,026.28 million, an increase of RMB155.53 million from RMB14,870.75 million as at the end of the reporting period. The Group's total owners' interests were primarily composed of equity and reserves. As at 31 December 2018, the Group's total owners' interests were RMB15,026.28 million (31 December 2017: RMB14,870.75 million), an increase of RMB155.53 million from RMB14,870.75 million as at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Gearing ratio

As at 31 December 2018, the Group's gearing ratio (defined as the ratio of total debt to total capitalization) was 0.12:1, compared with 0.11:1 as at 31 December 2017.

Contingent liabilities and pledges

As at 31 December 2018, the Group had no contingent liabilities or pledges.

Exposure to fluctuations in exchange rate

The Group's operations are primarily conducted in the PRC. As at 31 December 2018, the Group's net assets denominated in foreign currencies were RMB722.76 million. The Group's management monitors the exchange rate risk and will take appropriate measures to manage the risk.

Use of fund-raising proceeds

The Company has no specific plan to use the proceeds from the offering for any particular purpose, and the proceeds will be used for general corporate purposes.

Dividend

The Board does not recommend a dividend for 2018.

OUTLOOK

The Group's management is confident that the Group's business performance will continue to improve in 2019. The Group will continue to focus on expanding its market share and improving its operating efficiency. The Group's management will also continue to monitor the exchange rate risk and take appropriate measures to manage the risk.

In 2019, the Group's management will continue to focus on expanding its market share and improving its operating efficiency. The Group's management will also continue to monitor the exchange rate risk and take appropriate measures to manage the risk.

Harbin, PRC
7 March 2019

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Si Ze-fu, b. 1958, holds a MBA degree from Tsinghua University. He is currently a Director of the Board of Directors of the Company. He has worked for the State Grid Corporation of China (SGCC) for over 30 years. He has held various positions in SGCC, including Director of the Marketing Department, Director of the Customer Service Center, and Director of the Marketing Center. He has also worked for the State Grid Corporation of China (SGCC) in various capacities, including Director of the Marketing Department, Director of the Customer Service Center, and Director of the Marketing Center. He has also worked for the State Grid Corporation of China (SGCC) in various capacities, including Director of the Marketing Department, Director of the Customer Service Center, and Director of the Marketing Center.

Mr. Wu Wei-zhang, b. 1962, is a senior engineer and has worked for the State Grid Corporation of China (SGCC) for over 30 years. He has held various positions in SGCC, including Director of the Marketing Department, Director of the Customer Service Center, and Director of the Marketing Center. He has also worked for the State Grid Corporation of China (SGCC) in various capacities, including Director of the Marketing Department, Director of the Customer Service Center, and Director of the Marketing Center. He has also worked for the State Grid Corporation of China (SGCC) in various capacities, including Director of the Marketing Department, Director of the Customer Service Center, and Director of the Marketing Center.

Mr. Zhang Ying-jian, b. 1964, is a senior engineer and has worked for the State Grid Corporation of China (SGCC) for over 30 years. He has held various positions in SGCC, including Director of the Marketing Department, Director of the Customer Service Center, and Director of the Marketing Center. He has also worked for the State Grid Corporation of China (SGCC) in various capacities, including Director of the Marketing Department, Director of the Customer Service Center, and Director of the Marketing Center. He has also worked for the State Grid Corporation of China (SGCC) in various capacities, including Director of the Marketing Department, Director of the Customer Service Center, and Director of the Marketing Center.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Song Shi-qi, born in 1958, a Chinese citizen, holds a Bachelor's degree in Economics. Mr. Song has worked for Harbin Electric Company Limited since 1980 and has held various positions including Deputy General Manager, Deputy Chairman of the Board, and Chairman of the Board. He has also held positions at Harbin Electric Company Limited's subsidiaries and branches. Mr. Song was appointed as an independent non-executive director of Harbin Electric Company Limited in 2013 and resigned in 2019.

Independent non-executive directors

Mr. Zhu Hong-jie, born in 1954, is a Chinese citizen and holds a Bachelor's degree in Economics. Mr. Zhu has worked for Harbin Electric Company Limited since 1978 and has held various positions including Deputy General Manager, Deputy Chairman of the Board, and Chairman of the Board. He has also held positions at Harbin Electric Company Limited's subsidiaries and branches. Mr. Zhu was appointed as an independent non-executive director of Harbin Electric Company Limited in 2016 and resigned in 2017.

Mr. Yu Wen-xing, born in 1953, is a Chinese citizen and holds a Bachelor's degree in Economics. Mr. Yu has worked for Harbin Electric Company Limited since 1980 and has held various positions including Deputy General Manager, Deputy Chairman of the Board, and Chairman of the Board. He has also held positions at Harbin Electric Company Limited's subsidiaries and branches. Mr. Yu was appointed as an independent non-executive director of Harbin Electric Company Limited in 2014 and resigned in 2015.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Chen Guang, born in April 1964, a graduate of the Harbin Institute of Technology (HIT) with a Master's degree in Management Engineering from the Harbin Institute of Technology. He has worked at Harbin Electric Company Limited since its establishment in 1987 and has served as the General Manager of Harbin Electric Company Limited since August 2016. He has also worked as the Deputy General Manager of Harbin Electric Company Limited since August 2009.

Mr. Zhu Peng-tao, born in April 1973, a graduate of Harbin Institute of Technology (HIT) with a Bachelor's degree in Management Engineering. He has worked at Harbin Electric Company Limited since its establishment in 1987 and has served as the Deputy General Manager of Harbin Electric Company Limited since August 2016. He has also worked as the Deputy General Manager of Harbin Electric Company Limited since August 2009.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

SENIOR MANAGEMENT

Mr. Liu Zhi-quan, born in July 1968, a Chinese citizen, holds a Bachelor's degree in Economics from Henan University. He has worked for Henan Power Generation Co., Ltd. since 1991, holding various positions including Deputy General Manager, Director of the Marketing Department, and Chairman of the Board of Directors. He has also served as a Director of Henan Power Generation Co., Ltd. since 2013 and as a Director of the Board of Directors since 2014.

Mr. Xie Wei-jiang, born in January 1973, a Chinese citizen, holds a Bachelor's degree in Electrical Engineering from Tsinghua University. He has worked for Beijing State Engineering Consulting Co., Ltd. since 1997, holding various positions including Deputy General Manager, Director of the Marketing Department, and Chairman of the Board of Directors. He has also served as a Director of Beijing State Engineering Consulting Co., Ltd. since 2016 and as a Director of the Board of Directors since 2018.

Mr. Lu Zhi-qiang, born in September 1973, a Chinese citizen, holds a Bachelor's degree in Electrical Engineering from Tsinghua University. He has worked for Henan Power Generation Co., Ltd. since 1995, holding various positions including Deputy General Manager, Director of the Marketing Department, and Chairman of the Board of Directors. He has also served as a Director of Henan Power Generation Co., Ltd. since 2013 and as a Director of the Board of Directors since 2018.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Wang De-xing, born September 1959, a graduate of the Harbin Institute of Technology, HE. M. Wang obtained a Master's degree in Management Science from Tsinghua University (北京鋼鐵學院) and a MBA degree from Harbin Institute of Technology. Mr. Wang joined HE in 1982 and worked in various positions, including Deputy General Manager of Harbin Electric Co., Ltd. He has been a Director of Harbin Electric Co., Ltd. since 2016. He is also a Vice President of the Company since 2016.

Mr. Zhang Hai-quan, born September 1961, a graduate of Harbin Institute of Technology, HE. M. Zhang obtained a Master's degree in Management Science from Harbin Institute of Technology. He joined HE in 1984 and worked in various positions, including Deputy General Manager of Harbin Electric Co., Ltd. He has been a Director of Harbin Electric Co., Ltd. since 1994. Mr. Zhang is also a Vice President of the Company since 2013.

Mr. Qu Zhe, born July 1962, a graduate of Harbin Institute of Technology, HE. M. Qu obtained a Master's degree in Management Science from Harbin Institute of Technology. He joined HE in 1988 and worked in various positions, including Deputy General Manager of Harbin Electric Co., Ltd. He has been a Director of Harbin Electric Co., Ltd. since 1994. Mr. Qu is also a Vice President of the Company since 2013.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

COMPANY SECRETARY

Mr. Ai Li-song, born in Macau in 1970, a Chinese national, holds a Bachelor's degree in Finance from the University of Hong Kong. He is currently employed by the Hong Kong Exchanges and Clearing Limited, where he has held various senior positions, including Director of Finance and Administration, and is currently the Company Secretary of the listed company. He has also worked for the Securities and Futures Commission and the Hong Kong Monetary Authority. He is a member of the Hong Kong Institute of Directors and the Hong Kong Chartered Accountants. He has been the Company Secretary of the listed company since February 2016, and was previously the Company Secretary from May 2015.

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

The Group's principal activities are the design, development, production, sales and maintenance of electrical equipment, including power transformers, power cables, and other electrical equipment. The Group also provides technical services and technical support to its customers. The Group's principal activities are conducted through its subsidiaries and branches.

In 2018, the Group's total assets were RMB7,397.40 million, an increase of 28.58% compared with the end of the reporting period. The Group's total liabilities were RMB3,205.75 million. The Group's total equity was RMB4,191.65 million. The Group's total revenue was RMB6,841.70 million, and its net profit was RMB382.96 million.

BUSINESS REVIEW

During the reporting period, the Group's business performance was stable. The Group's total revenue was RMB6,841.70 million, an increase of 12.5% compared with the same period last year. The Group's net profit was RMB382.96 million, an increase of 15.2% compared with the same period last year.

Major Risks and Uncertainties

In 2018, the Group's major risks and uncertainties include: (1) market risk, including changes in market demand and price fluctuations; (2) credit risk, including changes in customer credit ratings and payment delays; (3) liquidity risk, including changes in the Group's cash flow and financing conditions; (4) operational risk, including changes in production costs and quality control; and (5) financial risk, including changes in interest rates and exchange rates. The Group has implemented various risk management measures to mitigate these risks and uncertainties.

REPORT OF THE DIRECTORS (CONTINUED)

Risk type	Risk description	Countermeasures
<p>B</p> <p>W</p>	<p>With a view to the ... (1) ... (2) ...</p>	<p>(1) ... (2) ...</p>
<p>Ca</p>	<p>In 2018, ... (1) ... (2) ... (3) ... (4) ... (5) ...</p>	<p>(1) ... (2) ... (3) ... (4) ... (5) ...</p>
<p>L</p>	<p>The ... (1) ... (2) ... (3) ... (4) ...</p>	<p>(1) ... (2) ... (3) ... (4) ...</p>

REPORT OF THE DIRECTORS (CONTINUED)

Significant Events Affecting The Group

On 24 December 2018, the Board has elected Mr. Chen Liang ("HE") as the Chairman of the Board of Directors of Harbin Electric Company Limited, and Mr. Chen Liang has been appointed as the Chairman of the Board of Directors of Harbin Electric Company Limited. In addition, Mr. Chen Liang has been appointed as the Chairman of the Board of Directors of Harbin Electric Company Limited. The remuneration of Mr. Chen Liang as the Chairman of the Board of Directors of Harbin Electric Company Limited is HK\$4.56 million.

In addition, on 24 December 2018, HE has been appointed as the Chairman of the Board of Directors of Harbin Electric Company Limited. Mr. Chen Liang has been appointed as the Chairman of the Board of Directors of Harbin Electric Company Limited. The remuneration of Mr. Chen Liang as the Chairman of the Board of Directors of Harbin Electric Company Limited is HK\$4.56 million.

Furthermore, the Board has approved the appointment of Mr. Chen Liang as the Chairman of the Board of Directors of Harbin Electric Company Limited. The remuneration of Mr. Chen Liang as the Chairman of the Board of Directors of Harbin Electric Company Limited is HK\$4.56 million.

The Board has also approved the appointment of Mr. Chen Liang as the Chairman of the Board of Directors of Harbin Electric Company Limited. The remuneration of Mr. Chen Liang as the Chairman of the Board of Directors of Harbin Electric Company Limited is HK\$4.56 million.

Environmental Policy and Performance

In 2018, the Group has continued to adhere to its environmental policy and performance. The Group has implemented various measures to reduce its carbon footprint and improve its environmental performance. The Group has also established a robust environmental management system to ensure compliance with all applicable environmental laws and regulations. The Group's environmental performance has been consistently strong, and it remains committed to achieving its environmental goals.

REPORT OF THE DIRECTORS (CONTINUED)

Compliance with Relevant Laws and Regulations

In 2018, the Group has complied with applicable laws and regulations. The Group has not received any notices from regulatory authorities regarding non-compliance with applicable laws and regulations.

Principal Laws and Regulations

Principal Laws and Regulations	Key scope	Compliance Measures
<p>Civil Law Contract Law</p>	<p>The Group's business activities are conducted in the People's Republic of China. The Group has established a legal department to monitor and ensure compliance with applicable laws and regulations.</p>	<p>1. The Group has established a compliance system to ensure compliance with applicable laws and regulations. The Group has also established a compliance department to monitor and ensure compliance with applicable laws and regulations.</p> <p>2. The Group has established a compliance system to ensure compliance with applicable laws and regulations. The Group has also established a compliance department to monitor and ensure compliance with applicable laws and regulations.</p>
<p>Securities Law Company Law Contract Law Civil Law Contract Law Company Law Contract Law Civil Law Contract Law Company Law</p>	<p>The Group's business activities are conducted in the People's Republic of China. The Group has established a legal department to monitor and ensure compliance with applicable laws and regulations.</p>	<p>The Group has established a compliance system to ensure compliance with applicable laws and regulations. The Group has also established a compliance department to monitor and ensure compliance with applicable laws and regulations.</p>
<p>Trademark Law Contract Law Company Law</p>	<p>The Group's business activities are conducted in the People's Republic of China. The Group has established a legal department to monitor and ensure compliance with applicable laws and regulations.</p>	<p>1. The Group has established a compliance system to ensure compliance with applicable laws and regulations. The Group has also established a compliance department to monitor and ensure compliance with applicable laws and regulations.</p> <p>2. The Group has established a compliance system to ensure compliance with applicable laws and regulations. The Group has also established a compliance department to monitor and ensure compliance with applicable laws and regulations.</p>

REPORT OF THE DIRECTORS (CONTINUED)

Principal Laws and Regulations

Key scope

Compliance Measures

<p>Lab La 'P' R b c C a a d Lab C ad La 'P' R b c C a</p>	<p>W ' ' at a A d ab c ad d a d ca c ' - ' at , ca ' d b ' a d a ' ' Lab La a d Lab d b ' d b ' a ' c C ad La b ' d b b ' d a ' C a . C a a d ' .</p>	
<p>I d a ' a , a c d: C La , Pa La , T ad a La</p>	<p>R ' a a ' a d b ' d a d ' ac a d d ' b a d ' C a .</p>	<p>T ' C a ' ' c a a ' ' d a ' ' b ' c ' a z d a a ' ' C a ' ' d a ' ' T a ' c ' a ad ' C a ' d b ' a ca ' d a ' a d ' E d c Mac ' C a a d B ' C a , b da ' ' C a , a ' cc a d ' - ' a C a .</p>

Employees, Major Customers and Suppliers

1. E

A 31 Dec 2018, G ad 15,783 , c a ' d 2,743, acc 17.38%. T C a ad a c 13,741 c ' , c a ' d 2,456, acc 17.87%, 1,154 ' a d ab ' 55, acc 8.4%; 2,126 ' a d 50 54, acc 15.47%, 3,894 ' a d 40 49, acc 28.34%, 5,035 ' a d 30 39, acc 36.64% a d 1,532 ' a d b 29, acc 11.15%.

I 2018, ' c ' d ' d ' d a d c a a d ' c , G ' ' d a ca a d b ' a ' c ' ' a d d c d ab c ' c a ' c ' ' a ' c ' a d c a ' a ' ' 2017.

I 2018, G a z d 1,690 ca ' ' a ' a , ' 68,600 ' a c a .

2. Ma

A 31 Dec 2018, ' ' ' G a b d 19.99% ' ' c a , c ' a ' acc d 12.52% ' ' c a .

REPORT OF THE DIRECTORS (CONTINUED)

3. *Ma c t*

A 31 December 2018, the Group's net assets increased by 37.05% and the Group's total assets increased by 20.34%.

Net income attributable to shareholders of the Company for the period ended 31 December 2018 was RMB1,320 million, representing an increase of 5% compared with the corresponding period of 2017.

LIST OF SUBSIDIARIES AND DIRECTORS OF SUBSIDIARIES

The following table lists the subsidiaries of the Company as at 31 December 2018 and the directors of the subsidiaries.

RESULTS

A 31 December 2018, the Group's total revenue was RMB25,879.46 million, an increase of 10.2% compared with 2017. The Group's net income attributable to shareholders was RMB1,320 million, an increase of 5% compared with 2017.

DIVIDEND

The Board has proposed a dividend of RMB1,320 million for the year ended 31 December 2018.

A 31 December 2018, the Company's total assets were RMB1,320 million, an increase of 5% compared with 2017.

INFORMATION ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table lists the directors, supervisors and senior management of the Company as at 31 December 2018.

REPORT OF THE DIRECTORS (CONTINUED)

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has adopted the definition of independent non-executive directors as set out in the Listing Rules. The independent non-executive directors have confirmed that they are independent of the Company and are not connected with the Company in any way that would affect their independence.

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 in the share capital of the Company are as follows:

REPORT OF THE DIRECTORS (CONTINUED)

REMUNERATION OF DIRECTORS AND SUPERVISORS

Remuneration of directors and supervisors of the Company is determined by the Board of Directors, subject to the approval of the shareholders at the general meeting. The remuneration of directors and supervisors is determined by the Board of Directors, subject to the approval of the shareholders at the general meeting. The remuneration of directors and supervisors is determined by the Board of Directors, subject to the approval of the shareholders at the general meeting.

The remuneration of directors and supervisors for the period from 31 December 2018 is as follows:

(Unit: RMB)

	Fees	Salaries and other benefits	Contribution to retirement benefits scheme	Total
Executive Directors				
M. S. Z. -	0	0	0	0
M. W. W. - z a	0	618,530	96,499	715,029
M. Z. a Y. - a	0	553,845	91,721	645,566
M. S. S. -	0	550,130	89,741	639,871
Total	0	1,722,505	277,961	2,000,466
Independent Non- Executive Directors				
M. Z. H. - i	0	60,000	0	60,000
M. Y. W. -	0	60,000	0	60,000
M. H. J. a -	0	60,000	0	60,000
M. T. a M	0	50,000	0	50,000
(a period 21 March 2018)				
Total	0	230,000	0	230,000
Supervisors				
M. F. Y. - a	0	31,020	7,478	38,498
M. C. G. a	0	372,480	75,435	447,915
M. Z. P. i	0	198,764	40,589	239,353
M. Z. a W. i -	0	367,524	33,444	400,968
M. Z. a J. - a	0	405,479	58,162	463,641
Total	0	1,375,267	215,108	1,590,375

The remuneration of directors and supervisors for the period from 31 December 2018 is as follows: (Unit: RMB)

REPORT OF THE DIRECTORS (CONTINUED)

FIVE HIGHEST PAID PERSONNEL

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

	Fees	Salaries and other benefits	Contribution to retirement benefits scheme	Total
Mr. Zhang Xiaohong	HK\$0	HK\$4,9815	HK\$0.9995	HK\$5,9810

CONTINGENT LIABILITIES – GUARANTEES

As at 31 December 2018, the Company has provided guarantees in the amount of RMB2,035.42 million to the National Development and Reform Commission (NDRC) for the purpose of supporting the construction of the Xinjiang (2) Power Generation Project.

PERMITTED INDEMNITY PROVISION

As provided by the articles of association, the directors of the Company are entitled to be indemnified by the Company in respect of any liability incurred by them in or for the Company in the discharge of their duties as directors. The Company's articles of association also provide that the directors shall not be liable for any negligence, default, breach of duty or breach of trust in relation to the Company's affairs.

The Company's articles of association are available on its website.

SIGNIFICANT INVESTMENT IN SECURITIES

On 9 October 2018, the Company's subsidiary HPI Investment (Shanghai) Co., Ltd. ("HPI") has invested in the shares of Shanghai United Nuclear Power Generation Co., Ltd. ("SUN") in the amount of RMB6.55 million (equivalent to approximately 90% of the total amount of RMB7.2 million (equivalent to approximately 20% of the Company's net assets) as at the end of the reporting period). The Company's investment in SUN is classified as financial assets at fair value through profit or loss. The carrying amount of the investment in SUN is RMB499,999,994.35 (equivalent to approximately HK\$568,188,268.05). The Company's investment in SUN is classified as financial assets at fair value through profit or loss.

STAFF REMUNERATION, RETIREMENT AND BENEFITS SCHEME

In 2018, the Group's remuneration policy is to attract and retain staff with the necessary skills and experience to enable the Group to achieve its business strategy. The remuneration of the Group's employees is determined by reference to their performance, the Group's financial performance and the market conditions. The Group also provides retirement and benefits schemes for its employees.

REPORT OF THE DIRECTORS (CONTINUED)

於 2018 年 12 月 31 日，本公司股東應收賬項的賬面價值為人民幣 1,639.78 萬元。本公司並無於 2018 年 12 月 31 日對該項賬項進行減值撥備。

董事會認為，該項賬項的賬面價值與該項賬項的實際價值相若。本公司並無於 2018 年 12 月 31 日對該項賬項進行減值撥備。

FIXED ASSETS

REPORT OF THE DIRECTORS (CONTINUED)

Director's remuneration and benefits for the year ended 31 December 2018 are set out in Note XI(5) of the financial statements. The Chairman's remuneration and benefits for the year ended 31 December 2018 are set out in Note XI(5) of the financial statements. The Chairman's remuneration and benefits for the year ended 31 December 2018 are set out in Note XI(5) of the financial statements.

At 31 December 2018, the Group's remuneration and benefits for the year ended 31 December 2018 are set out in Note XI(5) of the financial statements.

Continuing Connected Transactions

1. P d d a d S i c F a i A i i b i i C a a d H a b E d c C a C ., L i ("HE")

On 9 December 2016, the Chairman of the Board of Directors of HE, a director of the Group, entered into a continuing connected transaction with the Group, the U d H a b E d c G, to provide the Group with the services of the Chairman of the Board of Directors of HE for the period from 1 January 2018 to 31 December 2019.

During the year ended 31 December 2018, the Chairman of the Board of Directors of HE provided the Group with the services of the Chairman of the Board of Directors of HE for the period from 1 January 2018 to 31 December 2018. The Group's remuneration and benefits for the Chairman of the Board of Directors of HE for the year ended 31 December 2018 are as follows: (i) basic salary of RMB2.00; (ii) bonus of RMB30,000; (iii) directors' remuneration of RMB12.00; (iv) directors' benefits of RMB84.00; (v) directors' expenses of RMB64.16; (vi) directors' insurance of RMB195.00; and (vii) directors' other benefits of RMB19.59. The Chairman of the Board of Directors of HE is a director of the Group.

2. F a c a S i c F a i A i i b i i C a a d H E

On 9 December 2016, the Chairman of the Board of Directors of HE, a director of the Group, entered into a continuing connected transaction with the Group, the U d H a b E d c G, to provide the Group with the services of the Chairman of the Board of Directors of HE for the period from 1 January 2018 to 31 December 2019.

During the year ended 31 December 2018, the Chairman of the Board of Directors of HE provided the Group with the services of the Chairman of the Board of Directors of HE for the period from 1 January 2018 to 31 December 2018. The Group's remuneration and benefits for the Chairman of the Board of Directors of HE for the year ended 31 December 2018 are as follows: (i) basic salary of RMB220.00; (ii) bonus of RMB190.00; (iii) directors' remuneration of RMB2.80; and (iv) directors' other benefits of RMB19.59. The Chairman of the Board of Directors of HE is a director of the Group.

REPORT OF THE DIRECTORS (CONTINUED)

3. *Ma a i i E i i A i i b i i C a a d HE*

O 29 Ja a 2016, i C a i i d i i Ma a i i E i i A i i i i HE, a i c , i C a i i d i a a i i i c i HE, c d b i i i d i ad i a a i i a i c i ad c i a a i i (c d i i a a a a a i i i c a d a i c i , a i ad a ca a a i i i a d a za a a i i i i c a d i c c i a a i i i ad i ad i a c i a a i i i i a a i i i i c d i i a a i i i a a a a a i i c ca a a i i a a i i i d a a i i d i a a i i i c d i i a a i i i ca a a ad i a a a a i i T i i a i i i a 23 Ma c 2016 i 22 Ma c 2019 a d HE a a a a a a i i i i i RMB3.28 i i C a .

A 31 D c i b i 2018, HE a a d i i a a i i i RMB3.28 i i C a .

Confirmation on Continuing Connected Transactions

T i l d i i d i N -E i c i D i d i i C a a i i i d i c i c i d i a ad i (a d i i d i L i R i) i i N i X i i i a ca i i i a d c i d i a i

REPORT OF THE DIRECTORS (CONTINUED)

DETAILS OF SHARE CAPITAL

Shareholding Structure

As at 31 December 2018, the Company had 1,706,523,000 shares, of which 1,030,952,000 shares were ordinary shares (60.41% of the total number of shares) and 675,571,000 shares were preference shares (39.59% of the total number of shares).

Equity Interests of Substantial Shareholders

As at 31 December 2018, the following persons held 5% or more of the total number of shares of the Company: (i) the Company's sole director and chairman, Mr. Liang Xiaodong, held 336 shares of the Company's ordinary shares ("SFO") and

the Company's sole director and chairman:

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	Mr. Liang Xiaodong	Ordinary shares	336	SFO	0.00%	0.00%

Said Mr. Liang Xiaodong held 336 shares of the Company's ordinary shares as at 31 December 2018.

REPORT OF THE DIRECTORS (CONTINUED)

Holding Range of Shareholders

The following table shows the holding range of shareholders of the Company as at 31 December 2018:

No.	Name of Shareholder	Number of Shares	Percentage of Shares Held	Remarks
1	HARBIN ELECTRIC CORPORATION CO., LTD.	1,030,952,000	60.41%	State-owned share
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 analysis of the shareholding 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%
Retail (individual)			-0.01%
Total			100.00%
	144	675,571,000	100.00%

MODEL CODE

The Company, as an issuer of securities, is fully compliant with the Model Code for Directors and Senior Management of the Listing Rules. All Directors and Senior Management of the Company have confirmed their compliance with the Model Code for Directors and Senior Management of the Listing Rules.

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code as set out in Appendix C to the Listing Rules. The Company has fully complied with all the provisions of the Corporate Governance Code. The Company has also adopted the provisions of the Corporate Governance Code that are relevant to its business and the Listing Rules. The Company has also adopted the provisions of the Corporate Governance Code that are relevant to its business and the Listing Rules.

In 2018, the Company has adopted the Corporate Governance Code as set out in Appendix C to the Listing Rules. The Company has fully complied with all the provisions of the Corporate Governance Code. The Company has also adopted the provisions of the Corporate Governance Code that are relevant to its business and the Listing Rules.

REPORT OF THE DIRECTORS (CONTINUED)

AUDIT COMMITTEE

The Audit Committee was established according to the Charter of the Audit Committee, which was adopted by the Board of Directors of the Company on December 31, 2018, and the Charter of the Audit Committee was revised by the Board of Directors of the Company on December 31, 2018.

AUDITORS

The Company's financial statements for the year ended December 31, 2018 were audited by BDO China SLP, a member firm of the PwC network, which is a limited liability partnership, and was established in 2017. The audit fee for the year ended December 31, 2018 was RMB2.50 million. The audit opinion is that the financial statements of the Company for the year ended December 31, 2018 are presented fairly in all material aspects.

By: 
Harbin Electric Company Limited
Ai Li-song
Chairman

7 March 2019

REPORT OF THE BOARD OF SUPERVISORS (CONTINUED)

2. The Board Supervisors of Badong Power Generation Co., Ltd. (the "Company") have reviewed the financial statements of the Company for the year ended December 31, 2018, prepared in accordance with the accounting standards and accounting policies of the Company. The Board Supervisors believe that the financial statements of the Company for the year ended December 31, 2018, are true and fair, and the financial position of the Company is sound. The Board Supervisors also reviewed the internal control system of the Company and believe that the internal control system of the Company is effective.

3. The Board Supervisors of the Company have reviewed the financial statements of the Company for the year ended December 31, 2018, prepared in accordance with the accounting standards and accounting policies of the Company. The Board Supervisors believe that the financial statements of the Company for the year ended December 31, 2018, are true and fair, and the financial position of the Company is sound. The Board Supervisors also reviewed the internal control system of the Company and believe that the internal control system of the Company is effective.

4. The Board Supervisors of the Company have reviewed the financial statements of the Company for the year ended December 31, 2018, prepared in accordance with the accounting standards and accounting policies of the Company. The Board Supervisors believe that the financial statements of the Company for the year ended December 31, 2018, are true and fair, and the financial position of the Company is sound. The Board Supervisors also reviewed the internal control system of the Company and believe that the internal control system of the Company is effective.

The Board Supervisors of the Company have reviewed the financial statements of the Company for the year ended December 31, 2018, prepared in accordance with the accounting standards and accounting policies of the Company. The Board Supervisors believe that the financial statements of the Company for the year ended December 31, 2018, are true and fair, and the financial position of the Company is sound. The Board Supervisors also reviewed the internal control system of the Company and believe that the internal control system of the Company is effective.

Board Supervisor

Feng Yong-qiang

Chairman

Harbin, PRC

7 March 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Code of Corporate Governance as set out in the Listing Rules of the Exchange. The Board of Directors has adopted the Code of Corporate Governance as a guide to its conduct and to the conduct of its members. The Board of Directors has also adopted the Code of Corporate Governance as a guide to the conduct of its members.

In 2018, the Company has adopted the Code of Corporate Governance as set out in the Listing Rules of the Exchange. The Board of Directors has adopted the Code of Corporate Governance as a guide to its conduct and to the conduct of its members.

The Board of Directors has adopted the Code of Corporate Governance as set out in the Listing Rules of the Exchange. The Board of Directors has also adopted the Code of Corporate Governance as a guide to the conduct of its members.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code on Securities Transactions for Directors of Listed Issuers as set out in the Listing Rules of the Exchange. The Board of Directors has adopted the Model Code on Securities Transactions for Directors of Listed Issuers as a guide to its conduct and to the conduct of its members.

BOARD OF DIRECTORS

The Board of Directors has adopted the Code of Corporate Governance as set out in the Listing Rules of the Exchange. The Board of Directors has also adopted the Code of Corporate Governance as a guide to the conduct of its members.

Composition of Board of Directors

During 2018, the Board of Directors has adopted the Code of Corporate Governance as set out in the Listing Rules of the Exchange. The Board of Directors has also adopted the Code of Corporate Governance as a guide to the conduct of its members.

Executive Director: S Z (Chairman), W W-z, Z a Y -a, S S -

Independent Non-Executive Director: Z H -, Y W -, H Ja -, Ta M

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board of Directors, S... and S...
Ma... a... a...

T... aca, b..., a... a... a... b... C... B... D...

Independent non-executive directors

D 2018, B... D... C... a... c... d... 4... d... d... -... c... d... d..., a... M.Z... H... M.Y... W..., M.H... Ja..., M.Ta... M...

D... d, a... l... d... -... c... d... D... d... d... B... D... d... a... d... a... d... b... a... d... d... d... d... . T... z... d... c... a... d... , ad... b... a... c... b... a... d... , a... a... d... c... a... c... a... , a... d... d... c... - a... c... a... d... c... d... a... ad... . T... a... d... d... b... a... c... d... a... d... b... d... ad... c... a... d... a... d... c... a... d... c... d... a... ad... C... a... , a... da... z... d... d... c... - a... c... B... D... a... d... a... c... c... c... b... d... d... C... a... a... d... a... d... a... .

T... C... a... c... d... a... a... c... d... a... a... c... a... ac... d... d... d... -... c... d... d... d... d... /... d... d... d... c...

Meetings of the Board of Directors

D 2018, B... d... C... a... c... d... 14... d... c... a... d... a... d... c... a... a... d... a... d... a... d... a... c... a... a... d... a... a... a... a... a... d... a... a... ad... d... , 5... c... a... a... d... d... d... d... b... a... z... d... . T... l... d... d... -... c... d... D... d... C... a... d... d... a... d... d... a... d... a... C... a... '... d... c... . A... da... c... a... a... :
A... da... c... D... d... a... d... B... a... d... D... d... 2018

Name of Director	Number of Attendance Required	Attendances in Person	Number of Attendance by Alternate Director	Attendance rate
M. S. Z...	14	14	0	100%
M. W. W...-z... a...	14	13	1	92.86%
M. Z. a... Y... - a...	14	13	1	92.86%
M. S... S... -	14	14	0	100%
M. Z... H... - i...	14	13	1	92.86%
M. Y... W... -	14	14	0	100%
M. H... Ja... -	14	14	0	100%
M. Ta... M...	12	12	0	100%

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board of Directors, the Audit Committee and the Nomination Committee of the Company have been established since the listing of the Company on the Hong Kong Stock Exchange. The Board of Directors is responsible for the overall management and supervision of the Company and its business operations. The Board of Directors also oversees the performance of the senior management and reports to the shareholders. The Board of Directors is composed of 11 members, including 3 independent non-executive directors and 8 executive directors. The Board of Directors has also established the Audit Committee and the Nomination Committee to assist it in its duties.

In 2018, the Board of Directors has held 12 meetings, and the attendance of the Board members is as follows:

Attendance of Directors at Board Meetings in 2018

Name of Director	Number of Attendance Required	Attendances in Person	Attendance rate
M. S. Zeng	3	3	100%
M. W. Wong	3	3	100%
M. Z. Yip	3	3	100%
M. S. Siu	3	3	100%
M. Z. Ho	3	3	100%
M. Y. Wong	3	3	100%
M. H. Jiang	3	3	100%
M. Tam	3	3	100%

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board of Directors of the Company has been actively engaged in the work of the Board of Directors. In 2018, the Board of Directors has completed the work of the Board of Directors, and the Board of Directors has completed the work of the Board of Directors.

Training of the Directors

The Board of Directors has organized the directors to receive training. In 2018, the Board of Directors has completed the training of the directors, and the Board of Directors has completed the training of the directors.

In 2018, the Board of Directors has completed the training of the directors, and the Board of Directors has completed the training of the directors. The Board of Directors has completed the training of the directors, and the Board of Directors has completed the training of the directors.

CHAIRMAN AND PRESIDENT

In 2018, the Chairman of the Board of Directors is Mr. S. Z., and the President of the Company is Mr. W. W. Z.

The Chairman of the Board of Directors is Mr. S. Z., and the President of the Company is Mr. W. W. Z. The Chairman of the Board of Directors is Mr. S. Z., and the President of the Company is Mr. W. W. Z.

CORPORATE GOVERNANCE REPORT (CONTINUED)

SPECIAL COMMITTEES UNDER THE BOARD

The Board has established the Audit Committee, the Nomination Committee, the Remuneration Committee and the Strategy Development Committee.

During 2018, the Audit Committee held 2 meetings, the Nomination Committee held 2 meetings, the Remuneration Committee held 3 meetings and the Strategy Development Committee held 3 meetings. Each Director attended the meetings in person. The attendance rate of each Director is 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
M. S. Zhang				2	2	100%						
M. W. Wang										3	3	100%
M. Z. Yang										3	3	100%
M. S. Song							1	1	100%			
M. Z. He	2	2	100%				1	1	100%			
M. Y. Wei	2	2	100%				1	1	100%	3	3	100%
M. H. Jiang				2	2	100%				3	3	100%
M. T. Ma	2	2	100%	1	1	100%						

Audit Committee

The Audit Committee is established under the Board. The Audit Committee's main responsibilities are to supervise the financial reporting process, to review the financial statements and to ensure the accuracy and reliability of the financial information.

The Audit Committee is composed of three independent non-executive directors: Mr. M. Z. He, Mr. M. Y. Wei and Mr. M. T. Ma. Mr. M. T. Ma is the Chairman of the Audit Committee. The Audit Committee held three meetings during 2018, on 21 March 2018, 31 December 2018 and 15 February 2019. The attendance of each member of the Audit Committee is as follows:

CORPORATE GOVERNANCE REPORT (CONTINUED)

1. 2018年，本公司根据《上市公司治理准则》和《上市公司章程指引》的要求，结合公司实际情况，对《公司章程》进行了修订，并经2018年第一次临时股东大会审议通过。

No. Summary of Work

1. 根据《上市公司治理准则》和《上市公司章程指引》的要求，结合公司实际情况，对《公司章程》进行了修订，并经2018年第一次临时股东大会审议通过。
2. 根据《上市公司治理准则》和《上市公司章程指引》的要求，结合公司实际情况，对《公司章程》进行了修订，并经2018年第一次临时股东大会审议通过。
3. 根据《上市公司治理准则》和《上市公司章程指引》的要求，结合公司实际情况，对《公司章程》进行了修订，并经2018年第一次临时股东大会审议通过。
4. 根据《上市公司治理准则》和《上市公司章程指引》的要求，结合公司实际情况，对《公司章程》进行了修订，并经2018年第一次临时股东大会审议通过。
5. 根据《上市公司治理准则》和《上市公司章程指引》的要求，结合公司实际情况，对《公司章程》进行了修订，并经2018年第一次临时股东大会审议通过。
6. 根据《上市公司治理准则》和《上市公司章程指引》的要求，结合公司实际情况，对《公司章程》进行了修订，并经2018年第一次临时股东大会审议通过。

本公司根据《上市公司治理准则》和《上市公司章程指引》的要求，结合公司实际情况，对《公司章程》进行了修订，并经2018年第一次临时股东大会审议通过。

本公司根据《上市公司治理准则》和《上市公司章程指引》的要求，结合公司实际情况，对《公司章程》进行了修订，并经2018年第一次临时股东大会审议通过。

Nomination Committee

本公司根据《上市公司治理准则》和《上市公司章程指引》的要求，结合公司实际情况，对《公司章程》进行了修订，并经2018年第一次临时股东大会审议通过。

本公司根据《上市公司治理准则》和《上市公司章程指引》的要求，结合公司实际情况，对《公司章程》进行了修订，并经2018年第一次临时股东大会审议通过。

CORPORATE GOVERNANCE REPORT (CONTINUED)

於 2018 年，本公司繼續致力於加強與股東的溝通與聯繫，具體情況如下：

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

1	本公司於 2018 年 11 月 15 日召開 2018 年第三次股東大會，審議通過了 2018 年第三次臨時股東大會決議。
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2	本公司於 2018 年 11 月 15 日召開 2018 年第三次臨時股東大會，審議通過了 2018 年第三次臨時股東大會決議。
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本公司於 2018 年 11 月 15 日召開 2018 年第三次臨時股東大會，審議通過了 2018 年第三次臨時股東大會決議。此外，本公司還於 2018 年 11 月 15 日召開了 2018 年第三次臨時股東大會，審議通過了 2018 年第三次臨時股東大會決議。此外，本公司還於 2018 年 11 月 15 日召開了 2018 年第三次臨時股東大會，審議通過了 2018 年第三次臨時股東大會決議。

Remuneration Committee

本公司於 2018 年 11 月 15 日召開 2018 年第三次臨時股東大會，審議通過了 2018 年第三次臨時股東大會決議。此外，本公司還於 2018 年 11 月 15 日召開了 2018 年第三次臨時股東大會，審議通過了 2018 年第三次臨時股東大會決議。

於 2018 年 11 月 15 日，本公司召開了 2018 年第三次臨時股東大會，審議通過了 2018 年第三次臨時股東大會決議。此外，本公司還於 2018 年 11 月 15 日召開了 2018 年第三次臨時股東大會，審議通過了 2018 年第三次臨時股東大會決議。

於 2018 年，本公司繼續致力於加強與股東的溝通與聯繫，具體情況如下：

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

1	本公司於 2018 年 11 月 15 日召開 2018 年第三次臨時股東大會，審議通過了 2018 年第三次臨時股東大會決議。
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2	本公司於 2018 年 11 月 15 日召開 2018 年第三次臨時股東大會，審議通過了 2018 年第三次臨時股東大會決議。
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CORPORATE GOVERNANCE REPORT (CONTINUED)

Strategy Development Committee

The Strategy Development Committee ("SDC") is a sub-committee of the Board of Directors ("Board") of Harbin Electric Company Limited ("Company"). It is responsible for reviewing and recommending to the Board the Company's strategy, business plan, and major investment and financing decisions.

At its 31st meeting in 2018, the SDC reviewed the Company's strategy, business plan, and major investment and financing decisions. The members of the SDC are Mr. Wang Zhaoyan, Mr. Zhang Yiyang, Mr. Wang Yimin, Mr. Han Jiahua, and Mr. Wang Zhaoyan.

In 2018, the SDC held 3 meetings and discussed the following matters:

No.	Summary of Work
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- | | |
|---|--|
| 1 | Review and approve the Company's 2018 Business Plan and Budget |
| 2 | Review and approve the Company's 2017 Annual Report and Financial Statements |

The SDC reviewed the Board's proposals on the Company's 2018 Business Plan and Budget, and approved them. It also reviewed the Company's 2017 Annual Report and Financial Statements, and approved them. In 2018, the SDC held 3 meetings and discussed the following matters: the Company's 2018 Business Plan and Budget, the Company's 2017 Annual Report and Financial Statements, and the Company's 2018 Strategy Development Plan.

AUDITORS AND THEIR REMUNERATION

In 2018, the Company's external auditors are BDO China SLL Pa Cheng and Pbc Accounting LLP (collectively "Auditors"). The total remuneration paid to the Auditors for the year ended December 31, 2018, was RMB2.50 million. The remuneration includes the audit fee, the fee for the preparation of the audit report, and the fee for the preparation of the audit opinion.

BDO China SLL Pa Cheng and Pbc Accounting LLP (collectively "Auditors") are the external auditors of the Company. They have provided the Company with audit services since its listing. The remuneration paid to the Auditors for the year ended December 31, 2018, was RMB2.50 million.

The Board of Directors of the Company has approved the remuneration paid to the Auditors for the year ended December 31, 2018, and the remuneration paid to the Auditors for the year ended December 31, 2019.

CORPORATE GOVERNANCE REPORT (CONTINUED)

COMPANY SECRETARY

In 2018, M. A. L. ... a ... C ... a ... Sc ... a ... , a d M. T ... Ta ... C ... , M ... a ... J ... Sc ... a ...
C ... a ... , a ... M. A ... ca ... d ... a ... C ... a ... Sc ... a I 2018, M. A. a ... a ... d ... ; ... a 15
; a ... a ... ; d b ... a ... za ... c ... a ... H ... K ... I ... C ... a ... d ... Sc ... a

SHAREHOLDERS RIGHTS

P ... a ... A ... c ... A ... c ... a ... , ... ; ... ; ... ; ... ; d ... 10% ... ; a ... ; d b ... C ... a ...
... ; ... ; ... ; B ... a ... c ... ; ... ; a ... ; ... ; ... ; ... ; ... ; W ... ; ... ; C ... a ... c ... ; ... ; a ...
a ... a ... ; ... ; a ... ; d ... ; d ... 5% ... ; ... ; ... ; a ... ; ca ... ; ... ; ... ; ... ; C ... a ... a ...
; ... ; d ... ; ... ; a ... ; ... ; C ... a ... ; ... ; T ... ; C ... a ... a ... c ... ; d ... ; a ... ; da ... ; ... ; ... ;
a ... ; c ... ; ... ; d ... ; ... ; a ... ; ... ; a ... ; ... ; c ... ; ... ; ... ; b ... ; ... ; ... ; ... ; a ... ; ... ;

S ... a ... ; d ... ; ... ; d ... ; a ... ; ... ; d ... ; ... ; a ... ; ... ; ... ; ... ; C ... a ... c ... ; a ... ; da ... ; c ... ;
20 da ... ; ... ; ... ;

W ... ; a ... ; d ... ; ... ; ... ; c ... ; ... ; a ... ; ... ; ... ; ... ; a ... ; ... ; ca ... ; ... ; ... ; ... ; c ... ; d ... ; a ... ; b ... ;
d ... ;

(I) T ... ; a ... ; d ... ; ... ; d ... ; ... ; a ... ; 10% (... ; d ... ; 10%) ... ; a ... ; ... ; ... ; ... ; ... ; ... ;
... ; ... ; b ... ; ... ; d ... ; a ... ; ... ; ... ; ... ; ... ; ... ; ... ; a ... ; ... ; a ... ; d ... ; b ... ; ... ; B ... a ... d ... ;
c ... ; ... ; ... ; ... ; a ... ; ... ; ca ... ; ... ; a ... ; d ... ; a ... ; d ... ; ca ... ; ... ; ... ; ... ; ... ; T ... ; B ... a ... d ... ;
D ... ; ... ; a ... ; c ... ; ... ; a ... ; ... ; a ... ; ca ... ; ... ; ... ; a ... ; ... ; c ... ; ... ; a ... ; b ... ; ... ; ... ;

(II) I ... ; B ... a ... d ... ; D ... ; ... ; d ... ; ... ; a ... ; ... ; c ... ; ... ; c ... ; ... ; ... ; ... ; ... ; ... ; 30 da ... ; a ... ; ... ; c ... ; ... ; a ... ; b ... ;
... ; ... ; ... ; a ... ; d ... ; ... ; ... ; a ... ; c ... ; ... ; ... ; ... ; ... ; ... ; ... ; ... ; 4 ... ; a ... ; ... ; c ... ; ... ; ... ;
; ... ; ... ; B ... a ... d ... ; D ... ;

T ... ; C ... a ... a ... ; a ... ; d ... ; ... ; ... ; a ... ; a ... ; d ... ; ... ; a ... ; a ... ; d ... ; ... ; a ... ; a ... ; c ... ; ... ;
a ... ; d ... ; c ... ; ... ; a ... ; c ... ; A ... ; ... ; ... ; d ... ; ... ; C ... a ... , a ... ; d ... ; ... ; ... ; ... ; ... ;
b ... a ... a ... ; d ... ; ... ; a ... ; d ... ; ... ; c ... ; ... ; a ... ; ... ; b ... ; a ... ; . S ... a ... ; d ... ; ... ; ... ; a ... ; a ... ; d ... ; ... ;
d ... ; c ... - a ... ; ... ; ... ; ... ; C ... a ... ' ... ; ... ; ... ; a ... ; . S ... a ... ; d ... ; a ... ; ... ; a ... ; d ... ; ... ; ... ; a ... ; ... ; a ... ;
a ... ; ... ; B ... a ... d ... ; T ... ; B ... a ... a ... ; d ... ; c ... ; ... ; a ... ; ... ; a ... ; ... ; b ... ; ... ; ... ; ... ; d ... ; ... ;

S ... a ... ; d ... ; ca ... ; c ... ; ... ; C ... a ... ; ... ; a ... ; a ... ; ca ... ; ... ; , c ... ; a ... ; ... ; ... ; a ... ; a ... ; d ... ; ... ; a ... ; T ... ; c ... ; ... ; d ... ;
a ... ; d ... ; ca ... ; b ... ; ... ; d ... ; bac ... ; ... ; B ... a ... d ... ; ... ; C ... a T ... ; c ... ; ... ; ... ; ... ; ... ; ... ; a ... ; ... ; a ... ;
a ... ; a ... ; b ... ; ... ; ... ; d ... ; ... ; b ... ; ... ; ... ; ... ; C ... a ... ; ... ; c ... ; a ... ; . S ... a ... ; d ... ; ... ; C ... a ... ; ca ... ; ... ; ... ;
c ... ; ... ; ... ; ... ; C ... a ... ; ... ; d ... ; ... ; c ... ; ... ; 7 da ... ; a ... ; ... ; c ... ; ... ; a ... ; a ... ; b ... ; c ... ; a ... ; .

T ... ; c ... ; ... ; a ... ; d ... ; ... ; C ... a ... ; H ... a ... b ... ; E ... ; ... ; c ... ; C ... a ... ; ... ; C ... ; ., L ... ; ... ; a ... ; ... ; ... ; d ... ; c ... ; a ... ; ... ; ... ; d ... ;
P ... ; ... ; R ... ; ... ; b ... ; c ... ; C ... a

To the shareholders of Harbin Electric Company Limited:

I. AUDIT OPINION

W e a u d i t e d t h e a c c o u n t a n c e s o f H a r b i n E l e c t r i c C o m p a n y L i m i t e d (" C o m p a n y ") i n a c c o r d a n c e w i t h t h e a u d i t p r o g r a m a d o p t e d b y t h e C h i n e s e I n s t i t u t e o f C e r t i f i e d P u b l i c A c c o u n t a n t s (" C I P A ") o n D e c e m b e r 3 1 , 2 0 1 8 . I n a c c o r d a n c e w i t h t h e a u d i t p r o g r a m a d o p t e d b y t h e C I P A o n D e c e m b e r 3 1 , 2 0 1 8 , w e h a v e a u d i t e d t h e a c c o u n t a n c e s o f t h e C o m p a n y a n d i t s s u b s i d i a r y c o m p a n y a s o f a n d f o r t h e p e r i o d e n d i n g o n D e c e m b e r 3 1 , 2 0 1 8 .

W e b e l i e v e t h a t t h e a c c o u n t a n c e s a n d t h e a c c o m p a n y i n g i n f o r m a t i o n a c c o m p a n y i n g t h e a c c o u n t a n c e s a n d t h e a c c o m p a n y i n g i n f o r m a t i o n p r e s e n t e d i n t h e A c c o u n t a n c e S t a t e m e n t o f H a r b i n E l e c t r i c C o m p a n y L i m i t e d a n d i t s s u b s i d i a r y c o m p a n y a s o f a n d f o r t h e p e r i o d e n d i n g o n D e c e m b e r 3 1 , 2 0 1 8 , p r e s e n t a f a i r a n d r e a s o n a b l e v i e w o f t h e C o m p a n y ' s f i n a n c i a l p o s i t i o n a n d r e s u l t s o f o p e r a t i o n s .

II. THE BASIS FOR THE FORMATION OF AUDIT OPINIONS

W e c o n d u c t e d t h e a u d i t a c c o r d a n c e w i t h t h e C h i n e s e A u d i t S t a n d a r d C o m p a n y P r o f e s s i o n a l A c c o u n t a n t s T e r m s o f R e f e r e n c e C o n t r a c t P r o f e s s i o n a l A u d i t F a c t a S t a n d a r d s a n d t h e a u d i t p r o g r a m a d o p t e d b y t h e C I P A o n D e c e m b e r 3 1 , 2 0 1 8 . I n a c c o r d a n c e w i t h t h e C h i n e s e A u d i t S t a n d a r d C o m p a n y P r o f e s s i o n a l A c c o u n t a n t s T e r m s o f R e f e r e n c e C o n t r a c t P r o f e s s i o n a l A u d i t F a c t a S t a n d a r d s , w e a u d i t e d t h e H E C a d a u t o r ' s a u d i t e d t h e a c c o u n t a n c e s o f t h e C o m p a n y a n d i t s s u b s i d i a r y c o m p a n y a s o f a n d f o r t h e p e r i o d e n d i n g o n D e c e m b e r 3 1 , 2 0 1 8 .

AUDITORS' REPORT (CONTINUED)

Key audit matters

Audit reaction

- (5) We audited the allowance for doubtful accounts. The allowance for doubtful accounts is determined based on the aging of the accounts receivable and the historical experience of the company. We performed audit procedures to test the allowance for doubtful accounts, including reviewing the aging schedule, testing the historical experience, and performing analytical procedures. We found that the allowance for doubtful accounts is adequate.
- a: The allowance for doubtful accounts is determined based on the aging of the accounts receivable and the historical experience of the company. We performed audit procedures to test the allowance for doubtful accounts, including reviewing the aging schedule, testing the historical experience, and performing analytical procedures. We found that the allowance for doubtful accounts is adequate.
- b: The allowance for doubtful accounts is determined based on the aging of the accounts receivable and the historical experience of the company. We performed audit procedures to test the allowance for doubtful accounts, including reviewing the aging schedule, testing the historical experience, and performing analytical procedures. We found that the allowance for doubtful accounts is adequate.

(II) Bad debt provision for accounts receivable

- On December 31, 2018, the allowance for doubtful accounts is determined based on the aging of the accounts receivable and the historical experience of the company. We performed audit procedures to test the allowance for doubtful accounts, including reviewing the aging schedule, testing the historical experience, and performing analytical procedures. We found that the allowance for doubtful accounts is adequate.
- (1) We audited the allowance for doubtful accounts. The allowance for doubtful accounts is determined based on the aging of the accounts receivable and the historical experience of the company. We performed audit procedures to test the allowance for doubtful accounts, including reviewing the aging schedule, testing the historical experience, and performing analytical procedures. We found that the allowance for doubtful accounts is adequate.
- (2) We audited the allowance for doubtful accounts. The allowance for doubtful accounts is determined based on the aging of the accounts receivable and the historical experience of the company. We performed audit procedures to test the allowance for doubtful accounts, including reviewing the aging schedule, testing the historical experience, and performing analytical procedures. We found that the allowance for doubtful accounts is adequate.
- (3) We audited the allowance for doubtful accounts. The allowance for doubtful accounts is determined based on the aging of the accounts receivable and the historical experience of the company. We performed audit procedures to test the allowance for doubtful accounts, including reviewing the aging schedule, testing the historical experience, and performing analytical procedures. We found that the allowance for doubtful accounts is adequate.
- (4) We audited the allowance for doubtful accounts. The allowance for doubtful accounts is determined based on the aging of the accounts receivable and the historical experience of the company. We performed audit procedures to test the allowance for doubtful accounts, including reviewing the aging schedule, testing the historical experience, and performing analytical procedures. We found that the allowance for doubtful accounts is adequate.

AUDITORS' REPORT (CONTINUED)

IV. OTHER INFORMATION

Harbin Electric Company Limited (hereinafter referred to as "the Company") has issued the 2018 Annual Report, which includes the financial statements and other information. The Company is responsible for the accuracy and completeness of the information provided in the Annual Report.

Our audit was conducted in accordance with the applicable standards, and we have issued our audit opinion on the financial statements.

In addition, we have also audited the Company's internal control system, and we have issued our audit opinion on the internal control system. The Company is responsible for the accuracy and completeness of the information provided in the internal control system.

Based on our audit, we have issued our audit opinion on the financial statements and the internal control system. The Company is responsible for the accuracy and completeness of the information provided in the financial statements and the internal control system.

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

The Board of Directors, the Management, and the Supervisory Board of the Company are responsible for the preparation and fair presentation of the financial statements, and for the design, implementation, and maintenance of internal control systems that are effective in ensuring the reliability of the financial statements.

In addition, the Board of Directors, the Management, and the Supervisory Board of the Company are also responsible for the design, implementation, and maintenance of internal control systems that are effective in ensuring the reliability of the financial statements. The Company is responsible for the accuracy and completeness of the information provided in the financial statements and the internal control system.

The Board of Directors, the Management, and the Supervisory Board of the Company are responsible for the preparation and fair presentation of the financial statements, and for the design, implementation, and maintenance of internal control systems that are effective in ensuring the reliability of the financial statements.

VI. THE CPA'S RESPONSIBILITY OF AUDITING FINANCIAL STATEMENTS

Our audit was conducted in accordance with the applicable standards, and we have issued our audit opinion on the financial statements. The Company is responsible for the accuracy and completeness of the information provided in the financial statements. We have also audited the Company's internal control system, and we have issued our audit opinion on the internal control system. The Company is responsible for the accuracy and completeness of the information provided in the internal control system.

AUDITORS' REPORT (CONTINUED)

F... a... a... d... .. a c... .. d... .. c... a... a d... ..
c... a ca... .. a d... .. c... .. a d... .. . W... d... c b... .. a... .. a d... .. ,

CONSOLIDATION BALANCE SHEET

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

Items	Notes	December 31, 2018	January 1, 2018	December 31, 2017
Current assets:				
Cash and bank deposits	VI (I)	12,543,251,700.19	16,165,238,281.47	16,165,238,281.47
Derivative financial assets	VI (II)	600,000,000.00		
Financial assets at fair value through profit or loss				
Financial assets at fair value through other comprehensive income				
Loans and receivables	VI (III)	9,787,027,952.87	11,585,761,383.44	14,951,037,967.00
Receivables	VI (IV)	3,592,286,216.57	5,389,851,256.88	5,389,851,256.88
Prepaid expenses				
Contract assets				
Contract liabilities				
Other receivables	VI (V)	1,270,159,303.49	956,987,640.88	956,987,640.88
Inventory	VI (VI)	10,454,912,311.25	12,099,669,344.43	15,546,042,302.41
Intangible assets		3,212,257,379.48	3,480,285,176.50	3,480,285,176.50
Investments in subsidiaries		344,585,898.98	426,733,313.77	426,733,313.77
Investments in associates	VI (VII)	8,233,457,249.78	6,811,649,541.54	
Investments in structured entities				
Other financial assets	VI (VIII)	49,955,000.00		
Other non-current assets	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)

(All amounts in thousands of RMB)

Items	Notes	December 31, 2018	January 1, 2018	December 31, 2017
Non-current assets:				
Land use rights	VI (X)		492,068.11	492,068.11
Intangible assets				85,895,000.00
Available-for-sale financial assets	VI (XI)		49,300,000.00	
Derivative financial assets				
Long-term equity investments	VI (XII)	3,358,126.45	2,831,982.28	2,831,982.28
Long-term receivables	VI (XIII)	182,173,650.81	202,785,739.51	202,785,739.51
Other receivables	VI (XIV)	716,953,772.26	36,595,000.00	
Other non-current assets				
Long-term prepayments	VI (XV)	233,173,255.85	230,786,722.78	230,786,722.78
Fixed assets	VI (XVI)	5,868,709,413.99	5,960,919,220.49	5,960,919,220.49
Construction in progress	VI (XVII)	664,086,992.85	863,769,342.73	863,769,342.73
Investments in subsidiaries				
Investments in associates	VI (XVIII)	767,164,480.73	771,625,366.77	771,625,366.77
Derivative financial liabilities	VI (XIX)	274,062,234.32	239,205,849.67	239,205,849.67
Goodwill				
Long-term deferred income tax assets	VI (XX)	29,463,079.46	30,412,529.89	30,412,529.89
Deferred tax assets	VI (XXI)	490,142,216.40	430,581,741.83	430,581,741.83
Other non-current assets				
Long-term prepayments				
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

Cash and cash equivalents

Accumulated depreciation

Accumulated surplus

CONSOLIDATION BALANCE SHEET (CONTINUED)

(All amounts in thousands of RMB)

Items	No.	December 31, 2018	January 1, 2018	December 31, 2017
Current liabilities:				
Short-term borrowings	VI (XXII)	1,572,908,534.19	3,083,568,542.78	3,083,568,542.78
Bills payable				
Accounts payable	VI (XXIV)	1,701,564,614.29	803,027,749.69	803,027,749.69
Accounts receivable	VI (XXIII)	300,000,000.00		
Contract liabilities				
Financial liabilities				
Derivative financial instruments				
Notes payable	VI (XXV)	19,051,847,769.30	19,531,513,198.03	19,531,513,198.03
Advances from customers				19,691,124,928.12
Contract liabilities	VI (VII)	14,596,720,387.12	19,691,124,928.12	
Securities sold but not yet settled				
Financial instruments transferred				
Equity instruments issued	VI (XXVI)	296,206,737.79	319,715,914.16	319,715,914.16
Liabilities from structured entities		47,549,236.28	91,949,227.59	91,949,227.59
Warrant liabilities		20,641.00		
Liabilities from structured entities				
Trade payables	VI (XXVII)	374,043,503.79	240,442,949.52	240,442,949.52
Liabilities from structured entities		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
Reserves				
Reserves				
Securities bought back				
Securities sold				
Held-for-sale assets				
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)

(All amounts in thousands of RMB)

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

(A a i c a i a RMB)

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

C a i i i i i

C i Acc i i

Acc i S i i :

BALANCE SHEET (CONTINUED)

(All amounts in thousands of RMB)

Items	Notes	December 31, 2018	January 1, 2018	December 31, 2017
Non-current assets:				
Long-term receivables				
Derivatives				
Available-for-sale financial assets				12,000,000.00
Other derivatives				
Holdings				
Long-term equity investments				
Long-term equity investments	XV (III)	5,466,291,041.58	5,425,552,052.05	5,425,552,052.05
Other intangible assets		677,358,772.26	12,000,000.00	
Other intangible assets				
Intangible assets		6,150,320.21	6,708,228.65	6,708,228.65
Financial assets		795,309,836.61	798,179,797.82	798,179,797.82
Contract assets		23,645,834.05	3,933,699.89	3,933,699.89
Contract liabilities				
Other assets				
Intangible assets		82,557,354.89	84,260,507.51	84,260,507.51
Derivatives		21,493,873.47	2,611,819.30	2,611,819.30
Goodwill				
Long-term deposits				
Derivatives				
Other intangible assets				
Other intangible assets				
Intangible assets				
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

Cash and cash equivalents

Contract assets

Contract liabilities

BALANCE SHEET (CONTINUED)

(All amounts in thousands of RMB)

Items	Notes	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				
Accounts payable				
Prepaid expenses				
Trade payables				
Accounts receivable				
Other receivables				
Notes receivable				
Advances from customers				
Contract liabilities				
Securities sold but not yet settled				
Financial assets at fair value through profit or loss				
Equity instruments				
Liabilities for sale of business				
Warrant liabilities				
Liabilities for acquisition of business				
Trade receivables		6,488,694.44	-146,164,679.47	-146,164,679.47
Liabilities for sale of business		6,488,694.44	-146,164,679.47	-146,164,679.47
Other receivables		1,668,151,838.88	609,236,413.12	609,236,413.12
Receivables from related parties				
Receivables from non-related parties				
Securities sold but not yet settled				
Securities sold but not yet settled				
Holdings receivables				
Contract liabilities		200,000,000.00	2,999,707,500.00	2,999,707,500.00
Other contract liabilities				
Total current liabilities		8,877,050,963.15	9,973,416,878.52	9,973,416,878.52

BALANCE SHEET (CONTINUED)

(All amounts in thousands of RMB)

Items	Number	December 31, 2018	January 1, 2018	December 31, 2017
Non-current liabilities:				
Long-term debt		300,000,000.00	200,000,000.00	200,000,000.00
Deferred tax liabilities				
Other non-current liabilities				
Long-term debt				
Long-term debt		34,700,000.00	34,700,000.00	34,700,000.00
Deferred tax liabilities		41,455,972.22	42,831,672.22	42,831,672.22
Other non-current liabilities				
Long-term debt				
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)

(All amounts in thousands of RMB)

Items	Notes	December 31, 2018	January 1, 2018	December 31, 2017
Equity:				
Paid-up capital (paid-up)		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
Retained earnings		1,030,952,000.00	1,030,952,000.00	1,030,952,000.00
Capital				
Preferred capital				
Retained earnings				
Foreign currency		675,571,000.00	675,571,000.00	675,571,000.00
#Liabilities				
Retained earnings (paid-up) - foreign currency		1,706,523,000.00	1,706,523,000.00	1,706,523,000.00
Other				
Retained earnings				
Capital		3,625,820,100.48	3,628,404,836.53	3,628,404,836.53
Liabilities				
Other		63,358,777.91		
Retained earnings				
Capital				
Surplus reserves				
Retained earnings		645,909,005.07	623,302,301.46	623,302,301.46
Retained earnings		645,909,005.07	623,302,301.46	623,302,301.46
Other				
#Retained earnings				
#Capital				
#Retained earnings				
Gains				
Retained earnings		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

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CONSOLIDATION INCOME STATEMENTS

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

Items	Notes	Current Period	Period
1. Revenue		26,302,310,419.37	31,980,647,049.20
Income tax	VI (XLII)	25,879,460,850.62	31,540,323,856.38
Income tax	VI (XLIII)	422,786,538.17	440,314,100.89
Provision for doubtful accounts	VI (XLIV)	63,030.58	9,091.93
2. Total cost		26,407,437,378.71	31,704,374,594.40
Income tax	VI (XLII)	22,687,530,919.78	27,267,954,227.34
Income tax	VI (XLIII)	20,736,138.63	24,780,211.04
Provision for doubtful accounts	VI (XLIV)	27,263.79	15,292.72
Capital expenditure			
Non-current assets			
Non-current assets			
Provision for doubtful accounts			
Research and development			
Tax	VI (XLV)	203,240,789.57	178,624,849.16
Share	VI (XLVI)	731,236,125.20	639,375,988.88
Advertising	VI (XLVII)	1,465,162,135.63	1,695,026,548.09
Income tax: Patent		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 tax: Income tax		124,294,753.28	241,715,596.09
Income tax		62,278,154.48	47,822,335.41
Non-current assets		43,507,919.60	
Non-current assets			100,183,554.29
Interest	VI (L)	179,934,482.68	1,017,128,616.56
Cost	VI (LI)	491,545,231.57	
Other			
Add: Other	VI (LII)	174,777,343.70	45,731,908.93
Income tax ()	VI (LIII)	139,663,587.58	121,466,718.09
Income tax: Income tax		33,832,648.30	26,360,761.31
Gain	VI (LIV)	-4,285.22	496.06
Non-current assets ()	VI (LV)	812,129.03	
Gain	VI (LVI)		-12,995,817.33
Provision for doubtful accounts ()	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	Notes	Current Period	Period
3. Operating profits ("-" for loss)		212,405,289.10	434,103,183.78
Add: -	VI (LVIII)	47,261,642.78	72,224,866.35
I c d : G		4,876,415.01	50,539,789.12
Ga		1,620,168.00	325,314.71
L: -	VI (LIX)	102,812,797.65	162,961,645.20
I c d : L		38,647,346.91	
4. Profit before tax ("-" for loss)		156,854,134.23	343,366,404.93
L: c	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) B		71,316,651.84	194,226,740.00
N		31,370,985.77	66,741,853.90
*P			
(2) B		103,075,019.32	234,628,922.24
C		-387,381.71	26,339,671.66
T			
6. Other comprehensive income after tax		66,567,309.74	27,890,241.37
O		66,510,166.44	25,453,003.92
(1) C		63,358,777.91	
1. R			
a			
2. S			
a			
c			
3. N		63,358,777.91	
a			
c			
4. Fa			
a			
5. O			

CONSOLIDATION INCOME STATEMENTS (CONTINUED)

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

Items	Number	Current Period	Period
(2) Operating income		3,151,388.53	25,453,003.92
1. Sales income			
2. Net income		434,106.70	
3. Gain on disposal of assets			18,515,228.86
4. Tax income			
5. Gain on disposal of financial assets			
6. Operating expenses		-690,309.68	11,046,444.74
7. Cash income		3,407,591.51	-4,108,669.68
9. Operating income			
*Operating income		57,143.30	2,437,237.45
7. Total comprehensive income		169,254,947.35	288,858,835.27
Total comprehensive income		137,826,818.28	219,679,743.92
*Total comprehensive income		31,428,129.07	69,179,091.35
8. Earnings per share:			
(1) Basic earnings per share		0.04	0.14
(2) Diluted earnings per share		0.04	0.14

Cash and cash equivalents

Cash and cash equivalents

Accumulated surplus

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/A	Current Period	P	P	d

INCOME STATEMENTS (CONTINUED)

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

Items	Non-current	Current Period	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			

Cash and cash equivalents

Current assets

Current liabilities

CONSOLIDATION CASH FLOW STATEMENT

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

Items	Notes	Current Period	Period
1. Cash flows from operating activities:			
Cash added		22,354,782,681.00	28,225,962,462.60
Net cash added		898,590,519.60	-1,871,034,396.96
Net cash added		-400,000,000.00	
Cash added		424,925,505.86	447,167,753.39
Net cash added		126,401,116.57	482,180,368.30
Other cash added		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 added		19,119,364,492.84	24,402,799,893.73
Net cash added		-492,068.11	-6,059,019.07
Net cash added		-112,415,761.06	-36,795,414.91
Cash added		36,902,209.86	28,321,122.91
Cash added		2,839,831,972.33	2,815,255,957.74
Tax added		1,496,406,732.76	1,312,144,726.28
Other cash added		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	Notes	Current Period	Period
2. Cash flows from investing activities:			
Cash paid for the acquisition of subsidiaries		4,220,000,000.00	3,390,000,000.00
Cash received from the disposal of subsidiaries		107,622,371.16	207,910,838.39
Net cash received from the disposal of subsidiaries, less bank charges		4,456,938.83	7,040,342.41
Net cash received from the disposal of subsidiaries, less bank charges		3,607,833.22	
Other cash received from investing activities		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 the acquisition of subsidiaries, less bank charges		398,730,260.63	1,029,227,966.42
Cash paid for the acquisition of subsidiaries		2,267,999,994.35	4,090,000,000.00
Net cash paid for the acquisition of subsidiaries			
Net cash paid for the acquisition of subsidiaries, less bank charges		5,467,409.36	2,983,041.09
Other cash paid for investing activities			
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/A	Current Period	Period
3. Cash flows from financing activities:			
Cash received from issuing shares		1,269,999,456.00	
Interest received on bank deposits			
Dividend income			
Cash received from bank borrowings		1,064,550,263.57	1,410,490,000.00
Cash received from other financing activities			
Other cash received		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 acquisition of other intangible assets			
Interest received on bank deposits		192,880,766.41	178,148,351.58
Interest received on other financial assets			
Dividend income		31,707,132.77	
Other cash received		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: balance at beginning of period		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 期	Current Period	P 期
2. Cash flows from investing activities:			
Ca 收 入 的 现 金 及 现 金 等 价 物			800,000,000.00
Ca 支 出 的 现 金 及 现 金 等 价 物		386,468,386.17	268,448,263.88
Net cash generated from investing activities			
Ca 收 入 的 现 金 及 现 金 等 价 物			
Ca 支 出 的 现 金 及 现 金 等 价 物			
Net cash generated from investing activities			
Ca 收 入 的 现 金 及 现 金 等 价 物			
Ca 支 出 的 现 金 及 现 金 等 价 物		15,183,675.00	
Total cash inflows from investing activities		401,652,061.17	1,068,448,263.88
Ca 支 出 的 现 金 及 现 金 等 价 物			
Ca 支 出 的 现 金 及 现 金 等 价 物			
Net cash generated from investing activities			
Ca 支 出 的 现 金 及 现 金 等 价 物			
Ca 支 出 的 现 金 及 现 金 等 价 物			
Net cash generated from investing activities			
Ca 支 出 的 现 金 及 现 金 等 价 物			
Ca 支 出 的 现 金 及 现 金 等 价 物		1,050,000.00	33,481,914.02
Ca 支 出 的 现 金 及 现 金 等 价 物		1,157,979,994.35	600,000,000.00
Net cash generated from investing activities			
Ca 支 出 的 现 金 及 现 金 等 价 物			
Ca 支 出 的 现 金 及 现 金 等 价 物			
Net cash generated from investing activities			
Ca 支 出 的 现 金 及 现 金 等 价 物			
Ca 支 出 的 现 金 及 现 金 等 价 物			
Net cash generated 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	Number	Current Period	Period
3. Cash flows from financing activities:			
Cash received from issuing debt			1,269,999,456.00
Cash received from issuing equity		2,050,000,000.00	200,000,000.00
Cash received from other financing activities			
Other cash received from financing activities			
Total cash inflows from financing activities		2,050,000,000.00	1,469,999,456.00
4. Effect of foreign exchange rate changes on cash and cash equivalents			
Cash paid for acquisition of subsidiaries		3,147,157,350.00	
Cash paid for acquisition of intangible assets, investment in subsidiaries, etc.		77,970,960.36	41,302,273.53
Other cash paid for acquisition of subsidiaries			
Other cash paid for acquisition of subsidiaries			
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
5. Net increase in cash and cash equivalents			
Add: balance at the beginning of the period		-2,090,990,550.30	1,904,085,795.98
Change in cash and cash equivalents		3,481,580,580.67	1,577,494,784.69

CONSOLIDATION STATEMENTS OF CHANGES IN EQUITY

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

CONSOLIDATION STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

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

Items	P a i d		E x t r a		C a p i t a l	C o n t r i b u t i o n s	S p e c i a l i z e d r e s e r v e	S u p e r p r o f i t	G e n e r a l r e s e r v e	P r o f i t a b l e r e s e r v e	S u n d e r e d	M i n o r i t y i n t e r e s t	T o t a l
	P a y a b l e	R e c e i v a b l e	P a y a b l e	R e c e i v a b l e									
1. Ending balance of last year	1,376,806,000.00	2,764,208,680.41	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: (1) Total comprehensive income													
(2) Owner's contributions and withdrawals of capital													
1. C o n t r i b u t i o n s													
2. C a p i t a l w i t h d r a w a l s													
3. S a t i s f a c t o r y w i t h d r a w a l s													
4. A c c r u a l a n d u t i l i z a t i o n o f s p e c i a l i z e d r e s e r v e													
(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 s s e s s m e n t													
2. A c c r u a l													
3. D i s t r i b u t i o n													
4. T r a n s f e r w i t h i n o w n e r ' s e q u i t y													
1. C a p i t a l a d d i t i o n													
2. S u n d e r e d													
3. P r o f i t													
4. D i s t r i b u t i o n													
5. O t h e r													
6. O t h e r													
4. Ending balance of current year	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
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		22,606,703.61		177,682,487.48		261,243,269.00
(2) Owner's contributions and withdrawals of capital				-2,584,736.05		63,353,777.91		22,606,703.61		226,687,035.09		289,425,814.00
1. Capital contribution				-2,584,736.05								-2,584,736.05
2. Cash contribution												
3. Shareholder contribution												
4. Other												
(3) Accrual and utilization of specialized reserve				-2,584,736.05								-2,584,736.05
1. Accrual								22,606,703.61		-48,204,348.61		-25,597,645.00
2. Utilization								22,606,703.61		-22,606,703.61		
(4) Profits distribution								22,606,703.61		-22,606,703.61		
1. Appropriation								22,606,703.61				
2. Dividend												
3. Dividend distribution												
4. Other												
(5) Transfer within owner's equity										-55,597,645.00		-55,597,645.00
1. Capital reserve transfer to retained earnings												
2. Specialized reserve transfer to retained earnings												
3. Retained earnings transfer to capital reserve												
4. Dividend distribution transfer to capital reserve												
5. Other												
6. Other												
4. Ending balance of current year	1,706,523,000.00			3,625,820,100.48		63,353,777.91		645,999,005.07		1,188,904,907.68		7,410,515,791.14

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STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

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

Items	Beginning balance of last year			Additions			Deductions			Total
	Ending balance of last year	Accruals	Disposals	Contributions	Specialized	Reserves	Contributions	Specialized	Reserves	
1. Ending balance of last year	1,376,806,000.00			2,888,122,380.53	623,302,301.46		1,211,488,800.15			5,899,719,282.14
Add: Capital increase										
Accruals										
Disposals										
2. Beginning balance of current year	1,376,806,000.00			2,888,122,380.53	623,302,301.46		1,211,488,800.15			5,899,719,282.14
3. Increase/decrease for current year "—" for decrease										
(1) Total comprehensive income		329,717,000.00		940,282,456.00			-220,446,179.95			1,049,532,276.05
(2) Owner's contributions and withdrawals of capital		329,717,000.00		940,282,456.00			-179,141,999.95			1,289,999,456.00
1. Contributions		329,717,000.00		940,282,456.00						1,289,999,456.00
2. Capital withdrawals										
3. Specialized reserves										
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 increase										
2. Specialized reserves										
3. Reserves										
4. Dividend										
5. Other										
6. Other										
4. Ending balance of current year	1,706,523,000.00			3,828,404,836.53	623,302,301.46		991,042,420.20			6,949,272,558.19

C a n a l i z e i n t e r n a l r e s e r v e s : C a n a l i z e i n t e r n a l r e s e r v e s : Acc S e t

NOTES TO FINANCIAL STATEMENTS

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

I. INFORMATION ABOUT THE COMPANY

(I) Company profile

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b a d b S C R d Ec c S N b 5, 1994.

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O D c b 1, 2017, i a d i ' i a d i a i d i c a i
Ha b G , c d 3,297,700 i a . O D c b 6, 2017, i c a c i d a a d d a
a c a CNY329,717,000.00 a d b Ha b G c c , a d i i d c a a d a

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan unless otherwise specified)

I. INFORMATION ABOUT THE COMPANY (CONTINUED)

(I) Company profile (Continued)

Registration Number: 91230100127575573H

Legal Representative: Song Zhen

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

Postal Address: Harbin Electric Company

The Company is a public company listed on the Shanghai Stock Exchange, with its shares listed under the code 601225.

Main Business: Manufacturing of power equipment, electrical equipment, and power transmission equipment, and related services.

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 Limited
- Harbin Electric Company Limited Macau Branch, Ltd.
- Harbin Electric Company Limited Singapore Branch, Ltd.
- Harbin Electric Company Limited Hong Kong Branch, Ltd.
- Harbin Electric Company Limited (QHD) Harbin Electric Company Limited
- Harbin Electric Company Limited (P) Harbin Electric Company Limited
- Harbin Electric Company Limited (G) Harbin Electric Company Limited
- Harbin Electric Company Limited (F) Harbin Electric Company Limited
- Harbin Electric Company Limited (H.E.C) Harbin Electric Company Limited
- Harbin Electric Company Limited (S.A.E) Harbin Electric Company Limited

The consolidated financial statements are prepared in accordance with the accounting standards for consolidated financial statements in China.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

II. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

(I) Basis of preparation

The financial statements are prepared on the basis of the accounting policies and methods consistently applied. The accounting policies and methods are based on the Accounting Standards for Business Enterprises (ASBEs), issued by the Ministry of Finance of the People's Republic of China (the "Ministry of Finance"), and the Accounting Standards for Business Enterprises - Application Guide (ASBEs Application Guide), issued by the Ministry of Finance, and the Accounting Standards for Business Enterprises - Interpretations (ASBEs Interpretations), issued by the Ministry of Finance. The financial statements are prepared on the basis of the accounting policies and methods consistently applied. The accounting policies and methods are based on the Accounting Standards for Business Enterprises (ASBEs), issued by the Ministry of Finance of the People's Republic of China (the "Ministry of Finance"), and the Accounting Standards for Business Enterprises - Application Guide (ASBEs Application Guide), issued by the Ministry of Finance, and the Accounting Standards for Business Enterprises - Interpretations (ASBEs Interpretations), issued by the Ministry of Finance.

(II) Going concern

The Company has no material uncertainties about its ability to continue as a going concern.

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Company's accounting policies and estimates are based on the Accounting Standards for Business Enterprises (ASBEs), issued by the Ministry of Finance of the People's Republic of China (the "Ministry of Finance"), and the Accounting Standards for Business Enterprises - Application Guide (ASBEs Application Guide), issued by the Ministry of Finance, and the Accounting Standards for Business Enterprises - Interpretations (ASBEs Interpretations), issued by the Ministry of Finance.

(I) Statement of compliance with corporate accounting standards

The Company's financial statements are prepared in accordance with the Accounting Standards for Business Enterprises (ASBEs), issued by the Ministry of Finance of the People's Republic of China (the "Ministry of Finance"), and the Accounting Standards for Business Enterprises - Application Guide (ASBEs Application Guide), issued by the Ministry of Finance, and the Accounting Standards for Business Enterprises - Interpretations (ASBEs Interpretations), issued by the Ministry of Finance.

(II) Accounting period

The accounting period of the Company is from January 1 to December 31 of each 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)

(All amounts are in RMB Yuan unless otherwise specified)

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 acquisition of entities under common control is treated as a transfer of assets and liabilities between related parties. The accounting treatment is based on the substance of the transaction. The acquired assets and liabilities are measured at their carrying amounts in the transferor's financial statements at the acquisition date. The difference between the carrying amount of the net assets acquired and the consideration paid is recognized as capital reserve or other comprehensive income.

Business combinations involving entities not under common control: The acquisition of entities not under common control is treated as an acquisition of an intangible asset. The acquired assets and liabilities are measured at their fair values at the acquisition date. The difference between the fair value of the net assets acquired and the consideration paid is recognized as goodwill. The goodwill is tested for impairment at the acquisition date and at the end of each reporting period. If there is any impairment, the impairment loss is recognized in the profit or loss.

The acquisition of entities not under common control is treated as an acquisition of an intangible asset. The acquired assets and liabilities are measured at their fair values at the acquisition date. The difference between the fair value of the net assets acquired and the consideration paid is recognized as goodwill. The goodwill is tested for impairment at the acquisition date and at the end of each reporting period. If there is any impairment, the impairment loss is recognized in the profit or loss.

(VI) Preparation of consolidated financial statements

The consolidated financial statements are prepared based on the financial statements of the Company and its subsidiaries. The consolidation is performed using the cost of acquisition method. The consolidated financial statements are prepared in accordance with the accounting standards for consolidated financial statements.

The consolidated financial statements are prepared based on the financial statements of the Company and its subsidiaries. The consolidation is performed using the cost of acquisition method. The consolidated financial statements are prepared in accordance with the accounting standards for consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the accompanying Chinese)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Preparation of consolidated financial statements (Continued)

The Company's financial statements are prepared on the basis of the accounting principles and methods that are consistent with those used in the preparation of the financial statements of the individual entities included in the consolidated financial statements. The Company's financial statements are prepared on the basis of the accounting principles and methods that are consistent with those used in the preparation of the financial statements of the individual entities included in the consolidated financial statements.

When preparing consolidated financial statements, the Company uses the following accounting principles and methods:

When preparing consolidated financial statements, the Company uses the following accounting principles and methods:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information in the notes to the financial statements, the company is required to provide the following information in CNY)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Preparation of consolidated financial statements (Continued)

(2) *Debt restructuring*

Subsidiary debt restructuring

When a subsidiary debt restructuring is completed, the company shall recognize the difference between the carrying amount of the debt and the fair value of the assets used to settle the debt as a gain or loss on debt restructuring. The gain or loss on debt restructuring shall be recognized in the profit or loss account of the period.

The company shall recognize the difference between the carrying amount of the debt and the fair value of the assets used to settle the debt as a gain or loss on debt restructuring.

Accrued interest on debt shall be recognized as a liability of the company.

Accrued interest on debt shall be recognized as a liability of the company.

Other debt restructuring shall be recognized as a liability of the company.

The company shall recognize the difference between the carrying amount of the debt and the fair value of the assets used to settle the debt as a gain or loss on debt restructuring. The gain or loss on debt restructuring shall be recognized in the profit or loss account of the period. However, the gain or loss on debt restructuring shall not be recognized in the profit or loss account of the period if the debt restructuring is a modification of the terms of the debt.

The company shall recognize the difference between the carrying amount of the debt and the fair value of the assets used to settle the debt as a gain or loss on debt restructuring. The gain or loss on debt restructuring shall be recognized in the profit or loss account of the period.

(3) *Acquisition of subsidiaries*

The company shall recognize the difference between the carrying amount of the debt and the fair value of the assets used to settle the debt as a gain or loss on debt restructuring. The gain or loss on debt restructuring shall be recognized in the profit or loss account of the period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Preparation of consolidated financial statements (Continued)

(4) Preparation of consolidated financial statements (Continued)

The consolidated financial statements are prepared on the basis of the accounting records and supporting documents of the Company and its subsidiaries. The consolidated financial statements are prepared in accordance with the accounting policies and accounting estimates of the Company and its subsidiaries. The consolidated financial statements are prepared in accordance with the accounting policies and accounting estimates of the Company and its subsidiaries.

(VII) Classification of joint venture arrangements and accounting treatment

Joint venture arrangements are classified as follows:

When the Company has joint control over the joint venture, the joint venture is classified as a joint venture. When the Company has significant influence over the joint venture, the joint venture is classified as an associated enterprise.

The Company's accounting treatment for joint ventures is as follows:

- (1) For joint ventures, the Company uses the equity method to account for its investment. The Company recognizes its share of the joint venture's net income or loss in its consolidated financial statements.
- (2) For associated enterprises, the Company uses the equity method to account for its investment. The Company recognizes its share of the associated enterprise's net income or loss in its consolidated financial statements.
- (3) For joint ventures, the Company recognizes its share of the joint venture's net income or loss in its consolidated financial statements.
- (4) For associated enterprises, the Company recognizes its share of the associated enterprise's net income or loss in its consolidated financial statements.
- (5) For joint ventures, the Company recognizes its share of the joint venture's net income or loss in its consolidated financial statements.

For associated enterprises, the Company recognizes its share of the associated enterprise's net income or loss in its consolidated financial statements.

(VIII) Determination of cash and cash equivalents

The Company defines cash and cash equivalents as assets that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand, deposits with banks, and other short-term investments with a maturity of three months or less from the date of acquisition.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures 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 Company's business operations are conducted in CNY. The Company's financial statements are presented in CNY. The Company's financial statements are prepared in accordance with the accounting standards and practices in the PRC.

The Company's financial statements are prepared in accordance with the accounting standards and practices in the PRC. The Company's financial statements are prepared in accordance with the accounting standards and practices in the PRC. The Company's financial statements are prepared in accordance with the accounting standards and practices in the PRC.

2. Cash and cash equivalents

The Company's cash and cash equivalents are measured at fair value. The Company's cash and cash equivalents are measured at fair value. The Company's cash and cash equivalents are measured at fair value. The Company's cash and cash equivalents are measured at fair value.

The Company's cash and cash equivalents are measured at fair value. The Company's cash and cash equivalents are measured at fair value. The Company's cash and cash equivalents are measured at fair value. The Company's cash and cash equivalents are measured at fair value.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan unless otherwise stated)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments

Financial instruments include cash, accounts receivable, and other financial assets.

1. Cash and cash equivalents

The cash and cash equivalents are defined as the amount of cash and cash equivalents held by the company, including bank deposits, Treasury bills, and other highly liquid financial assets that are readily convertible into cash and whose value is stable. The cash and cash equivalents are measured at cost less impairment. The company uses the cash and cash equivalents for the purpose of meeting the company's short-term needs. The cash and cash equivalents are classified as current assets in the balance sheet. The company's cash and cash equivalents are denominated in RMB.

Financial instruments are classified as cash and cash equivalents if they are held for the purpose of meeting the company's short-term needs and are readily convertible into cash.

2. Accounts receivable

Accounts receivable are measured at cost less impairment.

Accounts receivable are measured at cost less impairment. The company uses the expected credit loss model to measure impairment. The company's accounts receivable are denominated in RMB. The company's accounts receivable are classified as current assets in the balance sheet. The company's accounts receivable are measured at cost less impairment. The company uses the expected credit loss model to measure impairment. The company's accounts receivable are denominated in RMB. The company's accounts receivable are classified as current assets in the balance sheet.

The company's accounts receivable are measured at cost less impairment. The company uses the expected credit loss model to measure impairment. The company's accounts receivable are denominated in RMB. The company's accounts receivable are classified as current assets in the balance sheet.

The company's accounts receivable are measured at cost less impairment. The company uses the expected credit loss model to measure impairment. The company's accounts receivable are denominated in RMB. The company's accounts receivable are classified as current assets in the balance sheet.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

2. *Classification and measurement of financial assets* (Continued)

Financial assets are classified into three categories: financial assets at fair value through profit or loss, financial assets at amortized cost, and financial assets at fair value through other comprehensive income.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as financial assets at fair value through profit or loss. Financial assets at amortized cost include financial assets held to collect contractual cash flows, and financial assets designated as financial assets at amortized cost. Financial assets at fair value through other comprehensive income include financial assets designated as financial assets at fair value through other comprehensive income.

When the business model for financial assets is to collect contractual cash flows, the financial assets are measured at amortized cost. When the business model is to both collect contractual cash flows and sell the financial assets, the financial assets are measured at fair value through other comprehensive income. When the business model is to sell the financial assets, the financial assets are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value. Financial assets at amortized cost are measured at amortized cost. Financial assets at fair value through other comprehensive income are measured at fair value.

Financial assets at fair value through profit or loss are measured at fair value. Financial assets at amortized cost are measured at amortized cost. Financial assets at fair value through other comprehensive income are measured at fair value. The fair value of financial assets is determined based on the market price of the financial assets. If there is no market price, the fair value is determined based on the present value of the expected cash flows.

When the business model for financial assets is to collect contractual cash flows, the financial assets are measured at amortized cost. When the business model is to both collect contractual cash flows and sell the financial assets, the financial assets are measured at fair value through other comprehensive income. When the business model is to sell the financial assets, the financial assets are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value.

Financial assets at amortized cost are measured at amortized cost. Financial assets at fair value through other comprehensive income are measured at fair value. The fair value of financial assets is determined based on the market price of the financial assets. If there is no market price, the fair value is determined based on the present value of the expected cash flows.

When the business model for financial assets is to collect contractual cash flows, the financial assets are measured at amortized cost. When the business model is to both collect contractual cash flows and sell the financial assets, the financial assets are measured at fair value through other comprehensive income. When the business model is to sell the financial assets, the financial assets are measured at fair value through profit or loss.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

2. *Classification and measurement of financial assets* (Continued)

Financial assets at amortized cost

Financial assets at amortized cost are those that are held within the business model whose objective is to hold the assets in order to collect contractual cash flows, and whose contractual terms give rise to cash flows that are solely payments of principal and interest. Typical examples include loans, receivables, debt securities, etc.

When the business model is to hold the assets in order to collect contractual cash flows, the financial asset is measured at amortized cost. The amortized cost is calculated as the cost of the financial asset minus any impairment losses, plus or minus any accretion or amortization.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those that are held within the business model whose objective is to trade the assets, or those that do not meet the criteria for classification as financial assets at amortized cost or financial assets at fair value through other comprehensive income. Typical examples include equity securities, debt securities, etc.

When the business model is to trade the assets, the financial asset is measured at fair value through profit or loss. The fair value is determined based on the market price of the financial asset.

When the business model is to hold the assets in order to collect contractual cash flows, the financial asset is measured at fair value through profit or loss. The fair value is determined based on the market price of the financial asset.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB million unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

3. Classification and measurement of financial assets

When a financial asset is classified as a financial asset at amortized cost, it is measured at amortized cost. When a financial asset is classified as a financial asset at fair value through profit or loss, it is measured at fair value. When a financial asset is classified as a financial asset at fair value through other comprehensive income, it is measured at fair value. When a financial asset is classified as a financial asset at fair value through profit or loss, it is measured at fair value. When a financial asset is classified as a financial asset at fair value through other comprehensive income, it is measured at fair value.

When a financial asset is classified as a financial asset at amortized cost, it is measured at amortized cost. When a financial asset is classified as a financial asset at fair value through profit or loss, it is measured at fair value. When a financial asset is classified as a financial asset at fair value through other comprehensive income, it is measured at fair value. When a financial asset is classified as a financial asset at fair value through profit or loss, it is measured at fair value. When a financial asset is classified as a financial asset at fair value through other comprehensive income, it is measured at fair value.

(1) Trade receivables are measured at amortized cost;

(2) Trade receivables are measured at amortized cost. When a trade receivable is classified as a financial asset at fair value through profit or loss, it is measured at fair value. When a trade receivable is classified as a financial asset at fair value through other comprehensive income, it is measured at fair value.

When a financial asset is classified as a financial asset at amortized cost, it is measured at amortized cost. When a financial asset is classified as a financial asset at fair value through profit or loss, it is measured at fair value. When a financial asset is classified as a financial asset at fair value through other comprehensive income, it is measured at fair value. When a financial asset is classified as a financial asset at fair value through profit or loss, it is measured at fair value. When a financial asset is classified as a financial asset at fair value through other comprehensive income, it is measured at fair value.

(1) Trade receivables are measured at amortized cost;

(2) Trade receivables are measured at amortized cost. When a trade receivable is classified as a financial asset at fair value through profit or loss, it is measured at fair value. When a trade receivable is classified as a financial asset at fair value through other comprehensive income, it is measured at fair value.

When a financial asset is classified as a financial asset at amortized cost, it is measured at amortized cost. When a financial asset is classified as a financial asset at fair value through profit or loss, it is measured at fair value. When a financial asset is classified as a financial asset at fair value through other comprehensive income, it is measured at fair value. When a financial asset is classified as a financial asset at fair value through profit or loss, it is measured at fair value. When a financial asset is classified as a financial asset at fair value through other comprehensive income, it is measured at fair value.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

4. *Classification and measurement of financial assets*

Financial assets are classified into three categories: (1) financial assets measured at amortized cost; (2) financial assets measured at fair value through other comprehensive income; and (3) financial assets measured at fair value through profit or loss. The classification is determined by the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets measured at amortized cost are those that are held within a business model whose objective is to hold the assets to collect contractual cash flows, and whose contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets measured at fair value through other comprehensive income are those that are held within a business model whose objective is both to collect contractual cash flows and to sell the financial assets, and whose contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets measured at fair value through profit or loss are those that do not meet the criteria for classification as financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income. These financial assets are measured at fair value, and changes in their fair value are recognized in profit or loss.

5. *Measurement of financial liabilities*

Financial liabilities are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income. Financial liabilities measured at amortized cost are those that are held within a business model whose objective is to hold the liabilities to collect contractual cash flows, and whose contractual terms give rise to cash flows that are solely payments of principal and interest. Financial liabilities measured at fair value through profit or loss are those that are held within a business model whose objective is not to hold the liabilities to collect contractual cash flows, or whose contractual terms do not give rise to cash flows that are solely payments of principal and interest. Financial liabilities measured at fair value through other comprehensive income are those that are held within a business model whose objective is both to collect contractual cash flows and to sell the financial liabilities, and whose contractual terms give rise to cash flows that are solely payments of principal and interest.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in millions of Chinese Yuan)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

6. *Trade receivables*

The Group assesses the credit risk of trade receivables at the end of each reporting period. The Group uses the simplified approach to measure expected credit losses, which uses a provision matrix to assess expected credit losses. The provision matrix is based on the Group's historical credit loss experience, adjusted for differences in risk characteristics, supported by observable data. The Group also considers the economic conditions and the risk of changes in these conditions in the future.

The Group's trade receivables are primarily from the sale of goods and services. The Group's trade receivables are classified into different categories based on the nature of the goods and services sold. The Group's trade receivables are measured at fair value less expected credit losses. The Group's trade receivables are classified into different categories based on the nature of the goods and services sold. The Group's trade receivables are measured at fair value less expected credit losses.

The Group's trade receivables are primarily from the sale of goods and services. The Group's trade receivables are classified into different categories based on the nature of the goods and services sold. The Group's trade receivables are measured at fair value less expected credit losses. The Group's trade receivables are classified into different categories based on the nature of the goods and services sold. The Group's trade receivables are measured at fair value less expected credit losses.

The Group's trade receivables are primarily from the sale of goods and services. The Group's trade receivables are classified into different categories based on the nature of the goods and services sold. The Group's trade receivables are measured at fair value less expected credit losses. The Group's trade receivables are classified into different categories based on the nature of the goods and services sold. The Group's trade receivables are measured at fair value less expected credit losses.

(1) *Trade receivables*

(2) *Trade receivables*

(3) *Trade receivables*

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

6. *Trade receivables* (classified as *Trade receivables*) (Continued)

For the period ended December 31, 2023, the Group's trade receivables are classified into three categories: *Trade receivables*, *Trade receivables* and *Trade receivables*. The Group's trade receivables are classified into three categories: *Trade receivables*, *Trade receivables* and *Trade receivables*.

Paragraph 1: The Group's trade receivables are classified into three categories: *Trade receivables*, *Trade receivables* and *Trade receivables*. The Group's trade receivables are classified into three categories: *Trade receivables*, *Trade receivables* and *Trade receivables*.

Paragraph 2: The Group's trade receivables are classified into three categories: *Trade receivables*, *Trade receivables* and *Trade receivables*. The Group's trade receivables are classified into three categories: *Trade receivables*, *Trade receivables* and *Trade receivables*.

Paragraph 3: The Group's trade receivables are classified into three categories: *Trade receivables*, *Trade receivables* and *Trade receivables*. The Group's trade receivables are classified into three categories: *Trade receivables*, *Trade receivables* and *Trade receivables*.

The Group's trade receivables are classified into three categories: *Trade receivables*, *Trade receivables* and *Trade receivables*. The Group's trade receivables are classified into three categories: *Trade receivables*, *Trade receivables* and *Trade receivables*.

The Group's trade receivables are classified into three categories: *Trade receivables*, *Trade receivables* and *Trade receivables*. The Group's trade receivables are classified into three categories: *Trade receivables*, *Trade receivables* and *Trade receivables*.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

7. Other financial assets

Other financial assets include equity investments, debt investments, and other financial assets. Equity investments are measured at cost less impairment. Debt investments are measured at amortized cost or fair value through profit or loss, depending on the classification. Other financial assets are measured at fair value through profit or loss.

8. Derivative financial instruments

Derivative financial instruments include forward exchange contracts, foreign exchange options, and other derivatives. They are measured at fair value through profit or loss. Gains or losses are recognized in the profit or loss account.

Forward exchange contracts are used to hedge foreign exchange risk. Foreign exchange options are used to hedge foreign exchange risk and to speculate on foreign exchange rates. Other derivatives are used for various purposes.

When a derivative financial instrument is designated as a hedging instrument, it is measured at fair value through profit or loss. Gains or losses are recognized in the profit or loss account. If a derivative financial instrument is not designated as a hedging instrument, it is measured at fair value through profit or loss. Gains or losses are recognized in the profit or loss account.

(XI) Provision for bad debt of the accounts receivable

Provision for bad debt of the accounts receivable is calculated based on the aging of the accounts receivable. The provision is measured as a percentage of the accounts receivable balance. The percentage is determined based on the historical experience of the company and the current economic conditions.

The provision for bad debt of the accounts receivable is recognized in the profit or loss account. It is a contra-asset account that reduces the carrying amount of the accounts receivable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

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 assesses the credit risk of each debtor and determines the provision for bad debt based on the historical loss experience and the current economic conditions. The Company uses the following criteria to assess the credit risk of each debtor:

The Company classifies accounts receivable into different categories based on the aging of the receivables. The provision for bad debt is calculated based on the aging of the receivables and the historical loss experience. The provision for bad debt is recorded as a liability in the balance sheet.

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

The Company also considers the debtor's financial condition, industry status, and other factors when assessing the credit risk of each debtor. The provision for bad debt is reviewed and adjusted as necessary.

The Company's policy for accounts receivable is to recognize revenue when the goods are delivered and the amount is due. The provision for bad debt is recorded as a liability in the balance sheet.

1) The Company's policy for accounts receivable is to recognize revenue when the goods are delivered and the amount is due.

The Company's policy for accounts receivable is to recognize revenue when the goods are delivered and the amount is due. The provision for bad debt is recorded as a liability in the balance sheet.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add in CNY)

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 the provision for bad debt is calculated as follows:

The Company determines the provision for bad debt based on the aging of accounts receivable. The Company's policy is to provide for bad debt based on the following percentages:

1-6 months	1%
7-12 months	5%
13-18 months	10%
19-24 months	20%
25 months and above	50%

III) The Company's policy is to provide for bad debt as follows:

Accounts receivable provision is calculated as follows:

The Company's policy is to provide for bad debt based on the following percentages:

0-100,000	1%
100,000-500,000	5%
500,000-1,000,000	10%
1,000,000-5,000,000	20%
5,000,000 and above	30%

(2) Other accounts receivable

The Company's policy is to provide for bad debt based on the following percentages:

1-6 months	1%
7-12 months	5%
13-18 months	10%
19-24 months	20%
25 months and above	50%

The Company's policy is to provide for bad debt based on the following percentages:

The Company's policy is to provide for bad debt based on the following percentages:

0-100,000	1%
100,000-500,000	5%
500,000-1,000,000	10%
1,000,000-5,000,000	20%
5,000,000 and above	30%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XII) Inventories

1. Cost

Inventory cost includes purchase cost, related taxes, and other costs incurred in the process of acquisition.

2. Valuation method

Inventory is measured 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 in selling the inventory.

When inventory is measured at net realizable value, the amount of the loss is recognized as an expense.

When inventory is measured at net realizable value, the amount of the gain is recognized as an expense.

3. Depreciation method

Inventory is measured 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 in selling the inventory.

When inventory is measured at net realizable value, the amount of the loss is recognized as an expense.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add 100% in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XII) Inventories (Continued)

3. *Detailed description of inventory items and their classification (CNY)*

At the end of the reporting period, the company's inventory items are classified into various categories. For example, raw materials, work-in-progress, finished goods, and consumables. The company's inventory items are measured at the lower of cost and net realizable value. The cost of inventory items is determined by the weighted average method. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs of sales.

In addition, the company's inventory items are also classified into various categories. For example, raw materials, work-in-progress, finished goods, and consumables. The company's inventory items are measured at the lower of cost and net realizable value. The cost of inventory items is determined by the weighted average method. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs of sales.

Under the company's accounting policy, inventory items are measured at the lower of cost and net realizable value. The cost of inventory items is determined by the weighted average method. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs of sales.

The company's inventory items are classified into various categories: raw materials, work-in-progress, finished goods, and consumables.

The company's inventory items are measured at the lower of cost and net realizable value. The cost of inventory items is determined by the weighted average method. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs of sales.

4. *Detailed description of inventory items and their classification (CNY)*

The company's inventory items are classified into various categories: raw materials, work-in-progress, finished goods, and consumables.

5. *Detailed description of inventory items and their classification (CNY)*

(1) The company's inventory items are classified into various categories: raw materials, work-in-progress, finished goods, and consumables.

(2) The company's inventory items are measured at the lower of cost and net realizable value. The cost of inventory items is determined by the weighted average method. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs of sales.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIII) Contract assets and contract liabilities

The Company recognizes contract assets when the Company has performed its obligations under a contract with the customer and the customer has the obligation to pay for the goods or services received. Contract assets are measured at the amount of consideration to which the Company is entitled in exchange for the goods or services transferred to the customer. Contract assets are recognized when the Company has performed its obligations under a contract with the customer and the customer has the obligation to pay for the goods or services received. Contract assets are measured at the amount of consideration to which the Company is entitled in exchange for the goods or services transferred to the customer.

Contract liabilities are recognized when the Company has received consideration from the customer but has not yet performed its obligations under the contract. Contract liabilities are measured at the amount of consideration received from the customer. Contract liabilities are recognized when the Company has received consideration from the customer but has not yet performed its obligations under the contract. Contract liabilities are measured at the amount of consideration received from the customer.

(XIV) Classified as assets held for sale

The Company classifies assets as held for sale when the Company has entered into a binding agreement to sell the assets, the assets are available for sale in their current condition, the sale is highly probable, and the sale is expected to be completed within one year from the date of classification.

(1) Balance sheet items classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

(2) The Company classifies assets as held for sale when the Company has entered into a binding agreement to sell the assets, the assets are available for sale in their current condition, the sale is highly probable, and the sale is expected to be completed within one year from the date of classification. The Company classifies assets as held for sale when the Company has entered into a binding agreement to sell the assets, the assets are available for sale in their current condition, the sale is highly probable, and the sale is expected to be completed within one year from the date of classification.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments

1. Jointly controlled entities

Jointly controlled entities are those entities in which the reporting entity and other parties have a contractual arrangement that gives them joint control over the entity. The reporting entity and other parties must agree on the financial and operating policies of the entity. The reporting entity and other parties must have the ability to influence the financial and operating policies of the entity. The reporting entity and other parties must have the ability to influence the financial and operating policies of the entity.

Shareholders of jointly controlled entities are those shareholders who have the ability to influence the financial and operating policies of the entity. The reporting entity and other parties must have the ability to influence the financial and operating policies of the entity. The reporting entity and other parties must have the ability to influence the financial and operating policies of the entity.

2. Discontinued operations

(1) Losses from discontinued operations

Losses from discontinued operations are those losses that are recognized in the period in which the reporting entity disposes of a component of the entity. The reporting entity must have the ability to influence the financial and operating policies of the component. The reporting entity must have the ability to influence the financial and operating policies of the component. The reporting entity must have the ability to influence the financial and operating policies of the component.

Losses from discontinued operations are those losses that are recognized in the period in which the reporting entity disposes of a component of the entity. The reporting entity must have the ability to influence the financial and operating policies of the component. The reporting entity must have the ability to influence the financial and operating policies of the component. The reporting entity must have the ability to influence the financial and operating policies of the component.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

2. *Dividends received from investees (including dividends received from associates and joint ventures)*

(1) *Long-term equity investments accounted for by the cost method*

The dividends received from investees are recognized as income when the dividends are declared by the investees. For dividends received from associates and joint ventures, the dividends are recognized as income when the dividends are declared by the investees.

The dividends received from investees are recognized as income when the dividends are declared by the investees. For dividends received from associates and joint ventures, the dividends are recognized as income when the dividends are declared by the investees.

The dividends received from investees are recognized as income when the dividends are declared by the investees. For dividends received from associates and joint ventures, the dividends are recognized as income when the dividends are declared by the investees.

The dividends received from investees are recognized as income when the dividends are declared by the investees. For dividends received from associates and joint ventures, the dividends are recognized as income when the dividends are declared by the investees.

3. *Share-based payments (including share-based payments to employees and directors)*

(1) *Share-based payments to employees and directors*

The share-based payments to employees and directors are recognized as expense when the share-based payments are granted. For share-based payments to employees, the share-based payments are recognized as expense when the share-based payments are granted. For share-based payments to directors, the share-based payments are recognized as expense when the share-based payments are granted.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in million RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

3. *Subsidiaries* (Continued)

(2) *Long-term equity investments*

Long-term equity investments are accounted for using the cost method. When the investee is a subsidiary, the investment is accounted for using the cost method. When the investee is an associate or joint venture, the investment is accounted for using the equity method. When the investment is accounted for using the equity method, the investor's share of the investee's profit or loss is recognized in the investor's profit or loss. When the investment is accounted for using the cost method, the investor's share of the investee's profit or loss is not recognized in the investor's profit or loss.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

3. *Subsidiaries* (Continued)

(2) *Long-term equity investments* (Continued)

For the subsidiaries listed above, the Company holds the controlling interest and has the power to govern the financial and operating policies of the subsidiaries. Therefore, the Company consolidates the financial statements of these subsidiaries. The consolidation is performed on the basis of the equity method. The Company's share of the net income of the subsidiaries is recognized as investment income in the consolidated financial statements. The Company's share of the net income of the subsidiaries is recognized as investment income in the consolidated financial statements. The Company's share of the net income of the subsidiaries is recognized as investment income in the consolidated financial statements.

(3) *Disposal of long-term equity investments*

For the subsidiaries listed above, the Company holds the controlling interest and has the power to govern the financial and operating policies of the subsidiaries. Therefore, the Company consolidates the financial statements of these subsidiaries. The consolidation is performed on the basis of the equity method. The Company's share of the net income of the subsidiaries is recognized as investment income in the consolidated financial statements. The Company's share of the net income of the subsidiaries is recognized as investment income in the consolidated financial statements. The Company's share of the net income of the subsidiaries is recognized as investment income in the consolidated financial statements.

For the subsidiaries listed above, the Company holds the controlling interest and has the power to govern the financial and operating policies of the subsidiaries. Therefore, the Company consolidates the financial statements of these subsidiaries. The consolidation is performed on the basis of the equity method. The Company's share of the net income of the subsidiaries is recognized as investment income in the consolidated financial statements. The Company's share of the net income of the subsidiaries is recognized as investment income in the consolidated financial statements. The Company's share of the net income of the subsidiaries is recognized as investment income in the consolidated financial statements.

When the Company disposes of long-term equity investments, the difference between the net proceeds from the disposal and the carrying amount of the long-term equity investments is recognized as investment income in the consolidated financial statements. The Company's share of the net income of the subsidiaries is recognized as investment income in the consolidated financial statements. The Company's share of the net income of the subsidiaries is recognized as investment income in the consolidated financial statements. The Company's share of the net income of the subsidiaries is recognized as investment income in the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

3. Subsidiaries (Continued)

(3) Daqing Oilfield (Continued)

With regard to the acquisition of Daqing Oilfield, the Company has applied the acquisition method to account for the acquisition. The acquisition cost is determined based on the fair value of the consideration transferred. The fair value of the consideration transferred is determined based on the fair value of the equity instruments issued. The fair value of the equity instruments issued is determined based on the closing price of the equity instruments on the acquisition date. The acquisition cost is allocated to the identifiable intangible assets and goodwill. The identifiable intangible assets are recognized as intangible assets and amortized over their useful lives. The goodwill is recognized as goodwill and is not amortized. The acquisition cost is allocated to the identifiable intangible assets and goodwill. The identifiable intangible assets are recognized as intangible assets and amortized over their useful lives. The goodwill is recognized as goodwill and is not amortized.

The Daqing Oilfield is a subsidiary of the Company. The Company has applied the acquisition method to account for the acquisition. The acquisition cost is determined based on the fair value of the consideration transferred. The fair value of the consideration transferred is determined based on the fair value of the equity instruments issued. The fair value of the equity instruments issued is determined based on the closing price of the equity instruments on the acquisition date. The acquisition cost is allocated to the identifiable intangible assets and goodwill. The identifiable intangible assets are recognized as intangible assets and amortized over their useful lives. The goodwill is recognized as goodwill and is not amortized.

(XVI) Investment property

The Company's investment property is measured at fair value. The fair value is determined based on the market value of the investment property. The fair value is determined based on the market value of the investment property. The fair value is determined based on the market value of the investment property.

The Company's investment property is measured at fair value. The fair value is determined based on the market value of the investment property. The fair value is determined based on the market value of the investment property. The fair value is determined based on the market value of the investment property.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVII) Fixed assets

1. Cost

Fixed assets are measured at cost. 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. For fixed assets purchased from related parties, the cost is determined based on the fair value of the asset.

(1) For fixed assets purchased from related parties, the cost is determined based on the fair value of the asset.

(2) For fixed assets purchased from unrelated parties, the cost is determined based on the purchase price.

2. Depreciation

Fixed assets are depreciated using the straight-line method. Depreciation is calculated based on the cost of the asset minus its estimated residual value, divided by its estimated useful life. Depreciation is recorded as an expense in the profit and loss statement.

For fixed assets that are not available for use, depreciation is not recorded. For fixed assets that are held for sale, depreciation is not recorded. For fixed assets that are fully depreciated, depreciation is not recorded. For fixed assets that are damaged or obsolete, depreciation is not recorded.

The following table shows the depreciation rates and methods for fixed assets:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan unless otherwise specified)

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 Company shall determine the lease term as the period for which the Company has the right to use the leased asset, and shall determine the lease liability as the present value of the lease payments.

(1) For operating leases, the Company shall recognize the lease payments as expenses on a straight-line basis over the lease term.

(2) For finance leases, the Company shall recognize the leased asset as a fixed asset and the lease liability as a liability. The Company shall depreciate the leased asset over its useful life, and shall recognize the interest expense on the lease liability over the lease term.

(3) For short-term leases, the Company shall recognize the lease payments as expenses on a straight-line basis over the lease term.

(4) For leases of low-value assets, the Company shall recognize the lease payments as expenses on a straight-line basis over the lease term.

Other accounting policies and estimates for right of use assets are consistent with those for fixed assets. The Company shall recognize the right of use asset as a fixed asset and the lease liability as a liability. The Company shall depreciate the right of use asset over its useful life, and shall recognize the interest expense on 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

1. *Construction in progress*

Construction in progress is measured at cost less accumulated depreciation and impairment losses. It includes the cost of materials, labor, and other direct costs, and an appropriate amount of indirect costs.

2. *Construction in progress - completed*

Construction in progress - completed is measured at cost less accumulated depreciation and impairment losses. It includes the cost of materials, labor, and other direct costs, and an appropriate amount of indirect costs. It is transferred to property, plant, and equipment when the construction is completed and ready for use. The cost of construction in progress - completed is recognized as an expense when the asset is used for its intended purpose. The cost of construction in progress - completed is also recognized as an expense when the asset is disposed of.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVIII) Construction in progress (Continued)

3. The Company's construction in progress is measured at cost less any accumulated depreciation and amortization.

At the end of the reporting period, the Company's construction in progress includes the following items:

With respect to the construction in progress, the Company's policy is to recognize the cost of construction in progress as an asset when the construction is in progress and the cost can be reliably measured. When the construction is completed, the cost of construction in progress is transferred to the appropriate asset category. The Company's construction in progress is measured at cost less any accumulated depreciation and amortization.

The Company's construction in progress is measured at cost less any accumulated depreciation and amortization. The Company's construction in progress is measured at cost less any accumulated depreciation and amortization.

With respect to the construction in progress, the Company's policy is to recognize the cost of construction in progress as an asset when the construction is in progress and the cost can be reliably measured. When the construction is completed, the cost of construction in progress is transferred to the appropriate asset category. The Company's construction in progress is measured at cost less any accumulated depreciation and amortization.

On the balance sheet, the Company's construction in progress is measured at cost less any accumulated depreciation and amortization.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Borrowing costs

1. **Capitalization of borrowing costs**

Borrowing costs are capitalized as part of the cost of the related asset when the asset is being constructed or otherwise produced. Borrowing costs are capitalized from the date of commencement of construction or production until the date of completion of the asset. Borrowing costs are capitalized at the actual interest rate incurred.

For the purpose of capitalization, the actual interest rate is the weighted average of the actual interest rates of borrowings used for the construction or production of the asset. Borrowing costs are capitalized on a systematic basis. Borrowing costs are capitalized until the asset is ready for use or sale. Borrowing costs are capitalized until the asset is ready for use or sale. Borrowing costs are capitalized until the asset is ready for use or sale.

At the end of the reporting period, the carrying amount of the asset (including the capitalized borrowing costs) is less than the recoverable amount, the carrying amount of the asset is written down to the recoverable amount. The amount of the write-down is recognized as an expense. The amount of the write-down is recognized as an expense. The amount of the write-down is recognized as an expense.

Capitalization of borrowing costs is applied to the following assets:

- (1) Assets that are being constructed or otherwise produced (including the capitalized borrowing costs) and the carrying amount of the asset is less than the recoverable amount. The amount of the write-down is recognized as an expense. The amount of the write-down is recognized as an expense. The amount of the write-down is recognized as an expense.
- (2) Assets that are being constructed or otherwise produced and the carrying amount of the asset is less than the recoverable amount. The amount of the write-down is recognized as an expense. The amount of the write-down is recognized as an expense. The amount of the write-down is recognized as an expense.
- (3) Assets that are being constructed or otherwise produced and the carrying amount of the asset is less than the recoverable amount. The amount of the write-down is recognized as an expense. The amount of the write-down is recognized as an expense. The amount of the write-down is recognized as an expense.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Borrowing costs (Continued)

2. Capitalized borrowing costs

The capitalized borrowing costs are calculated based on the weighted average of the borrowing costs incurred during the period. The capitalized borrowing costs are included in the cost of the related asset.

Capitalized borrowing costs are calculated based on the weighted average of the borrowing costs incurred during the period. The capitalized borrowing costs are included in the cost of the related asset.

Interest on the bank deposits, bank loans, and other borrowings is recognized as income or expense in the period in which it is incurred. Interest on the bank deposits, bank loans, and other borrowings is recognized as income or expense in the period in which it is incurred.

Interest on the bank deposits, bank loans, and other borrowings is recognized as income or expense in the period in which it is incurred. Interest on the bank deposits, bank loans, and other borrowings is recognized as income or expense in the period in which it is incurred.

3. Short-term capitalization

Capitalized borrowing costs are calculated based on the weighted average of the borrowing costs incurred during the period. The capitalized borrowing costs are included in the cost of the related asset. Capitalized borrowing costs are calculated based on the weighted average of the borrowing costs incurred during the period. The capitalized borrowing costs are included in the cost of the related asset.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB million unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Borrowing costs (Continued)

4. Capitalized borrowing costs

Successful acquisition of subsidiaries, construction of fixed assets and other long-term assets, the borrowing costs incurred during the period of construction or production of these assets, which are directly related to the acquisition or construction of these assets, shall be capitalized and included in the cost of the assets. Other borrowing costs shall be expensed as incurred.

For the acquisition of subsidiaries, the borrowing costs incurred during the period of construction or production of these assets, which are directly related to the acquisition or construction of these assets, shall be capitalized and included in the cost of the assets. Other borrowing costs shall be expensed as incurred.

For the construction of fixed assets and other long-term assets, the borrowing costs incurred during the period of construction or production of these assets, which are directly related to the acquisition or construction of these assets, shall be capitalized and included in the cost of the assets. Other borrowing costs shall be expensed as incurred.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Intangible assets

1. Valuation method

(1) Initial recognition

The cost of an intangible asset is the fair value of the consideration given in exchange for the asset.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add RMB in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Intangible assets (Continued)

2. Elected measurement methods:

When the fair value cannot be determined, the following methods are used: (1) The cost method; (2) The cost method minus accumulated amortization and impairment loss; (3) The cost method minus accumulated amortization and impairment loss; (4) The cost method minus accumulated amortization and impairment loss; (5) The cost method minus accumulated amortization and impairment loss; (6) The cost method minus accumulated amortization and impairment loss; (7) The cost method minus accumulated amortization and impairment loss.

At the end of the reporting period, the carrying amount of the intangible assets is RMB 100 million.

At the end of the reporting period, the carrying amount of the intangible assets is RMB 100 million.

3. Judgmental methods:

The following methods are used: 1. The cost method; 2. The cost method minus accumulated amortization and impairment loss.

At the end of the reporting period, the carrying amount of the intangible assets is RMB 100 million. The carrying amount of the intangible assets is RMB 100 million.

At the end of the reporting period, the carrying amount of the intangible assets is RMB 100 million. The carrying amount of the intangible assets is RMB 100 million.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Intangible assets (Continued)

4. Patents

Patents are intangible assets that are identifiable and controllable by the company, and are expected to bring economic benefits to the company in the future.

Patents are initially measured at cost. After initial recognition, patents are measured at cost less accumulated amortization and impairment losses.

Intangible assets with finite useful lives are amortized over their useful lives, and the amortization method is determined by the expected manner in which the economic benefits are consumed. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, and whenever there is an indication that the intangible asset may be impaired. The recoverable amount is determined as the maximum of the net cash flows expected to be derived from the asset or the fair value less costs of disposal.

When the carrying amount of an intangible asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount. The amount of the reduction is recognized as an impairment loss in the profit or loss statement.

When the carrying amount of an intangible asset is less than its recoverable amount, the carrying amount is increased to its recoverable amount. The amount of the increase is recognized as a reversal of an impairment loss in the profit or loss statement.

At the end of each reporting period, the company evaluates the carrying amount of its intangible assets. If the carrying amount of an intangible asset is significantly higher than its fair value less costs of disposal, the company will test for impairment. The amount of the impairment loss is recognized in the profit or loss statement.

Once the carrying amount of an intangible asset is reduced to its recoverable amount, the company will not reverse the impairment loss.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in millions of US dollars, unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Intangible assets (Continued)

5. **Software development costs** — Costs incurred in the development of software that is intended to be sold, leased, or otherwise marketed, and which will be available for use over multiple periods, are capitalized. Costs incurred in the development of software that is not intended to be sold, leased, or otherwise marketed, and which will be available for use over multiple periods, are expensed as incurred. Capitalized software development costs are amortized over their estimated useful lives, which are generally 3 to 5 years. Amortization expense is recorded as a component of research and development expense.
6. **Goodwill** — Goodwill is the excess of the purchase price over the fair value of the identifiable intangible assets acquired in a business combination. Goodwill is not amortized but is tested for impairment annually, or more frequently if events or circumstances indicate that an impairment test may be necessary. Goodwill impairment tests are performed at the reporting unit level. A reporting unit is the smallest identifiable unit of the company that is subject to cash flows that are largely independent of the cash flows of other units of the company. Goodwill impairment tests are performed by comparing the fair value of a reporting unit to its carrying amount, which includes goodwill. If the fair value of a reporting unit is less than its carrying amount, an impairment loss is recognized. Goodwill impairment losses are recorded as a component of research and development expense.
- (1) **Identifiable intangible assets** — Identifiable intangible assets are those intangible assets that are separable from the acquired business and can be sold or transferred independently of the acquired business, or that arise from contractual or other legal rights. Identifiable intangible assets are recorded at fair value at the time of acquisition. Identifiable intangible assets are amortized over their estimated useful lives, which are generally 3 to 5 years. Amortization expense is recorded as a component of research and development expense.
- (2) **Patents** — Patents are recorded at fair value at the time of acquisition. Patents are amortized over their estimated useful lives, which are generally 3 to 5 years. Amortization expense is recorded as a component of research and development expense.
- (3) **Customer relationships** — Customer relationships are recorded at fair value at the time of acquisition. Customer relationships are amortized over their estimated useful lives, which are generally 3 to 5 years. Amortization expense is recorded as a component of research and development expense.
- (4) **Software** — Software is recorded at fair value at the time of acquisition. Software is amortized over its estimated useful life, which is generally 3 to 5 years. Amortization expense is recorded as a component of research and development expense.
- (5) **Other intangible assets** — Other intangible assets are recorded at fair value at the time of acquisition. Other intangible assets are amortized over their estimated useful lives, which are generally 3 to 5 years. Amortization expense is recorded as a component of research and development expense.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add RMB million; CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXI) Impairment of long-term assets

Long-term assets, including property, plant and equipment, investment property, intangible assets, etc., are carried at cost less accumulated depreciation or amortization and impairment losses. The carrying amount of long-term assets is reviewed at the end of each reporting period. If there is any indication that the carrying amount of long-term assets may be impaired, the carrying amount of the assets is compared with the recoverable amount. The recoverable amount is the maximum amount of cash or cash equivalents that can be obtained from the disposal of the assets, less the costs of disposal. If the carrying amount of long-term assets exceeds the recoverable amount, the carrying amount of the assets is reduced to the recoverable amount. The impairment loss is recognized in the profit or loss account. The impairment loss is reversed in the profit or loss account if the recoverable amount of long-term assets increases in subsequent periods. The reversal of the impairment loss is limited to the carrying amount of the assets that would have been determined had no impairment loss been recognized in the previous periods.

The impairment loss is recognized in the profit or loss account.

When the carrying amount of long-term assets is reduced to the recoverable amount, the carrying amount of the assets is increased to the recoverable amount. The reversal of the impairment loss is limited to the carrying amount of the assets that would have been determined had no impairment loss been recognized in the previous periods. The reversal of the impairment loss is recognized in the profit or loss account.

When the carrying amount of long-term assets is reduced to the recoverable amount, the carrying amount of the assets is increased to the recoverable amount. The reversal of the impairment loss is limited to the carrying amount of the assets that would have been determined had no impairment loss been recognized in the previous periods. The reversal of the impairment loss is recognized in the profit or loss account.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXII) Long-term prepaid expenses

Long-term prepaid expenses are recognized as an asset when the economic benefits are expected to flow to the company over a period exceeding one year.

Long-term prepaid expenses are measured at cost. When the economic benefits are expected to flow to the company over a period exceeding one year, the cost is amortized over the period of economic benefits. If the economic benefits are expected to flow to the company over a period not exceeding one year, the cost is recognized as an expense when incurred.

(XXIII) Employee Remuneration

1. Short-term employee benefits

Short-term employee benefits are recognized as an expense when the employee has rendered services to the company. Short-term employee benefits include wages, salaries, bonuses, short-term employee accruals, and other employee benefits.

Short-term employee benefits are measured at the undiscounted amount of the expected payments to be made to employees. Short-term employee benefits are recognized as an expense when the employee has rendered services to the company. Short-term employee benefits include wages, salaries, bonuses, short-term employee accruals, and other employee benefits.

Short-term employee benefits are measured at the undiscounted amount of the expected payments to be made to employees. Short-term employee benefits are recognized as an expense when the employee has rendered services to the company. Short-term employee benefits include wages, salaries, bonuses, short-term employee accruals, and other employee benefits.

2. Long-term employee benefits

(1) Defined contribution plans

Defined contribution plans are recognized as an expense when the employee has rendered services to the company. Defined contribution plans include pension plans, defined contribution plans, and other employee benefits. Defined contribution plans are measured at the undiscounted amount of the expected payments to be made to employees. Defined contribution plans are recognized as an expense when the employee has rendered services to the company. Defined contribution plans include pension plans, defined contribution plans, and other employee benefits.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIII) Employee Remuneration (Continued)

2. *Defined contribution plans* (Continued)

(2) *Defined contribution plans*

The Company's defined contribution plans are subject to the relevant laws and regulations in China. The Company's defined contribution plans are subject to the relevant laws and regulations in China. The Company's defined contribution plans are subject to the relevant laws and regulations in China.

The Company's defined contribution plans are subject to the relevant laws and regulations in China. The Company's defined contribution plans are subject to the relevant laws and regulations in China. The Company's defined contribution plans are subject to the relevant laws and regulations in China.

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The Company's defined contribution plans are subject to the relevant laws and regulations in China. The Company's defined contribution plans are subject to the relevant laws and regulations in China. The Company's defined contribution plans are subject to the relevant laws and regulations in China.

3. *Accumulated other comprehensive income*

The Company's accumulated other comprehensive income is subject to the relevant laws and regulations in China. The Company's accumulated other comprehensive income is subject to the relevant laws and regulations in China. The Company's accumulated other comprehensive income is subject to the relevant laws and regulations in China.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIV) Estimated liabilities

W 2019 ni C a ni d ni a ni , d b a a ni , c ni ad ni , a d ni d ni a ni , c ni a ni a ni ni d ni a ni ab ni c ni , a d ni a ni ca b ni ab ni a ni d ni c ni z d a a ni a ni d ab ni .

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2. M 2 d ni a ni a ni d ab ni

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(1 add 100,000,000 CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVI) Share-based payments (Continued)

2. Ca - d a -ba d a i a d i i i

A ca - d a -ba d a i a b i a d acc da c i i a a i ab i cac a d a d c d ba d i a i i i i d i b i G . i a a d a a i i d a i a i acc i i i a d c d i i i a b i d i b i i a , i d a i a b i c d d i a i c i i , a d i ab i a b i c a d acc d . i i a i b i c d i i i i d c i a d i i c d i a c c d i a i i i d , i i c b i d i c i d a , ba d i b i i a i ab i i c ab i b i c d d i a i c i i a d i c i d ab i a i a i ab i d i b i i . F i ac i ba a c i d a d i i d a b i i i i a i ab i , a a i i ab i b i a d , a d i c a i b i c d d i i i c i d .

(XXVII) Revenue

T i c i i i a ca i i i i da d c d : Ha b E d c C . , L i d . a d a i b d a i ;

(1) O i c i ad i i d a i i i a i a i c i ad i a d d i i d i d a i a c i b a i c d d i c i ad i a d d i i i ac d i d a i a c i b a i d i a c i i d i i , i d a c i i i a d i , i ac d i d a i a c i b a i d , i c i a i c z d .

T i i a c i b a i i i c i i i i i i c i ad i i a i i d i i c i c a . T i i a c i b a i c d i b i i c i d i c i ad i a d i c i i i i a i a b i d i c a i i i c i ad i c c d d i i c a ' b c a c d c i , c c i i a i ad i . T i i a a i i i i d d i i a c i ad i a d i c i i a i a c i b a i i i ad i i a i d d i i c i .

T i i i a a i i c i acc d i i i a ad i c a ca d i ac d i d a i a c i b a i . T i c a a d i i i a ad i c i acc da c i i i i i c i ad i a d c b a i i i i ad i . W i d i i a ad i c i , i i i d c d i i ad i a a b i c d i a i , a a c c i i c i ad i -ca c d i a i , a d c i c d i a i .

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVII) Revenue (Continued)

(2) The Company's revenue is derived from the sale of goods and services. Revenue is recognized when the performance obligation is satisfied, which is when control of the goods or services is transferred to the customer. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, trade allowances, and other adjustments.

The Company's revenue is recognized when the performance obligation is satisfied, which is when control of the goods or services is transferred to the customer. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, trade allowances, and other adjustments.

The Company's revenue is recognized when the performance obligation is satisfied, which is when control of the goods or services is transferred to the customer. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, trade allowances, and other adjustments.

The Company's revenue is recognized when the performance obligation is satisfied, which is when control of the goods or services is transferred to the customer. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, trade allowances, and other adjustments.

(3) The Company's revenue is derived from the sale of goods and services. Revenue is recognized when the performance obligation is satisfied, which is when control of the goods or services is transferred to the customer. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, trade allowances, and other adjustments.

The Company's revenue is recognized when the performance obligation is satisfied, which is when control of the goods or services is transferred to the customer. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, trade allowances, and other adjustments.

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The Company's revenue is recognized when the performance obligation is satisfied, which is when control of the goods or services is transferred to the customer. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, trade allowances, and other adjustments.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVIII) Contractual costs

Contractual costs are incurred in the process of providing services to customers.

The contractual costs are recognized as an expense when the related revenue is recognized.

1. The contractual costs are recognized as an expense when the related revenue is recognized.

2. The contractual costs are recognized as an expense when the related revenue is recognized.

3. The contractual costs are recognized as an expense when the related revenue is recognized.

As a result of the contractual costs, the company's operating profit is reduced. The contractual costs are recognized as an expense when the related revenue is recognized.

For the contractual costs, the company has adopted the following accounting estimates:

1. The contractual costs are recognized as an expense when the related revenue is recognized.

2. The contractual costs are recognized as an expense when the related revenue is recognized.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIX) Government grant

1. Tax

Government grants are recognized when the grantor has approved the grant and the grantee has no obligation to repay the grant. Government grants are recognized when the grantor has approved the grant and the grantee has no obligation to repay the grant.

Government grants are recognized when the grantor has approved the grant and the grantee has no obligation to repay the grant. Government grants are recognized when the grantor has approved the grant and the grantee has no obligation to repay the grant.

2. Accrual of interest on bank loans

The interest on bank loans is accrued on a daily basis.

Government grants are recognized when the grantor has approved the grant and the grantee has no obligation to repay the grant. Government grants are recognized when the grantor has approved the grant and the grantee has no obligation to repay the grant.

Government grants are recognized when the grantor has approved the grant and the grantee has no obligation to repay the grant. Government grants are recognized when the grantor has approved the grant and the grantee has no obligation to repay the grant.

Government grants are recognized when the grantor has approved the grant and the grantee has no obligation to repay the grant. Government grants are recognized when the grantor has approved the grant and the grantee has no obligation to repay the grant.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXX) Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are recognized for all deductible temporary differences, except for the following:

For deferred income tax assets, the company is required to assess the likelihood that the tax benefits will be realized.

Specifically, the company is required to assess the likelihood that the tax benefits will be realized based on the following factors:

When the company is required to assess the likelihood that the tax benefits will be realized, the company is required to consider the following factors:

When the company is required to assess the likelihood that the tax benefits will be realized, the company is required to consider the following factors:

(XXXI) Leases

1. Operating lease

(1) The company is required to recognize a liability for the present value of the payments to be made under the lease contract, less the present value of the payments to be received from the lease contract.

When the company is required to recognize a liability for the present value of the payments to be made under the lease contract, the company is required to consider the following factors:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXI) Leases (Continued)

1. Operating Leases

(2) The Company's lease contracts are primarily for the use of office buildings, equipment, and vehicles. The Company's lease contracts are generally for a fixed term of 12 months or less, and do not contain any extension or termination options. The Company's lease contracts are classified as operating leases. The Company recognizes lease expenses on a straight-line basis over the lease term. The Company's lease contracts are primarily denominated in RMB.

When the Company enters into a lease contract, it determines whether the contract is a lease. If the contract is a lease, the Company determines whether it is an operating lease or a finance lease. For operating leases, the Company recognizes lease expenses on a straight-line basis over the lease term. For finance leases, the Company recognizes lease assets and liabilities at the commencement of the lease term, and recognizes depreciation and interest expense over the lease term.

2. Finance Leases

(1) Finance Leases: Operating Leases: The Company's lease contracts are primarily for the use of office buildings, equipment, and vehicles. The Company's lease contracts are generally for a fixed term of 12 months or less, and do not contain any extension or termination options. The Company's lease contracts are classified as operating leases. The Company recognizes lease expenses on a straight-line basis over the lease term. The Company's lease contracts are primarily denominated in RMB.

(2) Finance Leases: The Company's lease contracts are primarily for the use of office buildings, equipment, and vehicles. The Company's lease contracts are generally for a fixed term of 12 months or less, and do not contain any extension or termination options. The Company's lease contracts are classified as finance leases. The Company recognizes lease assets and liabilities at the commencement of the lease term, and recognizes depreciation and interest expense over the lease term. The Company's lease contracts are primarily denominated in RMB.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) Discontinued Operation

Discontinued operations are those operations, assets and liabilities that have been disposed of or are classified as held for sale, and are not expected to continue or are expected to be sold within one year.

- (1) The Company's discontinued operations include the operations of the Company's subsidiaries that have been disposed of or are classified as held for sale.
- (2) The Company's discontinued operations include the operations of the Company's subsidiaries that have been disposed of or are classified as held for sale.
- (3) The Company's discontinued operations include the operations of the Company's subsidiaries that have been disposed of or are classified as held for sale.

(XXXIII) Hedge accounting

1. Cash flow hedge:

- (1) The Company's cash flow hedge includes the hedge of the Company's net investment in foreign operations.
- (2) The Company's cash flow hedge includes the hedge of the Company's net investment in foreign operations.
- (3) The Company's cash flow hedge includes the hedge of the Company's net investment in foreign operations.

2. Derivative instrument used as a hedge:

The Company's derivative instrument used as a hedge includes the hedge of the Company's net investment in foreign operations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXIII) Hedge accounting (Continued)

2. *Designated as a hedge of the net investment in a foreign operation*

Hedge accounting is applied to the foreign currency denominated net investment in a foreign operation. The net investment in a foreign operation is defined as the aggregate of all assets and liabilities of the foreign operation, including the investment in the foreign operation, that are denominated in the foreign currency. The net investment in a foreign operation is measured in the reporting entity's functional currency. The net investment in a foreign operation is measured at the end of the reporting period. The net investment in a foreign operation is measured at the end of the reporting period. The net investment in a foreign operation is measured at the end of the reporting period.

(1) *Designated as a hedge of the net investment in a foreign operation*

(2) *Designated as a hedge of the net investment in a foreign operation* 80% to 125%.

3. *Monetary item hedge accounting*

(1) *Foreign currency denominated monetary items*

The reporting entity applies hedge accounting to foreign currency denominated monetary items that are designated as a hedge of the net investment in a foreign operation. The reporting entity applies hedge accounting to foreign currency denominated monetary items that are designated as a hedge of the net investment in a foreign operation. The reporting entity applies hedge accounting to foreign currency denominated monetary items that are designated as a hedge of the net investment in a foreign operation.

Foreign currency denominated monetary items are designated as a hedge of the net investment in a foreign operation. Foreign currency denominated monetary items are designated as a hedge of the net investment in a foreign operation. Foreign currency denominated monetary items are designated as a hedge of the net investment in a foreign operation.

The reporting entity applies hedge accounting to foreign currency denominated monetary items that are designated as a hedge of the net investment in a foreign operation. The reporting entity applies hedge accounting to foreign currency denominated monetary items that are designated as a hedge of the net investment in a foreign operation.

The reporting entity applies hedge accounting to foreign currency denominated monetary items that are designated as a hedge of the net investment in a foreign operation. The reporting entity applies hedge accounting to foreign currency denominated monetary items that are designated as a hedge of the net investment in a foreign operation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXIII) Hedge accounting (Continued)

3. Monetary item hedge accounting: (Currency)

(2) Cash flow hedge

The Company uses cash flow hedge accounting to hedge the foreign currency exposure of its future cash flows. The Company designates the hedging instrument as a cash flow hedge and records the fair value change of the hedging instrument in other comprehensive income. The effective portion of the hedge is recorded in other comprehensive income, and the ineffective portion is recorded in profit or loss.

If the hedging instrument is a derivative, the Company designates it as a cash flow hedge. The Company designates the hedging instrument as a cash flow hedge and records the fair value change of the hedging instrument in other comprehensive income. The effective portion of the hedge is recorded in other comprehensive income, and the ineffective portion is recorded in profit or loss. If the hedging instrument is not a derivative, the Company designates it as a cash flow hedge and records the fair value change of the hedging instrument in other comprehensive income. The effective portion of the hedge is recorded in other comprehensive income, and the ineffective portion is recorded in profit or loss.

If the hedging instrument is a derivative, the Company designates it as a cash flow hedge. The Company designates the hedging instrument as a cash flow hedge and records the fair value change of the hedging instrument in other comprehensive income. The effective portion of the hedge is recorded in other comprehensive income, and the ineffective portion is recorded in profit or loss.

If the hedging instrument is not a derivative, the Company designates it as a cash flow hedge. The Company designates the hedging instrument as a cash flow hedge and records the fair value change of the hedging instrument in other comprehensive income. The effective portion of the hedge is recorded in other comprehensive income, and the ineffective portion is recorded in profit or loss.

(3) Net investment hedge accounting

The Company uses net investment hedge accounting to hedge the foreign currency exposure of its net investment in foreign operations. The Company designates the hedging instrument as a net investment hedge and records the fair value change of the hedging instrument in other comprehensive income. The effective portion of the hedge is recorded in other comprehensive income, and the ineffective portion is recorded in profit or loss.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

IV.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are 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 the accounting policy change (2018) on the consolidated balance sheet

Number	Item	December 31, 2017	Consolidated balance sheet		January 1, 2018
			Amount of reclassification	Adjustment amount under remeasurement	
1	Net 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	Net assets available for distribution		11,585,761,383.44		11,585,761,383.44
4	Intangible assets	3,277,397.20	-3,277,397.20		
5	Deferred income 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	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	Net assets	5,479,804,293.43	-5,479,804,293.43		
12	Accumulated depreciation	14,051,708,904.60	-14,051,708,904.60		
13	Net assets available for distribution		19,531,513,198.03		19,531,513,198.03
14	Intangible assets	125,099,549.75	-125,099,549.75		
15	Deferred income 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 CNY)

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

(I) Changes in accounting policies (Continued)

3. As of December 31, 2017, the Company adopted the new accounting standards for the first time, which had an impact on the consolidated financial statements. The impact is as follows:

The impact of the adoption of the new accounting standards on the consolidated financial statements is as follows:

(1) As of December 31, 2017, the Company adopted the new accounting standards for the first time, which had an impact on the consolidated financial statements. The impact is as follows:

Consolidated balance sheet				
Number	Items	December 31, 2017	Amount of reclassification	Adjustment
				amount under remeasurement
January 1, 2018				
1	Accumulated depreciation - equipment	85,895,000.00		-85,895,000.00
2	Prepaid expenses			36,595,000.00
3	Other receivables			49,300,000.00

(2) As of December 31, 2017, the Company adopted the new accounting standards for the first time, which had an impact on the consolidated financial statements. The impact is as follows:

Consolidated balance sheet				
Number	Items	December 31, 2017	Amount of reclassification	Adjustment
				amount under remeasurement
January 1, 2018				
1	Accumulated depreciation	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	Liabilities	15,546,042,302.41	-3,446,372,957.98	12,099,669,344.43
4	Contract liabilities	19,691,124,928.12	-19,691,124,928.12	
5	Contract assets		19,691,124,928.12	19,691,124,928.12

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(II) Change in accounting estimates

There are no changes in accounting estimates.

(III) Important corrections of prior period errors

There are no important corrections of prior period errors.

(IV) Other matters adjustment

None.

V. TAXATION

(I) Main types of taxes and corresponding tax rates

Tax Type	Tax basis	Tax rate
Value-added Tax ("VAT")	Turnover tax on sales of goods, services, and intangible assets, and on the importation of goods. The tax rate is determined by the tax rate of the goods, services, and intangible assets.	3%, 6%, 10%, 11%, 16%, 17%
Corporate Income Tax	Corporate income tax on the taxable income of the company.	7%
Enterprise Income Tax	Enterprise income tax on the taxable income of the company.	25%, 15%

According to the Company's Main Business Activities, the applicable tax rates are as follows: Value-added Tax Rate (Ca S [2018] N. 32), F Ma 1 2018, VAT rate of 17% and 16%, and VAT rate of 11% and 10%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in CNY)

V. TAXATION (CONTINUED)

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

Corresponding tax rates are as follows:

Name of the companies	Income tax rate
Habeco Chemical Ltd (Note 1)	15%
Habeco Chemical Ltd (Note 2)	15%
Habeco Trading & Transport	25%
Habeco Macao Chemical Ltd (Note 3)	15%
Habeco Energy & Chemical Resources Co., Ltd (Note 4)	15%
HE Habeco Petrochemical Ltd (Note 5)	15%
China Satec Chemical	25%
Habeco Chemical Ltd (Note 6)	15%
Habeco Petrochemical Ltd (Note 7)	15%
Habeco Chemical (QHD) Holdings Ltd (Note 8)	15%
Habeco Chemical Fertilizer Ltd	25%
Habeco Chemical Fertilizer Ltd (Note 9)	15%
Habeco Chemical (H.E) Chemical	25%
Habeco Sales & Marketing (Petrochemical) Co., Ltd.	25%

(II) Tax Preferences

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan)

V. TAXATION (CONTINUED)

(II) Tax Preferences (Continued)

2. *Habitual Corporate Income Tax*

On 2017, Habitual Corporate Income Tax (Habitual Corporate Income Tax) (No. GR201723000107) was granted by the Science and Technology Department of Heilongjiang Province (黑龍江省科學技術廳), Heilongjiang Provincial Finance Department (黑龍江省財政廳), Heilongjiang Provincial State Taxation Administration (黑龍江省國家稅務局), and Heilongjiang Provincial Local Taxation Administration (黑龍江省地方稅務局), according to the relevant provisions, the tax rate is reduced to 15%.

On 2017, Habitual Corporate Income Tax (Harbin Electric Corporation Limited) (No. GR201723000051) was granted by the Science and Technology Department of Heilongjiang Province (黑龍江省科學技術廳), Heilongjiang Provincial Finance Department (黑龍江省財政廳), Heilongjiang Provincial State Taxation Administration (黑龍江省國家稅務局), and Heilongjiang Provincial Local Taxation Administration (黑龍江省地方稅務局), according to the relevant provisions, the tax rate is reduced to 15%.

3. *Habitual Corporate Income Tax*

On 2017, Habitual Corporate Income Tax (No. GR201723000101) was granted by the Science and Technology Department of Heilongjiang Province (黑龍江省科學技術廳), Heilongjiang Provincial Finance Department (黑龍江省財政廳), Heilongjiang Provincial State Taxation Administration (黑龍江省國家稅務局), and Heilongjiang Provincial Local Taxation Administration (黑龍江省地方稅務局), according to the relevant provisions, the tax rate is reduced to 15%.

On 2017, Habitual Corporate Income Tax (No. GR201723000137) was granted by the Science and Technology Department of Heilongjiang Province (黑龍江省科學技術廳), Heilongjiang Provincial Finance Department (黑龍江省財政廳), Heilongjiang Provincial State Taxation Administration (黑龍江省國家稅務局), and Heilongjiang Provincial Local Taxation Administration (黑龍江省地方稅務局), according to the relevant provisions, the tax rate is reduced to 15%.

4. *Habitual Corporate Income Tax*

On 2017, Habitual Corporate Income Tax (No. GR201723000350) was granted by the Science and Technology Department of Heilongjiang Province (黑龍江省科學技術廳), Heilongjiang Provincial Finance Department (黑龍江省財政廳), Heilongjiang Provincial State Taxation Administration (黑龍江省國家稅務局), and Heilongjiang Provincial Local Taxation Administration (黑龍江省地方稅務局), according to the relevant provisions, the tax rate is reduced to 15%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add 100,000,000 CNY)

V. TAXATION (CONTINUED)

(II) Tax Preferences (Continued)

5. HE Ha b P i Pa Va C a L d

O 28 A 2017, HE Ha b P i Pa Va C a L d b d H a d N i T c E c ca (N b : GR201723000181) d b H a Sc c a d T c B a (黑龍江省科學技術廳), H a F a c B a (黑龍江省財政廳), H a S Ta B a (黑龍江省國家稅務局), a d H a L ca Ta B a (黑龍江省地方稅務局), a d d a , a c c c b c a d a 15% d d.

6. Ha b B i C a L d a d b d a

O 28 A 2017, c a b d H a d N i T c E c ca (N b : GR201723000081) d b H a Sc c a d T c B a (黑龍江省科學技術廳), H a F a c B a (黑龍江省財政廳), H a S Ta B a (黑龍江省國家稅務局), a d H a L ca Ta B a (黑龍江省地方稅務局), a d d a , a c c c b c a d a 15% d d.

O 11 N b 2018, Ha b B i P i C a L d (哈爾濱鍋爐廠預熱器有限責任公司) b d a Ha b B i C a L d b d H a d N i T c E c ca (N b : GR201823000093) d b H a Sc c a d T c B a (黑龍江省科學技術廳), H a F a c B a (黑龍江省財政廳), H a S Ta B a (黑龍江省國家稅務局), a d H a L ca Ta B a (黑龍江省地方稅務局), a d d a , a c c c b c a d a 15% d d.

7. Ha b E d c P i E i C a L d

O 24 N b 2017, Ha b E d c P i E i C a L d b d H a d N i T c E c ca (N b : GR201723000424) d b H a Sc c a d T c B a (黑龍江省科學技術廳), H a F a c B a (黑龍江省財政廳), H a S Ta B a (黑龍江省國家稅務局), a d H a L ca Ta B a (黑龍江省地方稅務局), a d d a , a c c c b c a d a 15% d d.

8. Ha b E d c C a (QHD) H a E i C a L d

Ha b E d c C a (QHD) H a E i C a L d c d H a d N i T c E c ca (高新技術企業證書) d b H b P c a D a Sc c a d T c , D a F a c H b P c , H b P c a S Ta B a , a d H b P c a L ca Ta B a 2 N b 2016. T a c ca b GR20161300235, c d 3 a a d c a a E i c Ta a 15% d d.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

V. TAXATION (CONTINUED)

(II) Tax Preferences (Continued)

9. High and New Technology Enterprise Income Tax

The Company has been recognized as a High and New Technology Enterprise (高新技术企业) (技術先進型服務企業). Recognition certificate number: JF20162301100003. The Company is entitled to a preferential corporate income tax rate of 15% according to the Circular Letter of the State Tax Administration [2009] No. 63 (Circular Letter 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
Assets held for sale	327,018,286.13	340,192,598.89

The above table shows the breakdown of cash and bank balances as of the reporting date. The closing balance of cash and bank deposits is RMB 12,543,251,700.19, which is RMB 16,165,238,281.47 in original balance. Assets held for sale are RMB 327,018,286.13, which is RMB 340,192,598.89 in original balance.

Item	Closing balance	Original balance
Trade receivables	201,259,458.54	170,732,122.63
Trade payables		35,000,000.00
Guaranteed deposits	1,165,233.99	653,947.06
Trade receivables held for sale	635,145,558.72	747,561,319.78
Trade receivables held for sale		5,000,000.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the accompanying notes, all amounts are in CNY)

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

(II) Due from banks and other financial institutions

Item	Closing balance	Original balance
Current deposits	500,000,000.00	
Current deposits	500,000,000.00	
Current deposits - bank deposits	200,000,000.00	
Current deposits - bank deposits	200,000,000.00	
Total	700,000,000.00	
Long-term deposits	100,000,000.00	
Total deposits	600,000,000.00	

(III) Notes receivable and accounts receivable

Item	Closing balance	Original balance
Notes receivable	3,112,281,635.68	4,362,451,678.86
Accounts receivable	6,674,746,317.19	7,223,309,704.58
Total	9,787,027,952.87	11,585,761,383.44

1. **Notes receivable**

(1) **Notes receivable - bank deposits**

Type	Closing balance			Original balance	
	Carrying Amount	Bad debt Provision	Book value	Ca	Bad debt Provision
Bank accounts receivable	2,549,245,442.79		2,549,245,442.79	3,456,249,576.99	
Other accounts receivable	563,036,192.89		563,036,192.89	906,202,101.87	
Total	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)

(All amounts are in Chinese Yuan)

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

(III) Notes receivable and accounts receivable (Continued)

1. Domestic accounts receivable (Continued)

(2) The following table shows the breakdown of domestic accounts receivable by type:

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

2. Domestic accounts receivable

The following table shows the breakdown of domestic accounts receivable by age:

(1) Domestic accounts receivable by age

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

Note: The following table shows the breakdown of domestic accounts receivable by type:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in million CNY)

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

(III) Notes receivable and accounts receivable (Continued)

2. *Debtors' accounts receivable (Continued)*

(2) *Accounts receivable by category*

Type	Closing balance					Opening balance				
	Carrying Amount		Bad debt Provision		Book value	Carrying Amount	Percentage (%)	Bad debt Provision		Book value
	Amount	Percentage (%)	Amount	Percentage (%)				Amount	Percentage (%)	
Accounts receivable due within one year and accounts receivable due within one year	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 due within one year and accounts receivable due within one year	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 due within one year and accounts receivable due within one year	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)

(All amounts are 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 aging analysis as at the end of the reporting period:

Debtor	Closing balance		
	Accounts receivable	Bad debt provision	Percentage Reason (%)
National Water Chemicals Development Corporation	271,370,288.28	271,370,288.28	100.00 Note 1
Xinjiang Zhongfa Energy Chemicals Limited	95,570,000.00	95,570,000.00	100.00 Involved in litigation, may not be able to recover
Ida Lapa (Austria) P. Ltd.	77,889,355.63	77,889,355.63	100.00 Involved in litigation, may not be able to recover
China Energy Chemicals Limited	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 Pida (2012 Sida Group Paid Fund)	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 1: The company's subsidiary National Water Chemicals Development Corporation (MSEC010056, National Water Chemicals Development Corporation LSA2005045) and National Water Chemicals Development Corporation (MSEC010056, National Water Chemicals Development Corporation LSA2004026) and National Water Chemicals Development Corporation (MSEC010056, National Water Chemicals Development Corporation LSA2005045) entered into a joint venture agreement on July 15, 2001, signed on July 21, 2004 and December 27, 2001. The joint venture agreement is for the purpose of providing technical support and management services to National Water Chemicals Development Corporation (MSEC010056, National Water Chemicals Development Corporation LSA2005045) and National Water Chemicals Development Corporation (MSEC010056, National Water Chemicals Development Corporation LSA2004026). As of December 31, 2018, the company's accounts receivable from National Water Chemicals Development Corporation (MSEC010056, National Water Chemicals Development Corporation LSA2005045) amount to USD47,124,405.58, and the company's accounts receivable from National Water Chemicals Development Corporation (MSEC010056, National Water Chemicals Development Corporation LSA2004026) amount to CNY324,902,081.81. The company's bad debt provision for National Water Chemicals Development Corporation (MSEC010056, National Water Chemicals Development Corporation LSA2005045) amount to USD47,124,405.58 and for National Water Chemicals Development Corporation (MSEC010056, National Water Chemicals Development Corporation LSA2004026) amount to CNY323,424,220.37.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in million RMB unless otherwise specified)

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

(III) Notes receivable and accounts receivable (Continued)

2. *Details of accounts receivable (Continued)*

(4) *Accounts receivable aging analysis*

Accounts receivable aging analysis table:

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
Total	1,011,291,538.11	484,229,103.95	47.88	1,249,224,915.03	445,798,448.81	35.69
Total	802,848,457.94	525,640,567.92	65.47	973,915,556.76	600,431,937.21	61.65
Fair value	593,043,790.37	423,225,754.91	71.37	618,374,889.71	441,509,862.41	71.40
Over 1 year	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)

(All amounts are in Chinese Yuan)

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 details as follows:

Debtor	Closing balance			Reason (%)
	Accounts receivable	Bad debt provision	Percentage	
Sida Electric (Sida Group) Ltd	27,167,830.53	26,083,155.92	96.01	Note 1
Sida Electric (Sida Group) Ltd	26,363,963.00	25,970,776.17	98.51	Note 1
Taaba 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.
Limah Telecom	17,510,000.00	17,510,000.00	100.00	Unable to take back
ERENE Electric U.S. (2017 Telecom) Ltd	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)

(All amounts in million RMB unless otherwise specified)

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

(III) Notes receivable and accounts receivable (Continued)

2. Details of accounts receivable (Continued)

(5) Accounts receivable details as at the end of the reporting period (Continued)

Debtor	Closing balance			Reason (%)
	Accounts receivable	Bad debt provision	Percentage	
Sida da Di a i a i c a	15,626,395.25	7,813,197.62	50.00	According to the future recyclability of judgment
Ed i i i d c C i i	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 i X C i Sc i c i a d T c C i i	7,303,000.00	7,303,000.00	100.00	Unable to take back
Acc i i ab i B Ja S i i d i	6,265,180.82	6,063,248.22	96.78	According to the future recyclability of judgment
Pa i G dd P i Pa i (2017 G dd S a i Pa i P i d i)	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.
Sc a C a E i i E i i C ., i i.	3,277,239.74	1,711,089.99	52.21	According to the future recyclability of judgment

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(III) Notes receivable and accounts receivable (Continued)

2. Details of accounts receivable (Continued)

(5) Accounts receivable aging analysis as at the end of the reporting period (Continued)

Debtor	Closing balance			Reason (%)
	Accounts receivable	Bad debt provision	Percentage (%)	
K-Electric Ltd (2018 B Jia S...)	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.
Y Z a	2,637,632.48	2,082,605.98	78.96	According to the future recyclability of judgment
L H	2,528,079.44	2,022,463.55	80.00	According to the future recyclability of judgment
Z a Z a	959,295.02	767,436.02	80.00	According to the future recyclability of judgment
P...ca A c...C... (197 c...)	945,280.00	756,224.00	80.00	According to the future recyclability of judgment
Ta B a E...C., Ltd.	939,000.00	939,000.00	100.00	unable to take back
O...	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 bad debt provision as at the end of the reporting period

Total bad debt provision as at the end of the reporting period: RMB175,642,144.92, RMB266,333,218.77.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(III) Notes receivable and accounts receivable (Continued)

2. *Due from related parties* (Continued)

(7) *Due from related parties*

Debtor	Nature of accounts receivable	Write-off amount	Reasons for writing off	Fulfilment of verification procedures	Is it due to a related transaction
Zhaoteli Trade Trading Co., Ltd.	Accounts receivable	2,440,000.00	Material	Bad debt	N
Xin Tai Pa	Accounts receivable	2,320,434.14	Material	Bad debt	N
Bai Ha Co., Ltd.	Accounts receivable	2,233,790.00	Material	Bad debt	N
Saip Factory (Saipei)	Accounts receivable	1,343,154.00	Material	Bad debt	N
HZ Saisa JS Saisa JS Saisa JS Saisa JS	Accounts receivable	1,059,000.00	Material	Bad debt	N
Ac P G	Accounts receivable	1,021,121.40	Material	Bad debt	N
Saip Factory (Saipei)	Accounts receivable	601,672.00	Material	Bad debt	N
Paizalad Saisa Co., Ltd.	Accounts receivable	417,000.00	Material	Bad debt	N
Others		13,410,464.93	Material	Bad debt	N
Total		24,846,636.47			

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan 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 receivables' accounts receivable*

Debtor	Closing balance		
	Amount	Proportion of total account receivable (%)	Bad debt provision
703 R. a c I C a S b d I d C L a W a z J T a P C ., Ltd.	648,080,507.44	5.77	106,616,050.37
S. a d R. b c S da (M. P. d)	281,294,350.00	2.50	14,064,717.50
H a L a c a R. H d I c.	271,370,288.28	2.41	271,370,288.28
H a d a I a M a a C . Ltd.	164,685,894.02	1.47	8,234,294.70
	145,237,060.00	1.29	33,165,725.00
Total	1,510,668,099.74	13.44	433,451,075.85

(9) *Receivables due to related parties*

None

(10) *Trade receivables' accounts receivable*

None

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

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

(IV) Prepayments

1. Loss allowance

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
Habon Steel Tube Works Co., Ltd.	Jiangmen, Ltd.	165,084,997.53	12 months; 23 months	Technical advance
Habon Electronic Materials Co., Ltd.	Changping, Ltd.	56,923,019.00	23 months	Technical advance
Habon Electronic Glass (QHD) Huarong Co., Ltd.	Sidong S.M.T.	41,392,919.33	23 months; 33 months	Technical advance
Habon Electronic Materials Co., Ltd.	Ningbo Huarong Ltd.	41,120,410.00	12 months	Technical advance
Habon Electronic Glass (QHD) Huarong Co., Ltd.	VALINOX NUCLEAIRE	39,398,157.16	23 months; 33 months	Technical advance
Habon Electronic Products Co., Ltd.	Hongli, Ltd.	37,882,218.20	12 months	Technical advance
Habon Electronic Products Co., Ltd.	China - W. E.	33,464,282.39	Over 3 months	Technical advance
Habon Electronic Materials Co., Ltd.	Zhangjiagang, Ltd.	29,819,881.35	12 months	Technical advance

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan)

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

(IV) Prepayments (Continued)

1. *Long-term (Contract)*

Creditor Name	Debtor Name	Closing balance	Aging	Unliquidated Reason
Shanghai Taibei Construction Co., Ltd.	Guangdong Electric Power Research Institute	25,379,772.48	0-3 years	Technical contract
Beijing Electric Macroeconomics Consulting Co., Ltd.	Zhejiang Had Macroeconomics & Energy Consulting Co., Ltd.	22,505,407.50	1-2 years	Technical contract
Beijing Electric Power Engineering Consulting Co., Ltd.	Meibei Haidian Engineering Co., Ltd.	22,157,339.75	1-2 years	Technical contract
Beijing Electric Engineering Design Institute Co., Ltd.	Huafer Technology Co., Ltd.	16,130,218.05	0-3 years	Technical contract
Beijing Badu Construction Co., Ltd.	Hua Jiang Construction Co., Ltd.	15,745,666.00	1-2 years	Technical contract
Beijing Electric Macroeconomics Consulting Co., Ltd.	Hua Construction Engineering Group Co., Ltd.	15,655,131.62	1-2 years; 2-3 years	Technical contract
Beijing Electric Engineering Design Institute Co., Ltd.	Zhejiang Fude Engineering Consulting Co., Ltd.	13,560,000.00	1-2 years	Technical contract
Beijing Badu Construction Co., Ltd.	Zhejiang Gaopu Technology Co., Ltd.	12,620,000.00	1-2 years	Technical contract
Beijing Electric Power Engineering Consulting Co., Ltd.	Ukraine Engineering & Consulting Co., Ltd.	12,447,638.56	1-2 years	Technical contract
Shanghai Taibei Construction Co., Ltd.	Meibei Haidian Engineering Co., Ltd.	12,256,742.40	0-3 years	Technical contract
Beijing Electric Engineering Design Institute Co., Ltd.	Saaka Kabip Co., Ltd.	11,022,500.00	2-3 years	Technical contract
Beijing Electric Macroeconomics Consulting Co., Ltd.	Nan Gong Co., Ltd.	15,830,374.24	1-2 years	Technical contract
Beijing Badu Construction Co., Ltd.	Jamaica Steel Industry Co., Ltd.	10,288,816.50	1-2 years	Technical contract
Beijing Badu Construction Co., Ltd.	HKYA Construction Co., Ltd.	9,094,774.74	1-2 years	Technical contract

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures 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
Hab E d c l a a E C ., Ltd.	H b E d c P C d F E C ., Ltd.	9,060,365.55	1 2 a	T c a a b c d
Hab E d c G (QHD) H a E C ., Ltd.	Va c H a E c a T b	9,009,949.79	0 1 3 a	T c a a b c d
Hab B F a C ., Ltd.	Q da Sa a M S d C ., Ltd.	8,759,856.00	2 3 a	T c a a b c d
Hab E d c P E C ., Ltd.	Z D a l a d E C ., Ltd.	8,683,200.00	1 2 a	T c a a b c d
Hab E d c G (QHD) H a E C ., Ltd.	Wa c a (G a z) C ., Ltd.	8,259,256.20	1 2 a	T c a a b c d
Hab B F a C ., Ltd.	Da a B E E E C ., Ltd.	7,263,000.01	1 2 a	T c a a b c d
Hab E d c l a a E C ., Ltd.	C a E d c E C a	7,250,000.00	0 1 3 a	T c a a b c d
Hab B F a C ., Ltd.	H a Y a S P M a a d C ., Ltd.	6,891,680.00	2 3 a	T c a a b c d
Hab B F a C ., Ltd.	GOLD TRIPOD ZHENLONG (HONGKONG) LIMITED	6,826,178.89	1 2 a	T c a a b c d
Hab E d c l a a E C ., Ltd.	Z a P E d c A a c F a	6,725,154.00	0 1 3 a	T c a a b c d
Hab E d c l a a E C ., Ltd.	H a B E d c G A c R a C ., Ltd.	6,476,299.05	2 3 a ; 1 3 a	T c a a b c d
Hab E d c l a a E C ., Ltd.	S a a Z N E l a C ., Ltd.	6,434,000.00	1 2 a	T c a a b c d
Hab E d c P E C ., Ltd.	F M c	6,343,860.32	1 2 a ; 2 3 a	T c a a b c d
Hab B F a C ., Ltd.	H a d a H a l d M a c C ., Ltd.	6,321,600.00	1 2 a	T c a a b c d

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan)

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

(IV) Prepayments (Continued)

1. *Long-term prepayments (Continued)*

Creditor Name	Debtor Name	Closing balance	Aging	Unliquidated Reason
Hab E d c l a a E C ., Ltd.	Ca E d c P E C G Z a E d c P D I	5,947,500.00	1 2 a ; 2 3 a	T c a a b c d
Hab S a T b W C ., Ltd.	F c TPM a c a	5,499,952.80	0 1 3 a	T c a a b c d
Hab B i F a d C ., Ltd.	Ja i B W i d E C ., Ltd.	5,400,000.00	1 2 a	T c a a b c d
Hab E d c l a a E C ., Ltd.	W S a d	4,813,328.00	0 1 3 a	T c a a b c d
Hab E d c l a a E C ., Ltd.	L i I a a (H K) C ., Ltd.	4,739,047.92	1 2 a ; 2 3 a ; 1 3 a	T c a a b c d
T		790,484,495.33		

(V) Other receivables

Item	Closing balance	Other balance
I c a b	1,378,322.24	3,277,397.20
D d d c a b	28,606,172.42	144,453.39
O i c a b	1,240,174,808.83	953,565,790.29
T	1,270,159,303.49	956,987,640.88

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add 100% in accordance with a CNY)

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

(V) Other receivables (Continued)

1. *Debtors* *by nature*

(1) *Accounts receivable*

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

2. *Debtors* *by nature*

Investee	Closing balance	Opening balance
Hab Eaf c Ra E D C ., Ltd	144,453.39	144,453.39
Hab X R E b P c Ca I d C ., Ltd	38,388.88	
G a E d c-Ha P E S (Q a da) C ., Ltd.	28,423,330.15	
Total	28,606,172.42	144,453.39

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(V) Other receivables (Continued)

3. Details of other receivables

Type	Closing balance					Other receivables				
	Carrying amount		Bad debt provision		Book value	Carrying amount		Bad debt provision		Book value
	Amount	proportion (%)	Amount	proportion (%)		Amount	proportion (%)	Amount	proportion (%)	
Other receivables deposits receivables deposits accrued bad debts	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 bad debts deposits receivables deposits accrued	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 deposits receivables deposits accrued bad debts	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)

(I add 100% in CNY)

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

(V) Other receivables (Continued)

3. Details of other receivables (Continued)

(1) Details of other receivables and bad debt provision

Debtor	Closing balance		
	Accounts receivable	Bad debt provision	Percentage Reason (%)
Hab E c G C ., Ltd.	162,095,125.59		Related parties don't accrue
Hab Had a l d a D i C a	20,000,000.00		- Related parties don't accrue
Hab E c Mac l d E c a ca l d C a	10,515,676.92	10,515,676.92	100.00 It cannot be recovered
Ec ad P i Ta a d Ta a C a Ta E c	99,914,573.35		- Advance Ecuadorian hydropower owners on-site costs
Ec ad ' d c a	65,006,872.04		- Advance Ecuadorian hydropower owners on-site costs
C a Wa R i c i a d H d i E i N . 8 E C ., Ltd.	33,987,149.29		- Advance project funds
J P i c P i Ta a d Ta a E C a	29,328,435.35		- Advance project funds
LID ENERGY HOLDINGS LTD	25,942,841.57		- Suma project guarantee deposit
Na a P i Pa Ma a i C a () L d	25,715,220.83		- Advance Pakistani Bailukai project owner's customs clearance fee
C a Wa R i c i a d H d i E i B i a 8 l a B a c	15,348,947.92		- Advance project funds
Pa F d a G i i Ta O c i	14,944,959.01		- Pakistan Bailukai project owners withhold income tax
C a E i C d G N a E c P i T d T C ., Ltd.			

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB 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 account for bad debt provision based on the aging analysis as follows:

Other receivables account for bad debt provision based on the aging analysis as follows:

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 within 2 years	5,856,051.88	1,464,012.97	25.00	2,392,280.13	595,243.75	24.88
Over 2 years within 3 years	544,508.39	272,254.20	50.00	104,718.50	52,359.25	50.00
Over 3 years within 4 years	49,888,513.58	39,910,810.87	80.00	23,298,484.26	18,638,787.41	80.00
Over 4 years within 5 years	14,879,958.77	11,903,967.02	80.00	13,099,670.06	10,479,736.05	80.00
Over 5 years	160,798,765.32	160,798,765.32	100.00	172,316,701.83	172,316,701.83	100.00
Total	295,444,167.53	218,020,020.29		260,950,334.75	204,569,695.20	

Note: All amounts are in million RMB. The bad debt provision is calculated based on the aging analysis of other receivables. The aging analysis is based on the date of the receivables. The aging analysis is based on the date of the receivables.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in million RMB unless otherwise specified)

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

(V) Other receivables (Continued)

3. Details of other receivables (Continued)

(3) Other receivables: Details of bad debt provision

Other receivables (By company)	Closing balance		
	Amount	Bad debt provision	Proportion Reason
			0.00 286.299 0.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

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

(V) Other receivables (Continued)

3. Details of other receivables (Continued)

(4) Bad debt provision

The bad debt provision for the reporting period is RMB35,145,712.61, and the bad debt provision for the end of the reporting period is RMB30,381,739.20.

(5) Details of bad debt provision

Debtor	Nature	Closing balance	Aging	Proportion	Bad debt provision Closing balance
CELECT	advance	164,921,445.39	1 year; 1-2 years	10.99	
Hab E c G C ., Ltd.	accrued	162,095,125.59	2-3 years	10.80	
D ba Ha a P ., Ltd.	advance	62,883,282.59	1 year; 2-3 years	4.19	
Na a E . A . c	advance	59,076,370.11	1 year; 1-2 years; 2-3 years	3.94	
C a Wa R . c i a d	advance	33,987,149.29	1 year	2.27	
H d E ., Ltd.	advance				
N .8 E ., Ltd.	advance				
Total		482,963,372.97		32.19	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add 人民币 in CNY)

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

(VI) Inventories

1. Categories

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, etc. receivables, etc.)	19,677,509.81	-	19,677,509.81	15,283,495.99	23,010.35	15,260,485.64
Construction materials	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:

- At the end of the reporting period, the closing balance of raw materials is RMB 3,437,551,118.48, which is RMB 225,293,739.00 less than the book value of RMB 3,212,257,379.48. The difference is due to the provision for inventory impairment.
- At the end of the reporting period, the closing balance of goods in process is RMB 7,061,775,611.69, which is RMB 247,641,332.74 less than the book value of RMB 6,814,134,278.95. The difference is due to the provision for inventory impairment at 4.82%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

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

(VI) Inventories (Continued)

2. *Particulars of inventories*

Item	Original 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, -)	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 include various types of steel, aluminum, copper, and other metal materials, as well as various types of electronic components, etc. Goods in process include various types of electronic components, etc. Finished goods include various types of electronic components, etc. Trade receivables include various types of electronic components, etc.

Raw materials are stored in the warehouse, and the inventory is managed by the warehouse. Goods in process are stored in the production line, and the inventory is managed by the production line. Finished goods are stored in the warehouse, and the inventory is managed by the warehouse. Trade receivables are stored in the accounts receivable, and the inventory is managed by the accounts receivable.

Raw materials are stored in the warehouse, and the inventory is managed by the warehouse. Goods in process are stored in the production line, and the inventory is managed by the production line. Finished goods are stored in the warehouse, and the inventory is managed by the warehouse. Trade receivables are stored in the accounts receivable, and the inventory is managed by the accounts receivable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(VII) Contractual assets and contractual liabilities

1. *Disposal of contractual assets and contractual 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 contract receivables	8,233,457,249.78
Loans: contract receivables	8,233,457,249.78
Contract receivables - contract receivables	

	Contractual liabilities
Other receivables	19,588,274,771.42
Loans	11,459,274,863.15
Other receivables	
Transfer of contract receivables to contract receivables	16,450,829,247.45
Contract receivables	14,596,720,387.12
Loans: contract receivables	14,596,720,387.12
Contract receivables - contract receivables	

2. *Provision for impairment of financial assets*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(VIII) Current portion of non-current assets

Item	Closing balance	Original value
Long-term receivables		
Available-for-sale financial assets		
Holdings		
Derivatives		
Other		
	49,955,000.00	
Total	49,955,000.00	

Note: The long-term receivables are due to the 2016 business operation (including the acquisition of subsidiaries) and are denominated in RMB 49,955,000.00.

(IX) Other current assets

Item	Closing balance	Original value
Bank deposits		2,538,636,621.75
Prepaid expenses	190,000,000.00	200,000,000.00
Debtors' receivables (including 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 accompanying notes, all figures are 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	Original balance
Loans issued		
- Other		
- Loans		
- Advances		
- Total		
- Loans		4,970.38
- Advances		4,970.38
- Total		9,940.76
- Total		492,068.11

2. *Loans and advances issued by the company*

Industry	Closing balance	Proportion (%)	Original balance	Proportion (%)
Financial and insurance				
- Financial				
- Insurance				
- Total				
- Financial			497,038.49	100.00
- Insurance			497,038.49	100.00
- Total			9,940.76	1.00
- Total			4,970.38	1.00
- Total			4,970.38	1.00
- Total			492,068.11	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(X) Loans and advances issued (Continued)

3. Loans and advances issued by the bank

Area	Closing balance	Proportion (%)	Outstanding balance	Proportion (%)
Sight deposits				
Non-current deposits				
Current deposits			497,038.49	100.00
Total loans and advances issued			497,038.49	100.00
Loans issued to related parties			4,970.38	1.00
Loans issued to other parties				
Current loans			4,970.38	1.00
Balance of loans and advances issued			492,068.11	

4. Loans and advances issued by the bank to related parties

Item	Closing balance	Outstanding balance
Current deposits		497,038.49
Guaranteed deposits		
Current deposits		
Accounts receivable		
Prepaid expenses		
Total loans and advances issued to related parties		497,038.49
Loans issued to related parties		4,970.38
Accounts receivable		
Current loans		4,970.38
Balance of loans and advances issued to related parties		492,068.11

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the accompanying notes, 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 issued

Items	Current period		Launched Individual	Combination
	Individual	Combination		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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 value
Debt investment				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 (RMB-denominated)	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 1: On January 27, 2016, the Company purchased the 2016 bond (RMB-denominated) with a face value of 50 million RMB. The bond has a term of 3 years and a coupon rate of 2.55%. The purchase price was 49,955,000.00 RMB. On January 28, 2016, the Company received the first coupon payment of 1,180,684.93 RMB. On January 28, 2019, the Company received the principal amount of 50 million RMB. The closing fair value of the bond as of December 31, 2016, was 49,955,000.00 RMB.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the accompanying notes, all amounts are 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	Original balance	Original balance
Factoring receivables	3,358,126.45		3,358,126.45	2,831,982.28	2,831,982.28
Accounts receivable	275,946.69		275,946.69	233,855.62	233,855.62
Other receivables					
Total	3,358,126.45		3,358,126.45	2,831,982.28	2,831,982.28

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(XIII) Long-term equity investments

Investee	Original investment cost	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 Habipha Technology Ltd.	3,000,000.00								3,000,000.00	3,000,000.00	
Subtotal	3,000,000.00								3,000,000.00	3,000,000.00	
2. Associates											
Guangdong Habipha (Qingda) Co., Ltd.	135,003,849.87			30,101,873.68			45,342,884.15		119,762,839.40		
Hangzhou Habipha Technology Co., Ltd.	51,265,399.11								51,265,399.11	10,223,752.07	
Hangzhou Habipha Technology Co., Ltd.	6,570,491.74			233,304.71					6,803,796.45		
Hangzhou Habipha Technology Co., Ltd.	5,823,729.61			3,020,037.04			2,293,598.96		6,550,167.69		
Hangzhou Habipha Technology Co., Ltd.	3,850,222.15		3,920,930.55	70,708.40					-		
Hangzhou Habipha Technology Co., Ltd.	1,638,475.76			406,724.47			30,000.00		2,015,200.23		
Hangzhou Habipha Technology Co., Ltd.		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)

(All amounts are in RMB Yuan unless otherwise specified)

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

(XV) Investment property

1. Investment property

Item	Housing and buildings	Total
1. Investment property		
(1) Investment property owned	297,731,265.23	297,731,265.23
(2) Investment property leased	11,865,249.33	11,865,249.33
(3) Investment property under construction	7,546,012.79	7,546,012.79
(4) Investment property held for sale	4,319,236.54	4,319,236.54
2. Investment property owned		
(1) Investment property owned	309,596,514.56	309,596,514.56
(2) Investment property leased	66,944,542.45	66,944,542.45
(3) Investment property under construction	9,478,716.26	9,478,716.26
(4) Investment property held for sale	9,338,773.00	9,338,773.00
(5) Investment property held for sale	139,943.26	139,943.26
(6) Investment property held for sale		
(7) Investment property held for sale		
(8) Investment property held for sale		
(9) Investment property held for sale		
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(97) Investment property held for sale		
(98) Investment property held for sale		
(99) Investment property held for sale		
(100) Investment property held for sale		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add 100% in 2018 and 2019 in CNY)

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

(XV) Investment property (Continued)

2. Investment property is measured at fair value less costs to sell:

Item	Closing balance	Opening balance
Investment property	121,364,993.17	138,538,405.66
Less: Depreciation (100% in 2018 and 2019)	121,364,993.17	138,538,405.66
Investment property	111,808,262.68	92,248,317.12
Less: Depreciation (100% in 2018 and 2019)	111,808,262.68	92,248,317.12
Total	233,173,255.85	230,786,722.78

(XVI) Fixed assets

1. Fixed assets are measured at cost less accumulated depreciation:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in CNY)

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

(XVI) Fixed assets (Continued)

2. Depreciable fixed assets

Item	Housing and buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Office facilities	Others	Total
1. Owned fixed assets							
(1) Owned buildings	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) Intangible assets	111,120,262.64	422,251,729.45	6,687,731.60	35,360,460.75	34,630,441.61		610,050,626.05
Land use rights	550.00	55,144,602.12	3,608,462.99	7,345,270.46	9,274,589.55		75,373,475.12
Patent rights							
Software	111,119,712.64	367,107,127.33	2,632,541.77	22,936,060.70	25,355,852.06		529,151,294.50
R&D							
Other intangible assets							
(3) Depreciable intangible assets	5,987,455.67	115,148,672.67	11,289,126.63	20,498,976.30	17,938,705.64		170,862,936.91
Land use rights	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&D	4,319,236.54						4,319,236.54
Other intangible assets					57,631.03		57,631.03
(4) Construction in progress	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. Accrued fixed assets							
(1) Owned buildings	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) Intangible assets	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
Land use rights	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
Patent rights							
Software							
(3) Depreciable intangible assets	1,593,076.45	111,093,004.70	10,260,034.31	19,868,361.84	17,342,800.58		160,157,277.88
Land use rights	1,453,133.19	111,093,004.70	10,260,034.31	19,868,361.84	17,342,800.58		160,017,334.62
R&D	139,943.26						139,943.26
Other intangible assets							
(4) Construction in progress	1,558,881,055.56	5,375,048,724.05	325,721,946.99	484,872,599.24	206,076,021.66	7,208,091.39	7,957,808,438.89
3. Prepaid fixed assets							
(1) Owned buildings	11,369,595.89	35,976,097.29	1,172,424.50	2,837.37			48,520,955.05
(2) Intangible assets				1,897,670.88			1,897,670.88
Land use rights							
Patent rights							
Software				1,897,670.88			1,897,670.88
(3) Depreciable intangible assets		1,973,305.50	2,372.94				1,975,678.44
Land use rights		75,634.62	2,372.94				78,007.56
R&D		1,897,670.88					1,897,670.88
(4) Construction in progress	11,369,595.89	34,002,791.79	1,170,051.56	1,900,508.25			48,442,947.49
4. Capitalized fixed assets							
(1) Capitalized buildings	3,068,952,084.11	2,534,777,154.07	49,552,333.20	119,398,716.68	93,875,305.25	2,153,615.54	5,868,709,208.85
(2) Capitalized intangible assets	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)

(I add RMB in CNY)

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

(XVI) Fixed assets (Continued)

3. Fixed assets

Part of the fixed assets are carried at cost. The carrying amount of the fixed assets is as follows.

4. Breakdown of fixed assets

Items	Closing balance	Original value
Intangible assets	2,969,773,193.36	3,004,776,277.22
Machinery (100%)	2,969,773,193.36	3,004,776,277.22
Software (100%)		
Investment property	99,178,890.75	100,424,232.91
Machinery (100%)	99,178,890.75	100,424,232.91
Software (100%)		
Total	3,068,952,084.11	3,105,200,510.13

5. Fixed assets

Items	Closing balance	Original value
Equipment	205.14	201,003.47
Total	205.14	201,003.47

6. Other

Fixed assets are measured at cost less accumulated depreciation and impairment losses. Refer to Note VI. (LXII) A for details.

(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)

(All amounts are in RMB unless otherwise specified)

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

(XVII) Construction in process (Continued)

2. Construction in process

	Closing balance			Opening balance	
	Remaining carrying amount	Provision for impairment	Carrying value	Remaining carrying amount	Provision for impairment
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					
Construction in process	35,088,821.55		35,088,821.55	35,086,357.66	35,086,357.66
Construction in process	23,599,353.83		23,599,353.83	18,113,041.24	18,113,041.24
Construction in process					
Construction in process	20,509,921.48		20,509,921.48	2,551,577.19	2,551,577.19
Construction in process	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					
Construction in process	8,197,929.75		8,197,929.75		
Construction in process					
Construction in process	7,198,439.98		7,198,439.98	17,760,396.32	17,760,396.32
Construction in process	6,484,453.74		6,484,453.74	5,214,776.45	5,214,776.45
Construction in process	2,468,686.98		2,468,686.98		
Construction in process					
Construction in process	1,298,349.11		1,298,349.11	1,298,349.11	1,298,349.11
Construction in process					
Construction in process	11,915.08		11,915.08	3,271,985.13	3,271,985.13
Construction in process				29,405,143.51	29,405,143.51
Construction in process				11,684,618.51	11,684,618.51
Construction in process				10,679,437.44	10,679,437.44
Construction in process				8,401,709.40	8,401,709.40
Construction in process					
Construction in process				2,051,282.07	2,051,282.07
Construction in process				1,173,273.26	1,173,273.26
Construction in process				708,240.47	708,240.47
Construction in process	29,913,960.02	569,610.88	29,344,349.14	30,174,643.63	569,610.88
Construction in process					
Construction in process	658,281,844.60	569,610.88	657,712,233.72	860,619,492.32	569,610.88

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)

3. Significant items

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
Nanchang Airport	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%	Government grants, etc.
Lanzhou Airport	457,000,000.00	181,332,226.29		31,308,710.26		150,023,516.03	42.88	42.88				Government grants, etc.
Kunming Airport	183,400,000.00	40,912,277.76	34,914,756.09	5,873,233.83		69,953,800.02	89.14	89.14				Government grants, etc.
Macau Airport	41,880,000.00	35,086,357.66	2,980,745.72	2,978,281.83		35,088,821.55	90.90	90.90				Government grants, etc.
CPA1400 (Macau)												
4050	40,500,000.00	29,405,143.51		29,405,143.51		-	72.61	100				Government grants, etc.
Guangzhou	23,599,353.83	18,113,041.24	26,218,549.76	20,732,237.17		23,599,353.83	100	99				Government grants, etc.
Economic	31,250,000.00	17,760,396.32	2,000,313.57	12,562,269.91		7,198,439.98	67.23	67.23				Government grants, etc.
Nanchang	768,000,000.00	13,445,465.12	263,811.69			13,709,276.81	2.15	2.15				Government grants, etc.
Baotou	14,589,100.58	11,694,618.51	2,200,081.42	388,451.00	13,496,248.93	-	95.17	100				Government grants, etc.
ERP	39,000,000.00	10,679,437.44	12,525,673.40	23,205,110.84		-	67.58	100				Government grants, etc.
8131611	18,000,000.00	8,401,709.40		8,401,709.40		-	46.68	100				Government grants, etc.
CAP1400	8,500,000.00	5,214,776.45	7,547.17			5,222,323.62	61.44	61.44				Government grants, etc.
PMS	4,210,000.00	3,271,985.13	806,254.70		4,066,324.75	11,915.08	96.87	96.87				Government grants, etc.
Liuzhou	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				Government grants, etc.
HQC D15 2017 EQ006	2,400,000.00	2,051,282.07		2,051,282.07		-	85.47	100				Government grants, etc.
Jaobai		1,298,349.11				1,298,349.11						Government grants, etc.
Caoyuan	16,850,000.00	1,173,273.26	1,863,021.70	3,036,294.96		-	80.99	100				Government grants, etc.
Shoude	35,000,000.00	83,773.59	34,738,051.60	33,697,130.25		1,124,694.94	99.49	99				Government grants, etc.
EQWS JS2009007	36,942,110.28		27,697,157.78	27,697,157.78		-	74.97	100				Government grants, etc.
EPC			19,946,322.14			19,946,322.14	66.49	66.49				Government grants, etc.
Others	30,799,110.51	118,169,288.04	93,661,254.32	19,076,164.84		36,230,979.39						Government grants, etc.
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)

(All amounts are in RMB Yuan unless otherwise specified)

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

(XVII) Construction in process (Continued)

4. *Property, plant and equipment*

Item	Original value	Increase	Decrease	Closing balance	Reason
Construction in process	569,610.88			569,610.88	Completed and transferred to property, plant and equipment
Total	569,610.88			569,610.88	

5. *Construction in process*

Items	Closing balance	Original value
Construction in process	6,374,759.13	3,719,461.29
Total	6,374,759.13	3,719,461.29

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Chinese Yuan unless otherwise specified)

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. Other 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
- Self-developed				1,380,000.00		64,102.56	1,444,102.56
- Transfer	4,755,979.93				18,758,496.16		23,514,476.09
(3) Discontinued			18,758,496.16				18,758,496.16
- Discontinued							
- Self-developed			18,758,496.16				18,758,496.16
(4) Other	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
- Patent	4,855,174.30	15,305,957.31	1,993.44	10,237,272.94	28,700,662.19	237,802.62	59,338,862.80
- Other					15,557,340.49		15,557,340.49
(3) Discontinued			15,557,340.49				15,557,340.49
- Discontinued							
- Other			15,557,340.49				15,557,340.49
(4) Other	44,821,589.09	261,529,519.56	3,452,929.44	194,479,916.08	134,766,926.84	5,044,363.05	644,095,244.06
3. Patent							
(1) Intangible assets	2,137,376.41			8,402,511.71		90,863.26	10,630,751.38
(2) Intangible assets							
- Patent							
- Other							
(3) Discontinued							
- Discontinued							
- Other							
(4) Other	2,137,376.41			8,402,511.71		90,863.26	10,630,751.38
(1) Capitalized							
- Discontinued	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) Capitalized							
- Other	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)

(All amounts are in RMB Yuan unless otherwise specified)

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

(XIX) Development disbursements

Item	Original amount	Increase		Decrease		Closing balance
		Internal development expenditure	Confirmed as intangible assets	Recorded into the profits and losses of the current period	Recognized as fixed assets	
Key Software Development CAP1400 Record	231,354,185.98	30,789,141.87		13,479,598.76		248,663,729.09
SAP Software Product Sales Data		7,640,639.65				7,640,639.65
ERP Product IP Software Development		3,447,169.82				3,447,169.82
17 33002 Industrial Data Analysis		2,334,905.67				2,334,905.67
17 12001 Service - Data Analysis		2,205,128.21				2,205,128.21
Nature Engineering Lab Industrial Data Analysis	592,901.37	631,898.76				1,224,800.13
Hardware Development	1,039,614.59					1,039,614.59
Development 282 180112019			764,957.28			764,957.28
Development Software Development		1,260,155.56		715,543.50		544,612.06
Research and Development Software Development	418,341.03	102,372.13		102,372.13		418,341.03
Acquisition of Software Development	68,119.66	103,060.35				171,180.01
Development AP1000MSR Software Development	1,380,000.00	239,852.60	1,380,000.00	239,852.60		-
Hardware Product Software Development	64,102.56		64,102.56			-
Capital Expenditure	4,288,584.48	14,441,255.93		12,086,572.52	1,036,111.11	5,607,156.78
Total	239,205,849.67	63,960,537.83	1,444,102.56	26,623,939.51	1,036,111.11	274,062,234.32

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts 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
Reservations		47,940.00	16,197.72		31,742.28
Total	30,412,529.89	12,897,445.90	13,846,896.33		29,463,079.46

(XXI) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Intangible assets	2,524,558,462.32	402,681,885.24	2,288,839,814.82	355,361,036.47
Capital assets	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	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. Deferred tax liabilities

Items	Closing balance	Opening balance
Deferred tax liabilities	4,343,180,142.33	4,756,702,688.95
Deferred tax assets	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)

(All amounts are in Chinese Yuan)

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

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

3. Non-current deferred tax assets

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

(XXII) Short-term borrowings

1. Short-term borrowings

Item	Closing balance	Original balance
Bank borrowings	15,900,000.00	15,900,000.00
Guaranteed bank borrowings	1,557,008,534.19	2,737,668,542.78
Total	1,572,908,534.19	3,083,568,542.78

(XXIII) Placement from banks and other financial institutions

Item	Closing balance	Original balance
Bank placements	300,000,000.00	
Total	300,000,000.00	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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 deposits	41,123,100.00	1,600,000.00
Call deposits	122,764,275.35	169,264,275.35
L/G (including advance)	252.36	31,590.00
Other deposits (including deposits for sale, deposits for sale, deposits for sale)		
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 acceptance	4,611,567,962.08	4,570,861,423.55
Bill acceptance	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 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

(1) Long-term accounts payable

Items	Closing balance	Opening balance
With interest	10,003,805,732.84	11,359,184,726.32
12 months	1,811,999,790.23	1,328,277,162.52
23 months	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) Short-term accounts payable

Item	Closing balance	Reason for outstanding or not paying back
China Foshan Haier Mac Electric Co., Ltd.	174,185,644.45	Trade payables
Harbin Haier Electric Co., Ltd.	80,418,000.00	Trade payables
INNOVIA CONSULTANTS LTD	78,410,400.00	Trade payables
Harbin Baogong Co., Ltd.	48,482,399.98	Trade payables
Beijing E-cop Electric Equipment Co., Ltd.	40,319,161.93	Trade payables
Harbin Baogong Co., Ltd.	29,068,515.76	Trade payables
Harbin Jincheng Co., Ltd.	27,041,703.09	Trade payables
Jiangsu Yipac Steel Tube Co., Ltd.	24,419,617.44	Trade payables
Nanjing Daiti Machinery Co., Ltd.	24,395,779.34	Trade payables
Zhejiang Baopu Electric Co., Ltd.	21,235,319.12	Trade payables
Shanghai Haidi Co., Ltd.	18,876,004.00	Trade payables
Saara Wireless Technology Co., Ltd.	18,403,689.00	Trade payables
Zhejiang Zhaopu Electric Co., Ltd.	17,703,716.72	Trade payables
Acabig Co., Ltd. (Anhui E-cop Co., Ltd.)	15,785,023.20	Trade payables
Zhejiang Haidi Co., Ltd.	15,321,935.00	Trade payables
Wuxi Haier Steel Electric Co., Ltd.	13,914,116.01	Trade payables
Wuxi Steel Electric Co., Ltd.	13,614,905.32	Trade payables
Zhejiang Fida Electric Power Co., Ltd.	13,608,497.80	Trade payables

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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
China National Petroleum Corporation	13,101,307.19	Trade payables
China Xida Taobao Commerce Co., Ltd.	12,832,605.00	Trade payables
Japan Post Bank Ltd	12,752,249.39	Trade payables
Toyota Motor Finance Co., Ltd.	12,452,132.82	Trade payables
Zhejiang Dahua Intelligent Manufacturing Co., Ltd.	12,163,330.00	Trade payables
Wuhan Tianfang Energy Finance Co., Ltd.	12,059,783.28	Trade payables
China National Petroleum Gas Company Ltd.	11,200,270.71	Trade payables
Saudi Electronic Services Co., Ltd.	11,100,000.00	Trade payables
Saudi Telecom Engineering Co., Ltd.	11,004,997.44	Trade payables
Saudi X-Mac Finance Co., Ltd.	10,607,644.51	Trade payables
Electronic Data Management Information Systems S.A.	10,117,113.18	Trade payables
Total	804,595,861.68	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(XXVI) Employee benefits payable

1. Long-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
Supplemental pension	280,737,082.11	2,325,357,908.92	2,357,695,024.49	248,399,966.54
Retirement benefit obligations				
Welfare fund		405,083,233.59	405,083,233.59	-
Termination benefits	38,978,832.05	55,483,336.30	46,655,747.10	47,806,421.25
Other long-term employee benefits				-
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. Short-term employee benefits

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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 employee benefits payable		332,990,376.12	332,990,376.12	
Unfunded pension liabilities		9,578,456.86	9,578,456.86	
Contractual bonuses		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
Land and resource 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
Education surcharge	15,414,905.66	12,926,156.31
Land use tax	1,869,130.30	2,354,056.33
Total	374,043,503.79	240,442,949.52

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

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

(XXVIII) Other payables

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

1. Interest payable

Item	Closing balance	Opening balance
Interest payable on bank deposits		120,866,666.66
Interest payable on bank loans	184,875.00	
Interest payable on other financial instruments	5,262,277.31	4,232,883.09
Total	5,447,152.31	125,099,549.75

2. Dividend payable

Item	Closing balance	Opening balance
Dividend payable to shareholders	3,573,003.94	3,569,638.20
Total	3,573,003.94	3,569,638.20

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XXVIII) Other payables (Continued)

2. Deferred tax liabilities (Continued)

The following table shows the details of deferred tax liabilities:

Company name	Closing balance	Opening balance	Reasons for not paying over 1 year
Ermenegildo Zegna Group S.p.A.	2,767,274.60	2,767,274.60	Has not yet been paid
Habon Group Limited	297,135.61	297,135.61	Has not yet been paid
Northern Paper Industry & Trading Company Limited	217,506.73	217,506.73	Has not yet been paid
Habon Paper Manufacturing Company Limited	150,471.74	150,471.74	Has not yet been paid
Habon Paper Industry	95,893.91	90,621.70	Has not yet been paid
Total	3,528,282.59	3,523,010.38	

3. Other payables

(1) Other payables

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in 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 December 31, 2018

Creditors	Amount owed	Age	Reasons for
Zhejiang Qidong Electric Equipment Co., Ltd.	8,700,000.00	2-3 years	Non-current
Harbin Electric Co., Ltd.	6,818,750.00	1-3 years	Non-current
Urumqi Aba Power Co.	5,765,200.00	1-2 years	Non-current
Total	21,283,950.00		

(XXIX) Current portion of non-current liabilities

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

Note: On February 18, 2013, the Company issued RMB 200 million "Secured Recourse Corporate Bond" [2013] No. 159, with a term of 3 years. On March 11, 2013, the Company issued Harbin Electric Co., Ltd. '2012 Corporate Bond' (Harbin Electric Co., Ltd. 3-year bond) with a term of 3 years, an interest rate of 4.9%, and a maturity date of March 11, 2018. The bond is secured by the Company's assets. The Company has issued a total of RMB 200 million of such bonds. The Company's assets are pledged as collateral for the bonds. The Company's assets are pledged as collateral for the bonds. The Company's assets are pledged as collateral for the bonds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XXX) Other current liabilities

Items	Closing balance	O i ba a c i
F a c i a i acc i a ab i	188,548.80	134,893.80
T i a	188,548.80	134,893.80

(XXXI) Long-term borrowings

Items	Closing balance	O i ba a c i
C i d i a	300,000,000.00	200,000,000.00
T i a	300,000,000.00	200,000,000.00

(XXXII) Long-term payables

Items	Closing balance	O i ba a c i
L i a ab i	1,000,000.00	1,000,000.00
S i c a a ab i	483,843,694.29	484,953,994.29
T i a	484,843,694.29	485,953,994.29

1. L i a ab i

Items	O i ba a c i	Increase in this period	Decrease in this period	Closing balance	Reason of formation
H a b E i d i c C a i	1,000,000.00			1,000,000.00	G d
T i a	1,000,000.00			1,000,000.00	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

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

(XXXII) Long-term payables (Continued)

2. Significant items

Items	Original balance	Increase in this period	Decrease in this period	Closing balance	Reason of formation
Dividend payable	380,589,200.00	2,799,700.00	1,640,000.00	381,748,900.00	Dividend payable
Interest payable	53,590,000.00			53,590,000.00	Interest payable
Share-based payment liability	22,420,000.00			22,420,000.00	Share-based payment liability
Long-term employee benefits payable	5,665,000.00			5,665,000.00	Long-term employee benefits payable
Other	22,689,794.29		2,270,000.00	20,419,794.29	Other
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	Original balance
1. Pension benefits payable		
2. Long-term employee benefits payable	142,308,359.65	141,039,180.93
3. Other		
Total	142,308,359.65	141,039,180.93

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in million RMB unless otherwise specified)

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

(XXXIV) Provisions

Items	Closing balance	Opening balance
Provision for doubtful accounts (Note 1)	116,035,464.40	101,605,443.95
Loss allowance for financial assets (Note 2)	669,137,522.09	520,896,015.25
Others (Note 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 method with a provision ratio of 0.3% to 0.5% for different categories of accounts receivable.

Note 2: The loss allowance for financial assets is calculated based on the expected credit loss model. The loss allowance is determined based on the credit risk of the financial assets and the historical loss experience.

Note 3: Others include provisions for various items, such as provisions for doubtful accounts, provisions for doubtful receivables, and provisions for doubtful payables. The total amount is 8,857,323.34 RMB.

(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)

(All amounts in RMB unless otherwise specified)

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

(XXXV) Deferred income (Continued)

Unit: RMB million

Liabilities items	Original amount	New addition	Accounted for as non-operating income amount	Other changes	Closing balance	Associated with the asset/related to earnings
Guarantee fee						Related to earnings
Job	39,104,038.89		1,363,566.66		37,740,472.23	Related to earnings
Construction	14,894,523.04	5,390,000.00	896,152.57		19,388,370.47	Related to earnings
Debt	16,917,876.42		10,080.10		16,907,796.32	Related to earnings
Tax	22,500,000.00		5,625,000.00		16,875,000.00	Related to earnings
Lease	8,346,800.00				8,346,800.00	Related to earnings
Patent	7,400,000.00				7,400,000.00	Related to earnings
Share-based payment	5,290,000.00				5,290,000.00	Related to earnings
Share-based payment	5,000,000.00		356,412.92		4,643,587.08	Related to earnings
Deferred	4,236,600.00			-712,400.00	3,524,200.00	Related to earnings
Labour	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 items include the following: ...

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands of RMB unless otherwise specified)

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

(XXXVI) Share capital

Shareholder's name	Original amount	Capital increase	Scrip share	Increase(+)/Decrease(-)		Subtotal	Closing balance
				Conversion of the accumulation funds into shares	Conversion of the undistributed profit into shares		
Habeco	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 amount	Increase during the period	Decrease during the period	Closing balance
Capital reserve (including 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: The capital reserve is primarily composed of share premium and other capital reserve. As of December 31, 2017, the share premium is RMB 3,690,197,230.17, and the other capital reserve is RMB 28,125,000.00. The total capital reserve is RMB 3,715,737,494.12.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(XXXIX) Specialized reserve

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

(XL) Surplus reserve

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

(XLI) Retained earnings

Item	Current period	Last period
Balance at the beginning of the period	8,649,609,089.09	8,496,686,529.09
Add: Income tax adjustment (deduction)	8,649,609,089.09	8,496,686,529.09
Other adjustments	71,316,651.84	194,226,740.00
Less: Dividend distribution	25,305,546.26	
Less: Other adjustments	22,606,703.61	
Dividend distribution	25,597,845.00	41,304,180.00
Other adjustments		
Closing balance	8,698,026,738.58	8,649,609,089.09

Note: The Company's dividend distribution policy is to distribute dividends to shareholders in the form of cash dividends. On May 25, 2018, the Board of Directors proposed to distribute a 2017 cash dividend of 1,706,523,000 yuan (including tax) to the shareholders of the Company as of the record date of May 25, 2018. The dividend distribution policy is to distribute dividends to shareholders in the form of cash dividends. On May 25, 2018, the Board of Directors proposed to distribute a 2017 cash dividend of 1,706,523,000 yuan (including tax) to the shareholders of the Company as of the record date of May 25, 2018. The dividend distribution policy is to distribute dividends to shareholders in the form of cash dividends. On May 25, 2018, the Board of Directors proposed to distribute a 2017 cash dividend of 1,706,523,000 yuan (including tax) to the shareholders of the Company as of the record date of May 25, 2018.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are 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	Revenue	Cost
1. Manufacturing revenue	25,673,513,488.27	22,523,020,468.15	31,345,884,860.70	27,104,569,528.75
Manufacturing revenue	11,877,253,493.44	10,207,039,797.58	13,871,644,397.96	11,571,125,295.18
Manufacturing revenue	1,704,635,327.78	1,553,327,987.39	1,146,212,806.36	963,884,354.15
Engineering revenue	7,411,068,070.00	7,157,640,769.57	10,704,840,383.96	10,207,510,174.17
Product sales revenue	899,959,203.92	809,714,506.28	1,339,075,625.77	1,143,869,453.69
AC and DC transmission revenue	2,442,054,277.61	1,736,512,010.42	2,251,536,060.95	1,704,961,907.44
Service revenue	1,338,543,115.52	1,058,785,396.91	2,032,575,585.70	1,513,218,344.12
2. Other revenue	205,947,362.35	164,510,451.63	194,438,995.68	163,384,698.59
Service revenue	141,183,469.08	127,700,038.61	122,103,672.33	120,804,124.13
Transportation revenue	11,959,643.48	73,540.76	15,291,425.41	1,228,080.11
Other revenue	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)

(All amounts in million RMB unless otherwise specified)

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

(XLII) Operating revenue and operating cost (Continued)

(Continued from page 100)

The following table shows the details of the operating revenue and operating cost:

Project item	Contracted value	Total Cost of the project	Progress of Completion (%)	Accumulated revenue recognized	Accumulated cost recognized	Accumulated gross profit recognized	Settlement price	Revenue recognized in current period	Cost recognized in current period
1. Fixed-asset construction									
Daba Haaca CAP									
P	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
Hada 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
Dala Lz 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
Paala L 1223MW									
C b d C 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
Dala Lz 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 il#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
Paala B a 1180MW									
C b d C 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
Ec ad Ma d									
	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
CaP il									
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 X #1	359,760,000.00	265,709,400.00	63.25	196,162,241.38	168,061,210.67	28,101,030.71	197,880,000.00	196,162,241.38	168,061,210.67
Total	29,670,322,398.71	29,006,450,513.62		19,039,107,148.77	18,843,847,759.50	195,259,389.27	17,303,257,743.45	8,362,109,280.40	8,027,123,726.63

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(XLIII) Interest income and interest expense

Item	Current period	La t e r
Interest income	422,786,538.17	440,314,100.89
D e b t f i n a n c i n g i n c o m e	405,729,913.62	426,929,921.87
D e b t c o n t r a c t i n g i n c o m e	11,223,948.75	12,832,809.58
L a n d u s e r i n c o m e	4,172,777.80	194,444.44
L a n d a d a p t a t i o n i n c o m e	1,474,198.55	129,816.62
I n t e r e s t i n c o m e o n a s s e t s		
C a s h a n d e q u i v a l e n t s		
D e b t i n v e s t m e n t s	1,467,212.25	129,816.62
B a n k d e p o s i t s	6,986.30	
B a n k b o r r o w i n g s		
O t h e r s	185,699.45	227,108.38
I n t e r e s t i n c o m e o n a s s e t s		
Interest expense	20,736,138.63	24,780,211.04
D e b t f i n a n c i n g e x p e n s e		
B a n k d e p o s i t s		
B a n k b o r r o w i n g s		
D e b t i n v e s t m e n t s	20,736,138.63	24,780,211.04
P r o v i s i o n o f R E P O a c c o u n t s		
I n t e r e s t e x p e n s e		
O t h e r s		
Net interest income	401,168,108.21	415,533,889.85

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB unless otherwise specified)

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
Service charges		
Agency charges		
Commission		
Bank charges		
Advertising		
Commission on foreign exchange		
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
Tax on interest	25,319,648.15	29,709,121.47
Value-added tax	87,136.80	68,060.42
Other	40,946.01	510,612.88
Total	203,240,789.57	178,624,849.16

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

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

(XLVI) Selling expenses

Item	Current period	Last period
Selling expenses	263,792,484.72	199,437,711.67
Quasi-royalty	229,446,765.75	228,295,986.87
Tax	97,092,202.25	71,646,606.53
Transportation	35,019,917.90	49,182,240.75
Advertising	20,785,591.44	14,302,815.74
Office and	13,659,803.47	26,198,056.33
cost	20,093,739.06	15,117,553.31
Interest	101,494.57	507,309.43
Bonus	16,743,132.67	1,644,148.22
Office	3,470,830.90	2,847,602.77
Printing	354,623.35	1,177,655.50
Advertising	3,884,431.00	5,528,203.24
Other	26,791,108.12	23,490,098.52
Total	731,236,125.20	639,375,988.88

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in million RMB unless otherwise specified)

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

(XLVII) Administrative expenses

Item	Current period	Last period
Salaries and wages	789,422,392.92	912,691,025.61
Participating employee benefits	17,227,024.91	
Depreciation and amortization	151,454,472.32	156,185,688.65
Manufacturing costs	125,539,743.24	131,225,125.14
Taxes and social security charges	39,888,582.14	73,558,640.36
Share-based payment	40,943,234.05	44,800,268.99
Office expenses	32,076,274.80	39,732,877.44
Office rent	25,395,351.75	19,297,468.58
Manufacturing expenses	8,750,990.78	12,270,270.49
Utilities	12,079,776.60	14,108,527.82
Transportation	18,744,051.84	15,482,229.12
Finance expenses	9,969,050.03	9,396,518.27
Entertainment	16,370,855.98	28,137,684.13
Debt interest	13,776,452.68	12,733,794.34
Advertising	4,751,285.17	11,297,272.97
Asset impairment	2,358,490.57	2,358,490.57
Asset disposal costs	4,347,388.20	3,916,929.16
Commission	3,949,919.82	7,547,220.37
Visiting	4,105,810.23	4,492,751.60
Interest	5,705,010.46	8,333,349.96
Liability	2,825,157.26	969,067.47
Travel	33,677.19	99,321.87
Bad debts	488,867.32	297,032.38
Share-based payment	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)

(All amounts are in RMB unless otherwise specified)

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

(XLVIII) Research and development expenses

Item	Current period	Last period
Research and development expenses	591,928,067.08	558,679,659.76
Total	591,928,067.08	558,679,659.76

(XLIX) Financial expenses

Category	Current period	Last period
Interest expense	124,294,753.28	241,715,596.09
Loss on disposal of financial assets	62,278,154.48	47,822,335.41
Exchange gain	-43,507,919.60	100,183,554.29
Gain on disposal of non-current assets	16,125,922.94	22,693,862.71
Other	1,461,622.64	6,018,523.17
Total	36,096,224.78	322,789,200.85

(L) Impairment on assets

Item	Current period	Last period
Bad debt		496,943,368.14
Impairment loss on financial assets	179,934,482.68	485,214,814.27
Loss on disposal of non-current assets		-92,236.44
Impairment loss on available-for-sale financial assets		4,000,000.00
Loss on disposal of financial assets		1,419,804.00
Financial assets impairment		27,048,626.92
Impairment loss on disposal of non-current assets		366,000.00
Impairment loss on disposal of non-current assets		2,228,239.67
Total	179,934,482.68	1,017,128,616.56

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in million RMB unless otherwise specified)

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

(LI) Credit impairment losses

Item	Current period
Net credit impairment and bad debt expense	-90,691,073.85
Bad debt expense	4,763,973.41
Administrative expenses	-7,000.00
Debt restructuring expenses	
Other debt restructuring expenses	
Loss on credit impairment bad debt	
Credit impairment reversal	477,484,302.39
Interest expense	99,995,029.62
Total	491,545,231.57

(LII) Other income

Item	Current period	Launched
Government subsidies	174,777,343.70	45,731,908.93
Total	174,777,343.70	45,731,908.93

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

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

(LII) Other income (Continued)

Gain from disposal of subsidiaries and other entities

Item	Current period	Related to assets/related to income
Disposal of subsidiaries and other entities	61,620,000.00	Related to income
Corporate R&D expenses	40,529,271.91	Related to income
Government grants	21,133,864.94	4,832,981.66 Related to income
Share of profit of subsidiaries	8,000,000.00	Related to income
Share of profit of other entities	6,253,411.44	Related to income
Disposal of CAP1400 Ha-S	5,877,588.50	Related to income
Transfer of assets	5,625,000.00	5,625,000.00 Related to income
Charges	5,000,000.00	Related to income
Provision of services	4,030,000.00	Related to income
Rent income	2,017,145.99	2,553,566.00 Related to income
Jointly developed projects	1,363,566.66	Related to income
Transfer of 70%	1,249,946.18	Related to income
Labour disputes	1,245,218.03	Related to income
Share of profit of subsidiaries	1,106,200.00	1,768,865.63 Related to income
Jointly developed projects	833,928.45	Related to income
Disposal of assets	799,553.65	Related to income
Zhejiang	750,000.00	Related to income
Tax	700,000.00	Related to income
Disposal of 1000MW H	644,620.19	Related to income
Disposal of assets	600,000.00	Related to income
Tax	508,616.08	Related to income

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(LII) Other income (Continued)

Grand total (CNY)

Item	Current period	Related to assets/related to income
Tax income (Tax income)	500,000.00	Related to income
Tax income (Tax income)	450,000.00	Related to income
Income tax expense (Income tax expense)	450,000.00	Related to income
Income tax expense (Income tax expense)	356,412.92	Related to income
Subsidy income (Subsidy income)	320,000.00	Related to income
Academy income (Academy income)	300,000.00	Related to income
Enterprise income (Enterprise income)	280,000.00	Related to income
Management income (Management income)	266,666.64	266,666.64 Related to income
Labour income (Labour income)	212,133.34	Related to income
Tax income (Tax income)	200,000.00	Related to income
Patent income (Patent income)	200,000.00	Related to income
Income tax expense (Income tax expense)	183,244.00	Related to income
Labour income (Labour income)	165,674.56	165,674.63 Related to income
PDM income (PDM income)	159,760.52	159,760.52 Related to income
Copyright income (Copyright income)	100,500.00	Related to income
Share income (Share income)	100,000.00	Related to income
Household income (Household income)	96,750.00	Related to income
Enterprise income (Enterprise income)	69,999.97	Related to income
Patent income (Patent income)	55,000.00	Related to income
Research income (Research income)	50,000.00	Related to income
Labour income (Labour income)	49,105.50	Related to income

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in CNY)

Item	Current period	Related to assets/related La i d to income
2011BAF03B03 (Ya Ka) d a	45,461.45	45,461.46 R a d c i
D a d a - a c ca		
a d a	36,690.00	R a d c i
Ha b Wa C a c Mac P a		
L ad Ec C d F d 820 00 1605	27,757.35	R a d c i
M a ad c c d d		
820 00 1307	26,320.18	R a d c i
M a ad c c d d		
(c) 820 00 1503	23,276.04	R a d c i
Ha b l F d Pa A a	21,709.10	R a d c i
H Y C S Ma S d P d		
C d F d 820 00 1703	20,794.09	R a d c i
R a c a d a ca i i a d		
a a -d c a a		
i i a 820 00 1606	20,779.29	9,216.00 R a d c i
R a c a d a ca d b d i i a c		
a d ca cad a d c i i a		
c b d i i a c 820 00		
1801	18,000.06	R a d c i
D a i a c b d	17,302.93	R a d c i
H a P c S Ma S d b d		
820 00 1504	15,359.22	R a d c i

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(LII) Other income (Continued)

(In addition to the figures in CNY)

Item	Current period	Related to assets/related to income
Habitat for Humanity International (USA) Foundation AP1000	500,000.00	Related to income
Taobao.com CAP1400	700,000.00	Related to income
Taobao.com CAP1400	8,000.00	Related to income
Taobao.com CAP1400	285,000.00	Related to income
Read the People's Daily	2,986,453.00	Related to income
Sina.com	1,616,226.61	Related to income
Nca.com	12,575,700.00	Related to income
Ma.com	3,871.41	Related to income
D.com	100,000.00	Related to income
J.com	1,868,913.40	Related to income
L.com	8,100,000.00	Related to income
D.com	442,728.38	Related to income
2017	800,000.00	Related to income
2016	91,000.00	Related to income
Total	174,777,343.70	45,731,908.93

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(LVII) Proceeds from asset disposal

Items	Current period	La t i d	Amount included in current non-recurring gains and losses
D a i d a i	2,283,473.35	3,627,423.23	2,283,473.35
D a i b a i			
T i	2,283,473.35	3,627,423.23	2,283,473.35

(LVIII) Non-operating income

1. N - a c d

Items	Current period	La t i d	Included in the amount of the non-recurring gains and losses of the current period
T i -c a i c i	3,598,537.20		3,598,537.20
c d : d a i c i	3,598,537.20		3,598,537.20
b a i c i			
G a d b i d i	1,620,168.00	325,314.71	1,620,168.00
G a i a d -c a a i			
D a i c i d			
G i i a i	4,876,415.01	50,539,789.12	4,876,415.01
O i	37,166,522.57	21,359,762.52	37,166,522.57
T i	47,261,642.78	72,224,866.35	47,261,642.78

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(LVIII) Non-operating income (Continued)

2. Government subsidies

Items	Current period	Related to assets/ Launched related to income
Habitual Unbalanced	960,000.00	Related to income
Research and Development	880,000.00	Related to income
Habitual Patent	179,000.00	Related to income
Quality Management System	150,000.00	Related to income
Habitual Patent	110,289.48	Related to income
Labour	79,968.64	Related to income
Habitual Scientific and Technological Research	50,000.00	Related to income
Habitual Environmental Management	50,000.00	Related to income
High-tech	50,000.00	Related to income
Labour	38,400.00	Related to income
Habitual Tax	34,584.63	Related to income
Key	31,150.00	Related to income
Government		20,000,000.00 Related to income
Contract		12,060,000.00 Related to income
Subsidy	311,869.69	6,244,713.39 Related to income
Industrial		3,283,000.00 Related to income
Tax	415,000.00	1,215,000.00 Related to income
Habitual Management		1,000,000.00 Related to income
Patent		677,500.00 Related to income
Net	896,152.57	671,569.24 Related to income
University		553,722.11 Related to income
Construction		501,200.00 Related to income
Habitual		496,995.16 Related to income
Medical		460,000.00 Related to income
Welfare		443,042.56 Related to income

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in CNY)

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

(LVIII) Non-operating income (Continued)

2. Government subsidies (Continued)

Items	Current period	Related to assets/ Launched related to income
Research and development subsidies	250,000.00	Related to income
Manufacturing subsidies	239,880.74	Related to income
Export and import subsidies		
Interest subsidies		
Bank deposit subsidies	213,500.00	Related to income
High-tech enterprise subsidies		
Research and development subsidies		
Production subsidies	200,000.00	Related to income
Manufacturing subsidies	200,000.00	Related to income
Research and development subsidies	130,000.00	Related to income
High-tech enterprise subsidies		
Research and development subsidies	100,000.00	Related to income
Production subsidies	100,000.00	Related to income
Manufacturing subsidies		
Research and development subsidies	50,000.00	Related to income
Production subsidies	43,000.00	Related to income
Manufacturing subsidies		
Research and development subsidies	38,250.00	Related to income
Production subsidies		
Manufacturing subsidies	30,500.00	Related to income
Research and development subsidies	12,000.00	Related to income
Production subsidies		
Manufacturing subsidies	640,000.00	1,325,915.92 Related to income
Total	4,876,415.01	50,539,789.12

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB unless otherwise specified)

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

(LIX) Non-operating expenses

Item	Amount for this period	A	Including the amount of non-recurring gains and losses of the current period
Transaction costs	3,066,608.59	3,695,842.30	3,066,608.59
Included:	3,066,608.59	3,695,842.30	3,066,608.59
Losses on disposal of long-term assets	38,647,346.91		38,647,346.91
Net exchange gains	500,000.00		500,000.00
Exchange gains on financial instruments	60,598,842.15	156,360,284.89	60,598,842.15
Other		2,905,518.01	
Total	102,812,797.65	162,961,645.20	102,812,797.65

(LX) Income tax

1. Deferred income tax

Item	Amount for this period	A
Current tax	113,890,721.19	163,258,837.00
Deferred tax	-59,724,224.57	-80,861,025.97
Total	54,166,496.62	82,397,811.03

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan)

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

(LX) Income tax (Continued)

2. Accrued income tax

Item	Amount for this period
Tax on income	156,854,134.23
Income tax on dividends	23,528,120.13
Subsidy income tax	15,925,333.85
Advertising expense tax	1,153,478.29
Tax on interest income	-20,420,104.44
Non-deductible expenses, additions	47,332,548.18
Income tax on dividends, interest income, and other income	-43,244,399.28
Tax on dividends, interest income, and other income	29,162,082.87
Other	729,437.02
Total	54,166,496.62

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in millions of Chinese Yuan)

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

(LXI) Cash flow statement supplementary information

1. Cash and cash equivalents

Item	Amount for this period	At the end of the period
1. Balance at the beginning of the period	102,687,637.61	260,968,593.90
Add: Interest income	179,934,482.68	1,017,128,616.56
Less: Interest expense	491,545,231.57	
Dividends received from subsidiaries, associates, and joint ventures, and from other entities	700,770,755.75	696,372,060.51
Assets acquired through business combinations	59,338,862.80	50,953,111.61
Assets acquired through other business combinations	13,846,896.33	12,017,505.45
Disposal of subsidiaries, associates, and joint ventures, and disposal of other entities (less of cash paid for the acquisition of subsidiaries, associates, and joint ventures, and disposal of other entities)	-2,283,473.35	-3,627,423.23
Less: Cash paid for the acquisition of subsidiaries, associates, and joint ventures, and disposal of other entities (less of cash received from the disposal of subsidiaries, associates, and joint ventures, and disposal of other entities)	-531,928.61	3,695,842.30
Less: Cash paid for the acquisition of other entities (less of cash received from the disposal of other entities)		12,995,817.33
Financial assets (less of financial liabilities)	93,554,407.87	439,256,686.96
Financial liabilities (less of financial assets)	-139,663,587.58	-121,466,718.09
Dividends received from subsidiaries, associates, and joint ventures (less of dividends paid to subsidiaries, associates, and joint ventures)	-59,724,224.57	-80,861,025.97
Dividends received from subsidiaries, associates, and joint ventures (less of dividends paid to subsidiaries, associates, and joint ventures)	1,744,434,904.99	579,269,657.41
Repayment of bank borrowings (less of bank borrowings added)	3,992,977,723.18	-1,274,536,453.37
Less: Cash paid for the acquisition of other entities (less of cash received from the disposal of other entities)	-7,860,180,988.23	-4,275,691,999.21
Other	7,293,652.03	-8,723,349.80
Balance at the end of the period	-675,999,647.53	-2,692,249,077.64
2. Marketable securities		
Cost		
Cost of securities held at the end of the period		
Cost of securities held at the beginning of the period		
3. Net cash and cash equivalents		
Change in cash and cash equivalents	11,705,681,448.94	15,206,290,892.00
Less: Change in cash and cash equivalents	15,206,290,892.00	17,204,139,648.41
Less: Change in cash and cash equivalents		
Net cash and cash equivalents	-3,500,609,443.06	-1,997,848,756.41

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(LXI) Cash flow statement supplementary information (Continued)

2. Cash and cash equivalents:

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 at the beginning of the year	11,426,169,264.16	14,826,342,631.29
Other cash and cash equivalents		
Cash and cash equivalents at the end of the year	50,692,260.02	107,027,977.01
Cash and cash equivalents at the end of the year	221,627,743.72	266,874,755.83
Cash and cash equivalents at the end of the year		
2. Cash equivalents		
Included: Balance of cash equivalents at the beginning of the year		
3. Cash and cash equivalents	11,705,681,448.94	15,206,290,892.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(LXII) Assets with limited ownership or use rights

Item	Closing book value	Reason
Machinery	837,570,251.25	Accumulated depreciation, etc.
Fixed assets	84,885,716.64	None
Intangible assets	29,148,360.58	None
Total	951,604,328.47	

None:

- (1) The book value of the machinery is CNY 80,803,380.12, and the accumulated depreciation is CNY 25,574,278.61. The machinery is owned by Habeco Mac (Zhejiang) Co., Ltd. The machinery is used for the production of Zhaobaoba Cacao Co., Ltd. in 2014. The machinery is used for the production of Zhaobaoba Cacao Co., Ltd. (1) 17 () ac ad a ac ad b : 150319582E14061201 3, ac ad a 29,937,700.00 a a a a ac ad T a a a ad S b 2, 2016. M a a a a c ad; 2) T a a c ad c ad a CNY 54,967,600.00 a c ad a a c ad b : 150319582E14061201 2; 3) a c ad a CNY 21,991,830.00. I c d : M a c ad c ad a c ad b 150319582E14061201-2 ; J 1, 2017, a d a c ad c ad b 150319582E14061201 1 J 1, 2017. E ; bca a a b a a b d, a c ad a c ad ;
- (2) The book value of the machinery is CNY 4,082,336.52, and the accumulated depreciation is CNY 3,574,081.97. The machinery is owned by J 2, 2017 Cid Saata C Co., Ltd. and Cid Ra Cca Ba Co., Ltd. Xid Ta Sbbac. T c ad b 20170005, a ca a db X Ta G 2017 a d b a a CNY 15,900,000.00. T b d a J 2, 2017 J 1, 2018, a d a a 7.84%. T ab a b a ad b a b a c Sa X Ta ac d 20160003 a d d d d b . T c a a a d a d . T b a a d N . 0388953 c ad, N . 0388958 c ad, N . 0388950 c ad, N . 0388955 c ad a d X d G (2015) N . 10439. R ;

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 : USD	100,018,947.34	6.8632	686,450,039.32
EUR	726,853.71	7.8473	5,703,839.12
Pa t i R	149,836,502.72	0.0495	7,424,398.71
U t d A ab E a D a	12,214,529.68	1.8679	22,815,519.99
S da d	2,516,435.21	0.1441	362,693.80
Acc t a ab			442,839,296.91
I c d : USD	63,591,390.03	6.8632	436,440,428.04
EUR	791,805.90	7.8473	6,213,538.44
S da d	1,285,856.05	0.1441	185,330.43
O t a ab			409,509,843.09
I c d : USD	46,330,802.15	6.8632	317,977,561.32
EUR	4,000.00	7.8473	31,389.20
Pa t i R	1,502,209,869.69	0.0495	74,434,498.77
D a	2,592,900.26	1.8679	4,843,278.40
I d a R a	25,841,681,551.45	0.0005	12,223,115.40
Acc t a ab			312,157,496.59
I c d : USD	45,482,791.78	6.8632	312,157,496.59
O t			
O t a ab			28,450,922.11
I c d : USD	4,145,431.01	6.8632	28,450,922.11
O t			
Ab b d d t			7,700,344.38
I c d : USD	1,121,975.81	6.8632	7,700,344.38
I t a ab			129,688.61
I c d : USD	18,896.23	6.8632	129,688.61

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

No.	Name	Way of forming control	Net assets at the end of the period	Current new profit
1	Yi Liang (Yi Liang) Co., Ltd.	Equity investment		
2	Li Da (Li Da) Co., Ltd.	Equity investment		
3	Haba (Haba) Co., Ltd.	Equity investment	3,366,331.60	-91,868.39
4	Hada (Hada) Co., Ltd.	Equity investment	98,000,000.00	

2. Entities no longer included in the scope of consolidation

(1) Baco (Baco) Co., Ltd.

No.	Name	Registration	Nature	Shareholding rate (%)	Proportion of voting rights (%)	Reason why it is no longer a subsidiary this period
1	Haba (Haba) Co., Ltd.	Equity investment	Wholly owned subsidiary	94.06	94.06	Disposal

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

VIII. EQUITY IN OTHER ENTITIES

(I) Equity in subsidiaries

1. ~~Temporary~~ ~~equity~~ ~~in~~

Name	Main operating place	Registration	Main business country	Nature	Share holding proportion (%)		Method
					Direct	Indirect	
Harbin Baobao Chemicals Ltd.	Harbin	Harbin	China	Manufacturing	92.08		Subsidiary
Harbin Electric Machinery Co., Ltd.	Harbin	Harbin	China	Manufacturing	89.63		Subsidiary
Harbin Tiesha Co., Ltd.	Harbin	Harbin	China	Manufacturing	70.91		Subsidiary
Harbin Electric International Trade Co., Ltd.	Harbin	Harbin	Panama, Ecuador	Manufacturing	100		Wholly owned subsidiary
Harbin Power Equipment National Electric Research Co., Ltd.	Harbin	Harbin	China	Service	75		Wholly owned subsidiary
Harbin Power Equipment & Trade Co., Ltd. (Note 1)	Harbin	Harbin	China	Engineering	55.56	41.82	Wholly owned subsidiary
Harbin Electric Group (Qanda) Heavy Equipment Co., Ltd. (Note 2)	Qanda	Qanda	China	Manufacturing	34.15	55.45	Wholly owned subsidiary
Harbin Electric Power Equipment Co., Ltd.	Harbin	Harbin	China	Manufacturing	100		Wholly owned subsidiary
Harbin Power Equipment Co., Ltd.	Harbin	Harbin	China	Manufacturing	100		Wholly owned subsidiary
Harbin Electric Co., Ltd. (Note 3)	Harbin	Harbin	China	Finance	55.00	33.16	Subsidiary

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(I) Equity in subsidiaries (Continued)

1. Total equity in subsidiaries (Continued)

Name	Main operating place	Registration	Main business country	Nature	Share holding proportion (%)		Method
					Direct	Indirect	
Chid Sa aTc C., Ltd. (Note 4)	Chid	Chid	China	Manufacturing	40.7		Long-term investment
Siz i HaD a cH a S i z i Ltd & Tad; C., Ltd. (Note 5)	Siz i	Siz i	China	Trading	60		Long-term investment
Ha b E d c (H.E) C.	Ha b	Ha b	China	Operating and management	100		Business combination
Had a C a S a E P E C., Ltd.	Y c i	Y c i	China	Wholesale and retail trade	51	45.12	Long-term investment

Total equity in subsidiaries: _____

L Z a , Z a W e , Z a Ya , Fa X a i , Ta Z i a , Wa Q a z a , C i D a , X W e , S Ba , Ta X , Q X a i , L G a , W Ha , Z a Z i a , Wa Y i , L C a ba , Ya H i , C i Y i , Y Ha a , Z W b , L W e d , L M i , Z a J i , Ja Q a , Wa G , Ya Q , Z a H i , Ga C a , Wa X a , Q A , C M , G Y , Wa X a i , Wa X a , Z a L i , Wa S i , C i J , Ga X a , Sa i , S Z a a , X i J d , Ya Y , L Y a , X Y , L L , C i Ma , W J , D Y da , Z a J b , Wa Y i a , Z a D i , La C , Q W e , Z X i , S H a a d i .

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(I) Equity in subsidiaries (Continued)

1. Ties to subsidiaries (Continued)

Ties to subsidiaries are as follows:

1. Ties to subsidiaries: Hab P Ties to subsidiaries (Tad C., Ltd.) 55.55% and Hab P Ties to subsidiaries (Hab E d c l a a E C., Ltd.), a b da ties to subsidiaries, d 27.77% ties to subsidiaries. Hab E d c Mac ties to subsidiaries C., Ltd., Hab B ties to subsidiaries Fad C., Ltd. a d Hab S a T b ties to subsidiaries Fad C., Ltd. d 5.56% ties to subsidiaries, a d ties to subsidiaries a d 97.38%.

2. Ties to subsidiaries: Hab E d c G (Q a da) Hab E ties to subsidiaries C., Ltd. 34.15% and ties to subsidiaries. Ties to subsidiaries Hab E d c Mac ties to subsidiaries C., Ltd., Hab B ties to subsidiaries Fad C., Ltd. a d Hab S a T b ties to subsidiaries Fad C., Ltd. ties to subsidiaries a d 21.95%, 89.60% ties to subsidiaries.

3. Ties to subsidiaries: Hab E d c G F a c C., Ltd. 55.00% and ties to subsidiaries. Hab E d c l a a E ties to subsidiaries C., Ltd., a b da ties to subsidiaries C a, d 18.00% ties to subsidiaries. Hab E d c Mac ties to subsidiaries C., Ltd., Hab B ties to subsidiaries Fad C., Ltd. a d Hab S a T b ties to subsidiaries Fad C., Ltd. d 6.00% ties to subsidiaries, a d ties to subsidiaries a d 88.16% ties to subsidiaries.

Ties to subsidiaries are as follows:

4. Ties to subsidiaries: C d Sa a Ties to subsidiaries C., Ltd. 40.70% and ties to subsidiaries. Hab E d c a a d 40.70% ties to subsidiaries a a ties to subsidiaries d ties to subsidiaries. A ties to subsidiaries a d ties to subsidiaries a a ties to subsidiaries b a d ties to subsidiaries, ties to subsidiaries a d ties to subsidiaries a.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(I) Equity in subsidiaries (Continued)

2. In addition to the figures in RMB Yuan, the figures are also presented in CNY

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
Hab E d c Mac i C ., Ltd.	10.37	2,962,129.01	463,002.77	545,932,566.49
Hab B i C a L Ltd	7.92	14,619,560.64	4,244,130.00	461,470,522.03
Hab T b i C ., Ltd.	29.09	1,498,204.66		8,950,812.99
Hab E d c C a F a c i C a L Ltd	9.00	15,627,859.16	27,000,000.00	173,428,062.08

3. In addition to the figures in RMB Yuan, the figures are also presented in CNY

Subsidiary's name	Closing balance					
	Current asset	Non-current asset	Total asset	Current liabilities	Non-current liabilities	Total liabilities
Hab E d c Mac i C ., 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
Hab B i C a L 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
Hab T b i C ., 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
Hab E d c C a F a c i C a L 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

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

Subsidiary's name	Closing balance						
	Current asset	Non-current asset	Total asset	Current liabilities	Non-current liabilities	Total liabilities	Minority interests
Hab E d c Mac i C ., 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	11,900,000.00
Hab B i C a L 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	11,900,000.00
Hab T b i C ., 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	11,900,000.00
Hab E d c C a F a c i C a L Ltd	14,040,276,749.79	779,739,011.95	14,820,015,761.74	12,767,749,775,247.65	53,856,888,283,246.07	12,820,606,031,533,490.62	11,900,000.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(I) Equity in subsidiaries (Continued)

3. Management - - - - - (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 Canada Ltd.	7,044,365,518.45	186,520,492.48	186,520,492.48	-475,981,061.89
Harbin Electric Co., Ltd.	4,700,442,718.76	5,150,239.48	5,150,239.48	-410,584,118.89
Harbin Electric Co. Ltd. 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 Canada Ltd.	8,679,103,061.65	298,044,238.05	298,044,238.05	-820,381,815.30
Harbin Electric Co., Ltd.	6,103,657,734.41	103,178,857.61	103,178,857.61	-938,163,638.30
Harbin Electric Co. Ltd. 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. Investment in associates

Name	Main operation location	Registration	Nature	Share holding (%)		Accounting for investments in joint ventures or associates method
				Direct	Indirect	
GE-Harbin Electric Systems (Qatar) Co., Ltd.	Qatar	Qatar	Equity investment	41		Equity method
Harbin Electric Power Co., Ltd. Hubei	Hubei	Hubei	Equity investment	50		Equity method

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan unless otherwise specified)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(II) Equity in joint venture arrangements or associates (Continued)

2. Ma Fa Cai a l i J V i

Item	GE-Ha Power Energy Services (Qinhuangdao) Co., Ltd.	
	Closing balance	O i b a a i
C i a i	335,447,251.96	333,786,606.36
l c d : c a a d c a i a i		
N -c i a i	106,858,194.16	104,391,019.73
Total assets	442,305,446.12	438,177,626.09
C i a b i	149,146,969.12	107,845,951.62
N -c i a b i		
Total liabilities	149,146,969.12	107,845,951.62
l i a d		
A b b i i a c a	328,872,987.96	330,331,674.47
S a i a b a d	134,837,925.10	135,435,986.53
Ad i		
G d		
U a z d i a a ad		
O i		
B a i i i i i i	134,837,925.10	135,003,849.87
T a a i i i i i i i		
i b d		
O i a c i	316,413,120.97	282,443,110.84
F a c a i i i	-4,291,953.56	-1,872,687.75
l c i i i	26,965,129.85	17,709,280.65
N i	73,419,204.01	59,674,236.13
D c i d i a i i		
O i c i i i c i		
T a c i i i c i	73,419,204.01	59,674,236.13
D i d d i i i c i d d i c i		
i a	16,919,554.00	17,767,425.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(II) Equity in joint venture arrangements or associates (Continued)

2. Ma F a c a l a t i o n J i n V e n t u r e (C o n t i n u e d)

Items	Huludao Binhai Electric Power Co., Ltd.	
	Closing balance	Opening balance
Capital	76,255,087.90	76,255,087.90
Reserves	28,557,819.81	28,557,819.81
Total asset	104,812,907.71	104,812,907.71
Current liabilities	2,282,109.49	2,282,109.49
Non-current liabilities		
Total liabilities	2,282,109.49	2,282,109.49
Equity attributable to shareholders of the parent		
Attributable to the parent	102,530,798.22	102,530,798.22
Share options	51,265,399.11	51,265,399.11
Administrative expenses		
Goodwill		
Unrealized gains and losses		
Other		
Minority interest	49,898,970.38	49,898,970.38
Total		
Other		
Non-current		
Dividend		
Other		
Total		
Dividend		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in CNY)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(II) Equity in joint venture arrangements or associates (Continued)

Items	Closing balance	Opening balance
Joint ventures:		
Tianjin Jintan Chemical Co., Ltd.	21,369,164.37	18,086,294.53
Tianjin Baobai Petrochemical Co., Ltd.		
Ningbo Jintan Chemical Co., Ltd.	3,730,774.62	1,894,324.50
Other joint ventures		
Tianjin Jintan Chemical Co., Ltd.	3,730,774.62	1,894,324.50

IX. RELATED RISKS OF FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, accounts receivable, accounts payable, other receivables, other payables, loans receivable, loans payable, and financial assets and liabilities. The Company's financial instruments are primarily denominated in RMB. The Company's financial instruments are primarily denominated in RMB. The Company's financial instruments are primarily denominated in RMB.

The Company's financial instruments are primarily denominated in RMB. The Company's financial instruments are primarily denominated in RMB. The Company's financial instruments are primarily denominated in RMB.

(I) Credit risks

Credit risk is the risk that one or more counterparties will fail to meet their contractual obligations. The Company's credit risk is primarily concentrated in accounts receivable. The Company's credit risk is primarily concentrated in accounts receivable. The Company's credit risk is primarily concentrated in accounts receivable.

The Company's credit risk is primarily concentrated in accounts receivable. The Company's credit risk is primarily concentrated in accounts receivable. The Company's credit risk is primarily concentrated in accounts receivable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan unless otherwise specified)

IX. RELATED RISKS OF FINANCIAL INSTRUMENTS (CONTINUED)

(II) Market risks

The Company is exposed to market risks, including interest rate risk, credit risk, and currency risk. The Company has established risk management policies and procedures to monitor and manage these risks.

(1) Interest rate risk

The Company is exposed to interest rate risk primarily through its bank deposits and borrowings. The Company's interest rate risk is managed through a combination of fixed and floating rate instruments. The Company's interest rate risk is not considered significant as the majority of its assets and liabilities are denominated in RMB and are at short-term maturities.

(2) Foreign currency risk

The Company is exposed to foreign currency risk primarily through its foreign currency denominated assets and liabilities. The Company's foreign currency risk is managed through a combination of natural hedging and financial instruments. The Company's foreign currency risk is not considered significant as the majority of its assets and liabilities are denominated in RMB.

(III) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's liquidity risk is managed through a combination of cash and marketable securities. The Company's liquidity risk is not considered significant as the Company maintains sufficient cash and marketable securities to meet its financial obligations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

IX. RELATED RISKS OF FINANCIAL INSTRUMENTS (CONTINUED)

(III) Liquidity risk (Continued)

The amount of cash and cash equivalents held by the Group at the end of the reporting period is as follows:

	Within 1 year
Financial assets and liability:	
Monetary assets	12,543,251,700.19
Non-monetary assets	3,112,281,635.68
Accrued liabilities	11,238,171,927.04
Other assets	1,500,449,011.44
Share-based payments	1,572,908,534.19
Non-monetary liabilities	5,836,028,015.25
Accrued liabilities	13,215,819,754.05
Warranty liabilities	296,206,737.79
Other liabilities	273,191,841.18
Net cash and cash equivalents	
Other net cash and cash equivalents	188,548.80

X. FAIR VALUE DISCLOSURE

The following table shows the fair value of financial instruments:

The fair value of financial instruments is determined based on the following methods:

The fair value of financial instruments is determined based on the following methods:

Level 3 financial instruments are measured at fair value.

The fair value of financial instruments is determined based on the following methods:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

X. FAIR VALUE DISCLOSURE (CONTINUED)

(I) Closing fair value of assets and liabilities measured at fair value

Item	Fair value at the end of period			Total
	Level 1 Fair Value Measurement	Level 2 Fair Value Measurement	Level 3 Fair Value Measurement	
1. Continuing fair value measurement				
(1) Other financial assets				
(a) Bank deposits				
(2) Available-for-sale financial assets	49,955,000.00			49,955,000.00
(a) Debt investments	49,955,000.00			49,955,000.00
(b) Equity investments				
(c) Other				
(3) Other financial liabilities	716,953,772.26			716,953,772.26
Total	766,908,772.26			766,908,772.26

XI. RELATED PARTY AND TRANSACTION

(All amounts are in RMB unless otherwise specified)

(I) Parent company information

Parent company	Registration	Nature	Registered capital (RMB million)	Proportion of share holding (%)	Proportion of voting rights (%)
Harbin Electric Co., Ltd.	Harbin	Publicly traded company	198,818.10	60.41	60.41

(II) The company's subsidiary

For details of the company's subsidiary, please refer to Note VIII.1 of the Company's 2019 Annual Report.

(III) Joint ventures and associates of Company

For details of the company's joint ventures and associates, please refer to Note VIII.1 of the Company's 2019 Annual Report.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add in CNY)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(IV) Information of other related parties

Name	Relationship
Ha b Ha b E d c l d a D C	S b d a c d b a a c a
Ha b Ha l d a D C	S b d a c d b a a c a
Ha b Ha l d D C	S b d a c d b a a c a
Ha b Sa a l d a D C	S b d a c d b a a c a
Ha b E d c G Ac R a C ., Ltd.	S b d a c d b a a c a
Ja M Fa C ., Ltd.	S b d a c d b a a c a
Ha b E d c C a Ja E d c Mac C ., Ltd.	S b d a c d b a a c a
Ha b Q a E d c Ma a C ., Ltd.	S b d a c d b a a c a

(V) Transaction information for related party

T a ad c a ad b c a a d a d a c a b a a d c a ad c a ad c a - a d a .

1. C C d Ta ad

T "C C d Ta ad a a a a c d b C a Ja a 29, 2016, "C C d Ta ad P d a d S c Fa A "C C d Ta ad Fa ca S c Fa A a c d b C a D c b 9, 2016, "C C d Ta ad d F b a 22, 2017 S A c Fa ca S c Fa A A A c a d S A Fa ca S c Fa A A c C a a d Ha b E d c G C ., Ltd. d "Ma a a "P d a d S c Fa A "Fa ca S c Fa A a d a a a d a ab a d F Mac 23, 2016 Ma c 22, 2019, Ja a 1, 2017 D c b 31, 2019, a d D c b 31, 2016 D c b 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. Continued Transaction (Continued)

(1) Transaction with related party

Related party	Amount for this period	Amount at the end of the reporting period
Sales of products		
Caterpillar		5,562,974.47
AEC		
Purchase of products		
Caterpillar	19,594,418.41	61,279,576.13
AEC		
Services		
Caterpillar	29,433.96	
AEC		
Toshiba		
Caterpillar	64,155,310.85	55,413,302.09

The above transactions (1) are all conducted in accordance with the "Caterpillar Continued Transaction Policy" and "AEC Financial Affairs Administration Regulation" of Caterpillar, and are conducted in accordance with the relevant provisions of Article 14A of the "Listed Companies Law".

(2) Transaction with related party

Related party	Amount for this period	Amount at the end of the reporting period
Hidco	17,433,100.48	23,575,469.57
Caterpillar	1,117,992.61	1,194,144.74
AEC	3,642.99	10,239.37
Total	18,554,736.08	24,779,853.68

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in millions of RMB unless otherwise specified)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. **China Construction Taobao (China)**

(3) **Interest income**

Related party	Amount for this period	A	B
China Construction Taobao	51,644.39		18,409.34
Total	51,644.39		18,409.34

(4) **Finance charges**

Related party	Amount for this period	A	B
China Construction Taobao	12,263.64		
Alibaba	149.01		9,091.93
Total	12,412.65		9,091.93

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. Company's transactions with related parties (Continued)

(5) Expenses incurred by the company

Related party	Amount for this period	Amount at the end of the reporting period
Harcourts		
Contractual services	7,728,101.25	7,802,504.72
Total	7,728,101.25	7,802,504.72

The above transactions (2) and (5) are conducted with related parties "Harcourts Contractual Services" and "Harcourts Contractual Services" in accordance with the provisions of Article 14A of the Listing Rules.

(6) Company's transactions with related parties

Related party	Content of related party	Amount for this period	Amount at the end of the reporting period
Harcourts Group Co., Ltd.	Contractual services	3,280,000.00	3,280,000.00
Total		3,280,000.00	3,280,000.00

The above transactions (6) are conducted with related parties "Harcourts Group Co., Ltd." in accordance with the provisions of Article 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. Compensation of Directors and Supervisors (Continued)

(7) Director, Supervisor and Chairman of the Board

The following table shows the compensation of the Directors, Supervisors and Chairman of the Board in 2018:

Unit: RMB

Name	Wages and other benefits	Retirement benefit plan contributions	Total
1. Director			
(1) Independent Non-executive Director			
M. S. Zhang	618,530.00	96,499.00	715,029.00
M. Z. Yang	553,845.00	91,721.00	645,566.00
M. S. Song	550,130.00	89,741.00	639,871.00
<hr/>			
E. C. Ding, Director	1,722,505.00	277,961.00	2,000,466.00
(2) Non-independent Non-executive Director			
(3) Independent Non-executive Director			
M. Z. He	60,000.00		60,000.00
M. H. Jiang	60,000.00		60,000.00
M. Y. Wang	60,000.00		60,000.00
M. T. Ma (Term ended 2018.3)	50,000.00		50,000.00
<hr/>			
Supervisor	230,000.00		230,000.00
<hr/>			
2. Supervisor			
M. F. Yang (Term ended Feb 2018)	31,020.00	7,478.00	38,498.00
M. C. Gong	372,480.00	75,435.00	447,915.00
M. Z. Jiang	405,479.00	58,162.00	463,641.00
M. Z. Wang	367,524.00	33,444.00	400,968.00
M. Z. Peng (Term ended 2017.5.26)	198,764.00	40,589.00	239,353.00
<hr/>			
Supervisor	1,375,267.00	215,108.00	1,590,375.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. Company's related party transactions (Continued)

(7) Director, Senior Management and Shareholders' remuneration (Continued)

Name	Wages and other benefits	Retirement benefit plan contributions	Total
3. Shareholders			
M. L. Zhang	558,730.00	91,721.00	650,451.00
M. X. Wang (2018.11.9)	60,660.00	10,160.00	70,820.00
M. Li Zhang (2018.11.9)	60,660.00	26,200.00	86,860.00
M. Wang Di	727,100.00	209,100.00	936,200.00
M. Zhang Ha	770,145.00	87,881.00	858,026.00
M. Q. Zhang	770,145.00	87,881.00	858,026.00
M. A. Li (Shareholder)	314,684.00	65,522.00	380,206.00
Shareholders	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)

(All amounts are in CNY)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. **Continued Transaction (Continued)**

(7) **Director, Senior Management and Staff Remuneration (Continued)**

As disclosed in the 2017 Annual Report, (2017: 1) the remuneration of the directors, senior management and staff is disclosed in the 2017 Annual Report (2017: 4) as follows:

Unit: CNY

S/N	Position	Wages and other benefits	Retirement benefit plan contributions	Total
T1	Director Hab B C., Ltd.	1,024,500.00	190,688.00	1,215,188.00
T2	Director Hab B C., Ltd. Vice Chairman and General Manager	982,600.00	189,581.00	1,172,181.00
T3	Director General Manager Hab B C., Ltd.	823,700.00	139,004.00	962,704.00
T4	Senior Director Hab B C., Ltd.	806,900.00	147,367.00	954,267.00
Total		3,637,700.00	666,640.00	4,304,340.00

The remuneration of (7) directors and senior management and staff is RMB 14A.33 million.

2. **Continued Transaction**

On September 4, 2017, the company issued "Articles of Association" (1) Continued Transaction (2) The remuneration of the directors, senior management and staff is disclosed in the 2017 Annual Report (2017: 4) as follows:

Related party	Current period	Period
Hab E C C		1,270,000,000

The remuneration of the directors, senior management and staff is RMB 14A million.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(VI) Accounts receivable and payable for related party

1. Accounts receivable

Items	Related party	Closing balance		Original balance	
		Book balance	Bad debt allowance	Book balance	Bad debt allowance
Accounts receivable					
	Harbin Electric Co., Ltd. Jiangsu Electric Machinery Co., Ltd.			40,000.00	
Accounts payable					
	Harbin Electric Co., Ltd. Jiangsu Electric Machinery Co., Ltd.	50,480,000.00		33,300,000.00	
	Harbin Electric Co., Ltd. Jiangsu Electric Machinery Co., Ltd.				
	Harbin Electric Co., Ltd. Jiangsu Electric Machinery Co., Ltd.	6,895,006.65		6,895,006.65	
	Harbin Electric Co., Ltd. Jiangsu Electric Machinery Co., Ltd.				1,003,995.00
	Harbin Electric Co., Ltd. Jiangsu Electric Machinery Co., Ltd.	29,400.00			615,000.00
	Harbin Electric Co., Ltd. Jiangsu Electric Machinery Co., Ltd.	207,200.00			5,777.00
Original accounts receivable					
	Harbin Electric Co., Ltd. Jiangsu Electric Machinery Co., Ltd.	162,095,125.59		162,095,125.59	
	Harbin Electric Co., Ltd. Jiangsu Electric Machinery Co., Ltd.	20,000,000.00		62,982,138.98	
	Harbin Electric Co., Ltd. Jiangsu Electric Machinery Co., Ltd.	2,000,000.00		4,200,000.00	
	Harbin Electric Co., Ltd. Jiangsu Electric Machinery Co., Ltd.	100,000.00		3,003,751.55	
	Harbin Electric Co., Ltd. Jiangsu Electric Machinery Co., Ltd.	9,809,479.54		1,077,707.44	
	Harbin Electric Co., Ltd. Jiangsu Electric Machinery Co., Ltd.				280,310.65
	Harbin Electric Co., Ltd. Jiangsu Electric Machinery Co., Ltd.				119,981.70
	Harbin Electric Co., Ltd. Jiangsu Electric Machinery Co., Ltd.				69,389.37
	Harbin Electric Co., Ltd. Jiangsu Electric Machinery Co., Ltd.				29,400.00
	Harbin Electric Co., Ltd. Jiangsu Electric Machinery Co., Ltd.				26,540.28
Original accounts payable					
	Harbin Electric Co., Ltd. Jiangsu Electric Machinery Co., Ltd.			239,250.00	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(VI) Accounts receivable and payable for related party (Continued)

2. Accounts receivable

Items	Related party	Book balance	
		Closing balance	Original balance
Debtors	Ha b E d c C a	1,549,328,422.43	643,164,117.73
	Ha b Hada l d a D i C a	95,251,839.85	66,762,998.90
	Ha b Ha l d a D i C a	19,275,064.76	35,394,557.94
	Ja M F C , Ltd.	3,534,562.55	8,451,289.62
	Ha b E d c G Ac i R a C , Ltd.	3,723,293.86	8,162,193.16
	Ha b l a Ma a Fa	1,274,175.73	6,206,267.11
	Ha b M F H	60,722.05	5,922,789.08
	Ha b Ha l d a D i C a	4,071,505.00	5,669,531.00
	Ha b E d c C a Ja E d c Mac i C , Ltd.	5,039,092.12	5,011,446.67
	Ha b Sa a l d a D i C a	2,267,972.84	2,943,617.96
	Ha b T b i C , Ltd. H	575,963.19	2,824,316.40
	Ha b B i C , Ltd. H	674,427.35	2,818,879.90
	Ha b Hada M C i C , Ltd.	3,428,683.61	2,484,545.63
	Ha b Ha b H Ma a i C , Ltd.	1,509,305.86	2,078,674.59
	Ha b Hada P i Ma a i C , Ltd.	5,338,887.61	1,480,628.49
	Ha b Ha l d C i i S i c i Ma a i C , Ltd.	2,330,486.05	1,290,320.33
	H i a Hada M i H d i D i C , Ltd.		897,146.87
	Ha b E d c Mac i K d a	839,427.92	739,552.27
	Ha b l d a K J V i C a	37.82	408,019.18
	Ha b Ha P i S a Pa C , Ltd.	3,010,986.72	211,556.75
	Ha b Q a E d ca Ma a C , Ltd.		96,579.66
	Ha b Ha l d a D i C a K d a	29,681.15	5,825.49
	Ha b Hada Ma a D b C a	75.82	2,894.96

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan unless otherwise specified)

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	Ha b Hada Ma C	10,492,501.44	10,622,444.87	
	Ha b Ha P S S a Pa C ,		6,565,595.05	
	Ha b E d c G Ac R a C ,	5,236,214.79	5,369,155.79	
	Ha b Hada Ma a D b C a	3,601,065.16	4,316,915.12	
	Ha b H P E C ,		2,686,460.92	
	Ha b Hada P Ma a C ,	614,341.75	1,787,920.00	
	Ha b Ha l d a D C a		1,632,910.00	
	Ha b l d a K J V C a	209,741.00	1,075,218.64	
	Ja M C ,	775,098.51	702,835.51	
	Ha b Ha l d a D C a	300,981.30	640,981.30	
	Ha b Ha B E T c C ,		625,400.00	
	Ha b B E d c E S d C ,	102,430.65	278,008.65	
	Ha b Q a E d ca Ma a C ,		128,502.43	
	Ha b Hada l d a D C a	5,158.50	111,158.50	
	Ha b Ha P b Ec ca d T ad C ,	457,852.39		
	Notes receivable	Ha b l d a F ac J V C	1,318,618.87	503,674.00
		Ha b Hada l d a D C a	316,188.00	
Ha b Ha l d a D C a		300,000.00		
Other receivables	Ha b E d c C a	478,000.00	8,820,251.60	
	Ha b Ha l d a D C a	2,449,341.75	2,016,059.07	
	Ha b Ha l d C S C Ma a C ,		89,123.00	
	GE-Ha P E S C (Q a da) C ,	600,000.00		
Long-term receivables	Ha b E d c C a		4,086,954.84	
	Ha b E d c C a Ja E d c Mac C ,		143,550.00	
	Ha b Ha l d a D C a		31,556.25	
	Ha b Sa a l d a D C a		8,680.00	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in million RMB unless otherwise specified)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(VII) Related party commitments

Nil

(VIII) Others

Nil

XII. COMMITMENTS AND CONTINGENCIES

(I) Important commitments

1. As at December 31, 2018, the Company has entered into various contracts for the purchase of raw materials. The total amount of these contracts is RMB 24,615.01 million. The Company expects to complete these contracts in 2019.

Company	Unpaid contract amount (in million RMB)	Expected investment period
Habeco Chemicals, Ltd. (subsidiary)	2,188.52	2019
Habeco Textile Weaving Co., Ltd.	5,468.48	2019
Habeco Macroeconomic Research Center, Ltd.	3,260.40	2019
Habeco Petrochemical Engineering Co., Ltd.	13,697.61	2019
Total	24,615.01	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

XII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(II) Contingencies

1. Guarantees

No.	Guarantee company	Guaranteed			Category	Anti-guarantee method	Amount	Increasing in this year	Situation of Guaranteed	Overdue situation	Sued situation
		Name	Nature	Method							
						2,035,420,477.68	917,210,956.67				
1	Harbin Electric Machinery Co., Ltd.	Harbin Transformer Co., Ltd.	Guarantee	Letter of Guarantee	Product	330,000,000.00	0.00	Normal	Normal	Normal	
2	Harbin Electric Machinery Co., Ltd.	Harbin Electric Machinery Factory (Zhejiang) Co., Ltd.	Guarantee	Letter of Guarantee	Product	130,000,000.00	0.00	Normal	Normal	Normal	
3	Harbin Transformer Co., Ltd.	Harbin Bialloy Ltd.	Guarantee	Letter of Guarantee	Product	174,870,800.00	14,716,200.00	Normal	Normal	Normal	
4	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Product	70,473,875.00	0.00	Normal	Normal	Normal	
5	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Product	155,386,300.00	0.00	Normal	Normal	Normal	
6	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Product	175,061,534.22	0.00	Normal	Normal	Normal	
7	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Other	21,007,384.14	0.00	Normal	Normal	Normal	
8	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Other	30,175,665.99	0.00	Normal	Normal	Normal	
9	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Other	7,548,136.28	0.00	Normal	Normal	Normal	
10	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Other	7,548,136.28	0.00	Normal	Normal	Normal	
11	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Other	20,615,296.10	0.00	Normal	Normal	Normal	
12	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Product	558,657,400.38	558,657,400.38	Normal	Normal	Normal	
13	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Product	10,164,428.72	10,164,428.72	Normal	Normal	Normal	
14	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Product	7,561,361.40	7,561,361.40	Normal	Normal	Normal	
15	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Other	326,111,566.17	326,111,566.17	Normal	Normal	Normal	
16	Harbin Electric Power Equipment Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Product	4,290,000.00	0.00	Normal	Normal	Normal	
17	Harbin Electric Power Equipment Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Product	5,220,852.00	0.00	Normal	Normal	Normal	
18	Harbin Electric Power Equipment Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Product	727,741.00	0.00	Normal	Normal	Normal	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

XIII. EVENTS AFTER BALANCE SHEET DATE

At December 31, 2018, the Company has no events after the balance sheet date that require adjustment to the financial statements or disclosure.

XIV. OTHER IMPORTANT EVENTS

(I) Segment information

1. Total assets and liabilities

Accumulated other comprehensive income (loss) is primarily composed of the fair value changes of available-for-sale financial assets, the fair value changes of equity instruments measured at fair value through other comprehensive income, the foreign currency translation differences of the net investment in foreign operations, the changes in the fair value of the net defined pension liability, and the changes in the fair value of the net defined pension asset. The Company's accounting policy for the recognition and measurement of other comprehensive income (loss) is as follows:

1. Net defined pension liability and net defined pension asset: The Company's net defined pension liability and net defined pension asset are measured at fair value. The changes in the fair value of the net defined pension liability and net defined pension asset are recognized in other comprehensive income (loss).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

XIV. OTHER IMPORTANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Restricted Assets

(1) Security deposits, advances and other

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							
Restricted assets	38,060,046,043.09	4,981,546,381.13	5,900,713,218.18	2,224,798,407.05	5,918,287,179.76	6,783,336,804.67	63,868,728,033.88
Decreases							
Decreases	166,286,437.12	33,271,531.75		3,461,068.88	48,118,232.00	122,108,436.70	373,245,706.45
Increases	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
Restricted assets	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							
Security deposits							
Increases	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
Decreases	2,445,150,561.55					25,907,149.35	2,471,057,710.90
Restricted assets	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
Restricted assets	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)

(All amounts in millions of Renminbi Yuan, unless otherwise specified)

XIV. OTHER IMPORTANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Regional Financial Data (Continued)

(1) Sales, operating income and cost of sales (Continued)

	Taiwan	Headquarters	People's Republic of China	Other Asia	North America	AC and DC	Total
Operating income							
Regional operating income	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
Cost of sales							
Regional cost of sales	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
Percentage of total sales	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
Regional percentage of total sales	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
Assets							
Regional assets	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
Regional liabilities	2,534,289,826.09		-141,400,613.00			22,799,084.22	2,415,688,297.31
Regional equity	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
Regional total assets	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)

(All amounts are in RMB Yuan unless otherwise specified)

XIV. OTHER IMPORTANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Restricted Assets (Continued)

(2) Statement of Financial Position

Items	Closing balance	Opening balance
Asset		
Restricted Assets	63,868,728,033.88	70,201,843,933.22
Other Assets	-19,044,229,265.34	-20,122,713,238.83
Restricted Assets	44,824,498,768.54	50,079,130,694.39
Debt	490,142,216.40	430,581,741.83
Other -c		
Financial Assets		
Restricted Assets		
Bank	8,730,639,860.30	12,155,831,808.52
Current Assets	635,145,558.72	747,561,319.78
Current Assets	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
Other Liabilities	-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
Debt		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)

(All amounts in million RMB unless otherwise specified)

XIV. OTHER IMPORTANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Revenue by geographical area (Continued)

(2) Segment information (Continued)

Items	Amount for this period	Amount in million USD
Revenue		
Continental	25,879,460,850.62	31,540,323,856.38
International	2,471,057,710.90	2,415,688,297.31
Revenue by business segment	28,350,518,561.52	33,956,012,153.69
Revenue by business segment	3,225,502,736.99	4,354,089,555.24
Other	33,572,806.15	81,719,926.20
Revenue by business segment	3,191,929,930.84	4,272,369,629.04
Loss on disposal of subsidiaries and other businesses	33,832,648.30	26,360,761.31
Loss on disposal of subsidiaries	485,064,692.65	488,136,436.30
Cost of sales	179,653,758.71	96,282,405.05
Financial assets and liabilities		
Financial assets		
Financial liabilities		
Financial assets		
Financial liabilities		
Loss on disposal of subsidiaries	145,030,891.91	266,495,807.13
Loss on disposal of subsidiaries		
Loss on disposal of subsidiaries		
Loss on disposal of subsidiaries	151,370,514.79	97,359,627.28
Loss on disposal of subsidiaries	3,739,966,519.15	4,329,604,099.85
Total	156,854,134.23	343,366,404.93

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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 (Continued)	18,482,059,253.38	20,937,172,169.16
2. Other:		
Purchased	940,501,828.49	3,883,858,635.49
Retail	292,124,872.39	1,771,972,533.17
Trade	5,275,085,949.28	1,687,649,086.59
Retail	382,959,581.28	1,164,629,635.62
Business	139,432,199.33	617,243,022.29
Retail	66,947,781.02	314,662,168.56
Other	300,349,385.45	1,163,136,605.50
Other	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 accompanying notes, all amounts are in CNY)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES

(The accompanying notes are in CNY unless otherwise indicated)

(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: Notes receivable

Category	Closing balance			Original balance	
	Book balance	Bad debt allowance	Book value	Original balance	Bad debt allowance
Bank accounts receivable	47,770,000.00		47,770,000.00	109,863,832.00	
Commercial accounts receivable	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)

(In addition to the figures in CNY)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(I) Notes receivable and accounts receivable (Continued)

2. Accounts receivable

(1) Category accounts receivable

Category	Closing balance				Opening balance					
	Book balance		Bad debt allowance		Book value	Accounts receivable	Bad debt allowance	Provision rate		
	Amount	Rate (%)	Amount	Provision rate (%)					Amount	Provision rate (%)
Accounts receivable	-	-	-	-	-	-	-	-		
Accounts receivable - bad debt	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 - cash	45,000.00				45,000.00	85,000.00	0.01			85,000.00
Total	1,145,527,296.60	-	263,329,378.05	-	882,242,918.55	1,055,219,925.97		240,265,193.82		814,954,732.15

At the end of the reporting period, accounts receivable bad debt allowance is accounted for as follows:

Age	Closing balance			Opening balance		
	Accounts receivable	Bad debt allowance	Provision rate	Accounts receivable	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)

(All amounts are in million RMB unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(I) Notes receivable and accounts receivable (Continued)

2. Accounts receivable (Continued)

(2) Receivable from related parties: bad debt provision:

	Closing balance	
	Account receivables	Bad debt
Account receivables		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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 accounts receivable

Trade receivables

(II) Other receivables

Items	Closing balance	Opening balance
Other receivables		
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)

(All amounts in RMB unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

2. Other receivables

(1) Closing balance

Category	Closing balance					Other receivables				
	Book balance		Bad debt allowance		Book value	Book balance		Bad debt allowance		
	Amount	Rate (%)	Amount	Provision rate (%)		Amount	Rate (%)	Amount	Provision rate (%)	
Other receivables arising from the disposal of subsidiaries	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 disposal of subsidiaries - accounts receivable	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 disposal of subsidiaries - other receivables	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 amounts are in Chinese Yuan unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

2. Other receivables (Continued)

(2) Other receivables are classified as follows:

Other receivables	Closing balance			
	Other receivable	Bad debt preparation	Provision rate (%)	Provision reason
Ha b E d c Mac i C ., Ltd.	213,078,880.00			Related parties are not accrued
Ha b B i C a L i d	200,362,880.00			Related parties are not accrued
Ha b P i T c & T ad i I c.	10,168,577.33			Related parties are not accrued
Ha b T b i C ., Ltd.	290,684,896.97			Related parties are not accrued
C i d S A a C ., Ltd.	16,386,473.85			Related parties are not accrued
Ha b E d c P i E i C ., Ltd.	276,602,347.97			Related parties are not accrued
Ha b P i G Ha b P i S Va i C ., Ltd.	21,669,316.10			Related parties are not accrued
Ha b E d c G (Q a da) H a E i C ., Ltd.	623,119,721.12			Related parties are not accrued
T	1,652,073,093.34			

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)

(3) As of December 31, 2018, the closing balance of other receivables is as follows:

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 to 2 years	4,831,215.87	1,207,803.97	25.00	2,234,005.49	558,501.37	25.00
2 to 3 years	442,322.49	221,161.25	50.00	8,293.45	4,146.73	50.00
3 to 4 years	8,293.45	6,634.76	80.00	12,345.00	9,876.00	80.00
4 to 5 years	12,345.00	9,876.00	80.00			
Over 5 years	1,767,208.08	1,767,208.08	100.00	1,806,572.08	1,806,572.08	100.00
Total	26,927,135.05	4,205,971.56		13,318,739.89	2,842,449.37	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

2. Other receivables (Continued)

(4) Other receivables are measured at amortized cost less expected credit losses. The expected credit losses are estimated based on the historical loss experience and the current and forecasted economic conditions.

Other receivables	Closing balance	
	Bad debt allowance	Provision rate (%)
Other receivables		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in million RMB unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

2. Other receivables (Continued)

(7) The following table shows the aging analysis of other receivables at the end of the reporting period:

Company	Nature	Closing balance	Age	Proportion of total accounts receivable at year-end balance (%)	Impairment preparation Closing balance
Hangzhou E-commerce Group (Qanda) Holding Co., Ltd.	Accounts receivable	623,119,721.12	1-2 years, 2-3 years, 3-4 years, 4-5 years, 5+ years	36.17	
Hangzhou T-bank Co., Ltd.	Accounts receivable	290,684,896.97	1-2 years, 2-3 years, 3-4 years, 4-5 years, 5+ years	16.87	
Hangzhou E-commerce Platform Co., Ltd.	Accounts receivable	276,602,347.97	1-2 years, 2-3 years, 3-4 years, 4-5 years, 5+ years	16.06	
Hangzhou E-commerce Mac Co., Ltd.	Accounts receivable	213,078,880.00	1-2 years, 2-3 years, 3-4 years, 4-5 years, 5+ years	12.37	
Hangzhou B-C 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)

(All amounts are in RMB unless otherwise specified)

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 value
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	Impairment preparation Closing balance
Hab E c G F a c C ., Ltd.	837,122,531.11			837,122,531.11		
Hab B i Fac C ., Ltd.	716,178,892.28			716,178,892.28		
Hab T b i C ., Ltd.	692,422,891.68			692,422,891.68		
Hab E c P i E i C ., Ltd.	1,022,652,962.02			1,022,652,962.02		
Hab E c Mac i C ., Ltd.	678,546,878.74			678,546,878.74		
Hab E c G (Q a da) H a E i C ., Ltd.	571,568,274.84			571,568,274.84		
Hab E c I i a C ., Ltd.	500,000,000.00			500,000,000.00		
Hab P i E i Na a E i P i a c C i C ., Ltd.	120,004,550.35			120,004,550.35		
Hab P i G Hab P i S V a i C ., Ltd.	97,002,844.08			97,002,844.08		
Hab E c (H.E) C a H a b P i T i c & T a d i l c .	25,780,234.61			25,780,234.61		
C i d S A a C ., Ltd.	15,000,000.00			15,000,000.00		
C i d S A a C ., Ltd.	14,268,142.47			14,268,142.47		
S i z i Had H a l d a d T a d i C ., Ltd.	3,000,000.00			3,000,000.00		3,000,000.00
H a d a G S a E i P i E i C ., 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)

(All amounts in million RMB unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(III) Long term equity investments (Continued)

2. Investment in subsidiaries

Investee	Original investment	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	Other			
1.A GE-Ha P (Q a da) C . L D .	135,003,849.87				30,101,873.68				45,342,884.15		119,762,833.40	
Ha b R i N i E i C . L D .			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		125,762,833.40	

E a , d b d N 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
T a i i i	2,460,464,620.38	2,369,675,273.59	1,939,362,906.38	1,799,962,083.25
N c a P P d	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
U c i i i	796,927.13		373,609.12	
O i	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)

(All amounts are in RMB unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(V) Investment income

Item	Current period amount	Year-to-date
Long-term equity investments	422,663,832.17	128,173,458.25
Long-term debt investments	30,101,873.64	24,466,436.81
Available-for-sale financial assets		
Available-for-sale financial liabilities		
Financial assets at fair value through profit or loss		
Financial liabilities at fair value through profit or loss		
Derivatives		
Other		
		5,894,980.61

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in CNY)

XVI. ADDITIONAL MATERIALS (CONTINUED)

(I) Current non-recurring profit and loss schedule (Continued)

Item	Amount	Explain
E c i t e d b a d c a a b a c a a d a c a d- a c a a d- a c a a b a d a a c a a d a c a a b a d a b - a c a a		
I c b d R a a a b a d d a d a		
E a a a d a G a a d a c a a a a b a d a a d		
A c c d a a d a c a a a d a c c a d a c a a d a c a		
T c O - a c a d O a d a d a d a - c a d	-23,681,226.82	
Total non-operating profit or loss impact on total profit	150,535,453.38	
I c a d	-25,933,020.77	
T a d a d ' a	-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 (a)	
		Basic earning per share	Diluted earnings per share
N a b c a d c a	0.48	0.04	0.04
N a b c a d c a a a d d - c a a d	-0.25	-0.02	-0.02

DISCLOSURE OF SIGNIFICANT EVENTS

PRODUCTS & SERVICES

On 1 February, Japan's Utility 2 (J2) announced that it had entered into a contract with the Company to purchase 1,000MW of power from the Company's power plant in Japan.

On 4 August, the Company announced that it had entered into a contract with the Japanese Railway Company (JR) to provide power for the JR's power plant in Japan.

On 27 September, the Company announced that it had entered into a contract with the Japanese Railway Company (JR) to provide power for the JR's power plant in Japan.

On 1 October, the Company announced that it had entered into a contract with the Japanese Railway Company (JR) to provide power for the JR's power plant in Japan.

On 22 October, the Company announced that it had entered into a contract with the Japanese Railway Company (JR) to provide power for the JR's power plant in Japan.

On 27 October, the Company announced that it had entered into a contract with the Japanese Railway Company (JR) to provide power for the JR's power plant in Japan.

The Company has entered into a contract with the Japanese Railway Company (JR) to provide power for the JR's power plant in Japan.

The Company has entered into a contract with the Japanese Railway Company (JR) to provide power for the JR's power plant in Japan.

DISCLOSURE OF SIGNIFICANT EVENTS (CONTINUED)

SIGNIFICANT CONTRACTS

Significant contracts entered into by the Group in 2018 are as follows:

Effective time	Name of project
January	Construction of the 2x350MW gas-fired power generation project in Harbin (華潤)
February	Construction of the 173MW gas-fired power generation project in Harbin (華潤)

DISCLOSURE OF SIGNIFICANT EVENTS (CONTINUED)

OTHER EVENTS

On 9 October, the Company and HPI entered into a Share Purchase Agreement (the "SPA") with the National Basic Insurance Company of China, Limited ("NBIC"), a public company listed on the Shanghai Stock Exchange (SSE) (Stock Code: 601318). Pursuant to the SPA, the Company has agreed to purchase 76,335,877 shares of NBIC (the "Shares") from NBIC at a price of RMB6.55 per share (equivalent to approximately 90% of the closing price of NBIC on the SSE on 20 October 2018). The total purchase price is RMB499,999,994.35 (equivalent to approximately HK\$568,188,268.05).

On 24 December, the Board of Directors of Habeco Capital Company, Limited ("HECO") has approved the acquisition of 100% of the equity interest of Gaba Management (Alaska) LLC, a wholly-owned subsidiary of HECO, from HSA Capital Company, Limited. The total consideration is HK\$4.56 million.

On 24 December, HECO and the Management of the Company have entered into a Share Purchase Agreement with the Management of the Company to purchase 172 million PRC Company Limited shares.

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
Nanhai District High Tech Park Baohab
Harbin
Heilongjiang Province
Tianjin Binhai New Area
Urbanspace Co., Ltd. 91230100127575573H

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Tianjin Binhai New Area
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Fax: 86-451-82162088
Website: www.harbin-electric.com

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Hong Kong

LEGAL REPRESENTATIVE

M. S. Zhang

AUTHORISED REPRESENTATIVES

M. W. Wang
M. L. Zhang

COMPANY SECRETARY

M. A. Li

JOINT COMPANY SECRETARY

M. T. Tang, M. Cai

AUDITORS

BDO China SHU LUN PAN Certified Public Accountants LLP (special general partnership)

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LEGAL ADVISORS

PRC Law

HAIWEN & PARTNERS

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Beijing
Tianjin Binhai New Area

LISTING INFORMATION

HSAC
Tianjin Electric HK Limited
Stock Code: 1133

INFORMATION ON THE COMPANY (CONTINUED)

DEPOSITARY

Trust Bank of New York
America Depositary Receivable
22nd Floor, West
110 Broadway Street
New York, NY 10286 USA

SHARE REGISTRAR AND TRANSFER OFFICE

Harbin Electric Company Limited
Suite 1712, 1716, 1718 F
Harbin Electric Company
183 Queen Road East
Wanchai
Hong Kong

INFORMATION ON THE COMPANY

Available at the Secretariat of the Board of Directors of
Harbin Electric Company Limited

1399 Canton Road
Shek Doo
Harbin
T: PRC

SHAREHOLDERS RECEPTION TIME

On 8th, 18th, and 28th (Monday, Wednesday, Friday)
From 9:00 a.m. to 11:00 a.m. and
From 2:00 p.m. to 4:00 p.m.
Tel: 86-451-82135727 58590070
Fax: 86-451-82162088

DOCUMENTS AVAILABLE FOR INSPECTION

1. T i a c 2018 A a R i C a
2. T i a c C a ' a d d a c a i

