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

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

As at 31 December 2020, the total share capital of the Company comprised of 1,706,523,000 shares of which 675,571,000 were H shares traded on the HKSE.

The Company and its subsidiaries are one of the largest manufacturers of power plant equipment in China, with a power plant equipment of production capacity of 30,000 MW per annum. The Group’s principal activities and products include:

- thermal power main equipment: boilers, steam turbines and steam turbine generators with single unit capacity up to 1,000 MW class, accounting for over 30% of the installed capacity of thermal power in China;
- Hydro power main equipment: hydro power generators units with single unit capacity up to 1,000 MW, accounting for 50% of the installed capacity of hydro power in China;
- Nuclear power main equipment: nuclear island and conventional islands equipment for nuclear power plants with single unit capacity up to 1,400 MW class;
- Complete set of steam power equipment: 9F/9H class gas turbine and combined gas and steam cycle set;
- Clean energy: R&D and production of products such as solar energy, tidal power and desalination;
- Other products: ancillary equipment for power stations, industry boilers, industrial steam turbines, control devices, AC/DC motors, valves for power stations, pressure vessels and axial compressor, etc.;

- Turnkey construction of power station projects;
- Service for complete sets of thermal and hydro power equipment;
- Import and export of equipment for power stations;
- After-sales service for power station equipment products;
- R&D of engineering technology for complete sets of power equipment;
- R&D of power equipment and its ancillary products;
- Environmental protection engineering services, such as desulfurization, denitrification and dust removal.

Based on the domestic market, the Company actively adopts an “outbound” strategy, exporting its main equipment and ancillary equipment products for thermal power, hydro power and nuclear power etc. to more than 40 countries and regions such as India and Brazil. At the same time, it is engaged in the turnkey construction of thermal power stations, wind farms, hydro power station equipment and power transportation and transformation projects both in China and overseas, as well as BOT and BOO businesses.

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

FINANCIAL HIGHLIGHTS

STATEMENT OF FINANCIAL POSITION, ASSETS AND LIABILITIES OF THE COMPANY

	Unit	2020	2019	31 D 2018	2017	2016
Operating Income	RMB'000	23,760,400	22,515,591	25,879,461	31,540,324	30,929,421
Total Profits	RMB'000	76,958	217,143	156,854	343,366	657,169
Net profits attributable to owners of parent	RMB'000	-7,281	106,173	71,317	194,227	413,283
Total assets	RMB'000	57,961,256	55,082,667	56,541,983	64,838,093	65,867,508
Total liabilities	RMB'000	41,761,206	39,226,502	40,232,952	48,695,941	51,225,093
Minority interests	RMB'000	522,836	276,526	1,282,749	1,271,401	1,209,321
Interests attributable to owners of parent	RMB'000	15,677,215	15,579,639	15,026,282	14,870,751	13,433,093
Net assets per share	RMB	9.187	9.129	8.805	8.714	9.757
Earnings per share	RMB	-0.004	0.062	0.042	0.141	0.300

FINANCIAL HIGHLIGHTS (CONTINUED)

	a	31 D	2020	Year ended 31 December 2019	
	I	C	a	Income	Contribution to operating profit
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Main thermal power equipment	8,710,410	1,284,811		8,348,147	1,480,651
Main hydro power equipment	2,454,051	412,062		2,682,222	413,668
Nuclear power	1,467,610	374,936		1,289,081	305,283
Engineering services for power stations	6,405,089	-198,466		5,453,118	94,917
Power equipment accessories and parts	931,422	101,645		1,188,633	162,399
A.C./D.C.motors and other products and services	3,791,818	728,502		3,554,390	867,361
Total	23,760,400	2,703,491		22,515,591	3,324,279
Expenses not allocated to major products			-2,626,533		-3,107,137
Total Profits			76,958		217,143

Dear shareholders,

On behalf of the Board, I hereby present the 2020 annual report of Harbin Electric Company Limited (the "Company") and its subsidiaries.

In 2020, in the face of severe and complicated domestic and international situation, especially the severe impact of the COVID-19 epidemic, the Company always aimed to build a world-class equipment manufacturing enterprise with global competitiveness, made every effort to coordinate the work of epidemic prevention and control as well as production and operation, and achieved remarkable results in promoting the high-quality development of enterprises. During the Reporting Period, operating income and product output increased by 5.53% and 62.69% year on year, respectively. During the 13th Five-Year Plan period, the accumulated operating income was approximately RMB134,625 million and the total profit was nearly RMB1,451 million, and achieved 11.9% of the labor productivity of all employees and 7.6% of compound annual growth rate of average wage, realizing improvement in both employee income and enterprise efficiency and making significant contribution to ensuring the safe, stable and effective supply of electricity and the economic and social development of the country.

During the reporting period, the Company made every effort to promote various key tasks such as deepening reform, industrial transformation and technological innovation, and strived to achieve high-quality development. The Company unwaveringly promoted deepening reform, accelerated the modernization construction of the governance system and governance capability, and constantly removed the institutional and structural obstacles which restricted high-quality development. The Company has made key breakthroughs in industrial transformation and actively entered into new fields and industries through joint ventures, acquisitions and mergers, consolidation and reorganization, scientific research and cooperation, etc., and made positive progress in the fields of fuel cells, hydrogen energy, medium and small gas turbines, etc.. The Company has taken a new step in technological innovation, and strengthened its innovation capability construction, made positive progress in the research and development of "neck-jamming" technology, and carried out extensive cooperation with domestic and foreign research institutes, universities and enterprises. The scientific and technical talent team building has been continuously strengthened, the incentive mechanism for technological innovation has been further improved, and the pace of innovation has been accelerated. The leading role of capital operation has become more effective. The layout of industry development has been continuously optimized, and the newly formed finance leasing company has officially operated. The Company has continuously made new breakthroughs in its investment business.

At present, with the rapid adjustment of the global energy structure, China's energy supply and demand generally continues to grow steadily. With the Chinese government's targets of CO2 Emission Peak and Carbon Neutrality, clean energy has become the dominant trend of the future energy development. In 2021, there are both serious risk challenges and significant strategic opportunities. The impact of the new round of technological revolution has gradually deepened, and the advanced manufacturing industry has become the main battlefield for manufacturing enterprises. In the establishment of "3060" new development pattern, new energy development will see greater development opportunities, clean, green and low carbon will become the dominant trend in the future energy development, the transformation direction of power industry will become clearer, and equipment manufacturing enterprises will transform into more focused areas. In the next five years, the Company's industrial transformation is expected to usher in a window period and a period of rapid development. The Company will firmly grasp new development opportunities, further accelerate the upgrading of traditional industries, the increase of production volume of green industry, industrialization of international business and liberalisation of capital layout, and accelerate the promotion of the rapid development of the Company during the 14th Five-Year Plan period, contributing to the construction of a new power system with new energy as the main body.

The year 2021 is an important period for the Company to accelerate transformation and development, and is a crucial year to strive to build a world-class enterprise with global competitiveness and achieve high-quality development. The Company will continue to plan our overall work with a systematic concept, continue to promote high-quality development, strengthen technological innovation work, accelerate the adjustment of industrial structure, continue to deepen supply-side structural reform, actively promote the development of new energy industry, continue to deepen international open cooperation, and return shareholders with better performance.

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

C a i a

Harbin, the PRC, 24 March 2021



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

This section should be read in conjunction with the financial statements and notes thereto as set out in other sections of this annual report.

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In 2020, the global situation, under tremendous changes never experienced in the past century, has entered a period of accelerated evolution. The impact of the COVID-19 pandemic was broad and far-reaching, a new round of scientific and technological revolution and industrial transformation have been further developed, and there was significant increase in instability and uncertainty of international cooperation. Under the influence of the pandemic, China has strong developmental resilience, and there has been no change in the favorable long-term fundamentals of economy.

With the rapid adjustment to the global energy structure, China has made efforts to reach a peak in carbon emissions in 2030 and “carbon-neutralization” in 2060. Green, low-carbon and cleanliness have become the dominant trends in energy development in the future. Since the 13th Five-year Plan, China has endeavored to build a clean, low-carbon, safe and efficient energy system, adhered to high-quality development themes, promoted energy supply side structural reform, continuously optimized the energy supply structure, promoted the green energy transformation and development, and promoted use of clean, low-carbon and efficient energy; adhered to innovative development, continuously improved energy utilization efficiency, accelerated the transformation of clean and low-carbon energy, and speeded up the conversion of new and old energy.

As of the end of 2020, the country’s full-caliber power generation installed capacity was 2.20 billion kilowatts, an increase of 9.5% over the end of the previous year, of which hydropower generation installed capacity was 370 million kilowatts, thermal power 1.25 billion kilowatts, nuclear power 49.89 million kilowatts, grid-connected wind energy 280 million kilowatts, and grid-connected solar energy installed generating capacity 250 million kilowatts; the country’s full-caliber non-fossil energy power generation installed capacity was 980 million kilowatts, accounting for 44.8% of total installed capacity, an increase of 2.8 percentage points over the end of the previous year. The coal-fired power installed capacity was 1.08 billion kilowatts, accounting for 49.1% of the total installed capacity, and was reduced to below 50% for the first time. In 2020, the nation’s new installed power generation capacity was 190.89 million kilowatts, an increase of 85.87 million kilowatts over the previous year; grid-connected wind energy installed generating capacity and grid-connected solar energy installed generating capacity were 71.67 million kilowatts and 48.20 million kilowatts respectively, the newly installed grid-connected wind power installed generating capacity reached a record high.

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In 2020, in the face of severe and complicated domestic and international situation, especially the severe impact of the COVID-19 pandemic, the Company has been focusing on the transformation and development, making effort on the prevention and control of epidemic as well as production and operation in accordance with the annual work arrangement, and the Company achieved steady development.

Impact of COVID-19 pandemic

Since the outbreak of the COVID-19 pandemic, affected by this, the resumption of production of the upstream supply chain of some of the products of the Company has been disrupted, especially for the ancillary enterprises in the affected areas such as Wuhan, which have been unable to resume work, resulting in delays in procurement of some raw materials and ancillary parts, and some of the projects not being able to be implemented as planned, affecting the overall production cycle of the projects.

The obstruction of the finished goods and materials transportation, product design and dispatch of on-site service personnel caused by the epidemic has affected the Company's execution of the contract.

In addition, due to the outbreak of the pandemic, international projects were widely suspended, and the Company has experienced significant declines in orders in the international market and power engineering market.

2020

In 2020, due to the impact of the COVID-19 pandemic and the complicated international situation, the orders of the Company declined, thereby realizing RMB27.090 billion worth of duly signed contracts (2019: RMB30.190 billion), of which RMB9.698 billion (or 35.80%) for thermal power equipment, a year-on-year increase of 25.72%; RMB1.652 billion (or 6.10%) for hydropower equipment, a year-on-year decrease of 1.02%; RMB432 million (or 1.59%) for nuclear power equipment, a decrease of 83.78% over the previous year; RMB1.899 billion (or 7.01%) for steam equipment, a year-on-year increase of 165.97%; RMB5.227 billion (or 19.29%) for power engineering, a year-on-year increase of 54.21%; RMB3.344 billion (or 12.35%) for power station services, a year-on-year increase of 6.91%; and RMB4.839 billion (or 17.86%) for other products, a year-on-year increase of 67.61%.

Thermal power industry: With the coal-fired power market improving in 2020, the Company seized the opportunity to vigorously expand the market, and the formal contracted value of the Company's thermal power equipment was higher than the previous year.

Steam power industry: Obtaining the Yuedian Dongguan Ning Zhou island equipment contract for the 9H-level project, the formal contracted value achieved a significant growth.

Nuclear power industry: Affected by national policies and market conditions, the 2020 non-nuclear steam turbine generator combination became effective, and the formal contract value of the Company's nuclear power equipment decreased significantly over the previous year.

International market: Affected by the pandemic, international projects were widely suspended and there was no overseas power engineering contract effective for the whole year. In 2020, the formal contract value of the Company in international market was approximately RMB1.112 billion.

Other products: In 2020, orders for small and medium-sized machinery, such as biomass power generation, waste-to-energy and blast furnace gas, increased significantly, and at the same time, orders for general equipment such as electric motors and valves have also increased significantly, orders for other products have increased significantly.

ANNUAL REPORT (CONTINUED)

Production

In order to ensure the Company's sustainable and healthy development and further reduce operational risks, the Company's production of hydropower product in 2020 increase greatly, while other products remain relatively stable. During the year, output of the Company's power generation equipment amounted to 17,880MW, up by 62.7% over the same period last year, of which 6,870MW were produced by water turbine generator units, up by 279.3% over the same period last year and 11,010MW by steam turbine generators, up by 20.0% over the same period last year. Output of steam turbines for power stations was 11,220MW, up by 13.6% over the same period last year and that of boilers for power stations was 13,130MW, down by 9.6% over the same period last year.

Research and Development

In 2020, the Company invested RMB1.308 billion in science and technology, completed 342 scientific research projects and development of 125 new products. The Company received 33 scientific and technological awards throughout the year, including 2 national special awards and 28 provincial and ministerial awards. "Yangtze River Three Gorges Project" was awarded National Special Award for Scientific and Technological Progress, "Development and Engineering Application of the Next Generation Large Capacity Adjustable Power Generator" project won the Special Award of Science and Technology Progress Award of Chinese Machinery Industry; the project of "Development and Industrialization of Ultra-supercritical Secondary Reheat Boilers" won the Special Award of National Electric Power Industry Equipment Management Innovation Award; and the "VVER-1000 Nuclear Steam Turbine Development" project won the first prize of Technological Innovation of China Energy Research Association. During the year, the Company completed 314 patent licenses, including 61 invention patents.

In 2020, the Company took technological innovation as a driving force to promote transformation and upgrade, made new progress in the development of new industries such as waste-to-energy, ship power and cross-regional general contracting; made new breakthroughs in new products such as petrochemical containers, water treatment, large pumps and distributable power generator; and continuously pushed forward the upgrade of traditional industries such as coal-fired power, hydropower and nuclear power.

Capital Expenditure

In 2020, the Company injected a total of capital expenditures worth RMB425 million for major construction and technological transformation projects. The major projects include:

Investing in the biomass fuel company construction project, the project has been completed by the end of 2020; investing in the Dehui and the Wangkui Biomass Thermal Power Cogeneration Project, expand the Company's industrial development, extend the scale of production and operation and increase operating profit (the project is currently being implemented).

In 2021, the Company intends to commit an investment of RMB1.015 billion in key construction and technological transformation projects, mainly for technical measures and technological transformation projects of subsidiaries and further investment for the Dehui and the Wangkui Biomass Thermal Power Cogeneration Project.

AGREEMENTS AND CAPITAL INJECTION (CONTINUED)

On 21 December 2020, the Company entered into the Valve Company Capital Injection Agreement with the Valve Company, the Investors and the Employees' Shareholding Platform, pursuant to which the Investors and the Employee Shareholding Platforms invested RMB220.00 million and RMB24.4442 million respectively in the form of cash contribution to Valve Company. Upon signing of the Valve Company Capital Injection Agreement, the Company held a 45% equity interest in Valve Company, the investor held 45% equity interest in Valve Company and the Employees' Shareholding Platform held 10% equity interest in Valve Company.

For more details, please refer to the announcements published by the Company on the website of the Stock Exchange of Hong Kong Limited on 21 December 2020 and 13 January 2021.

ANALYSIS OF BUSINESS SEGMENTS

In 2020, the Company, in accordance with the annual work arrangement, focused on the transformation and development, and actively explored the market to increase the sale scale. However, due to the COVID-19 pandemic and the appreciation of the Renminbi, the gross profit decreased and thus the overall profit level decreased.

An analysis of the business segments of the revenue and results of the Company for 2020 is set out in note VIII (45) to the financial statements of this annual report.

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In 2020, net profit attributable to the owner of the parent company realized by the Company registered RMB-7.28 million, representing a decrease of 106.86% over the same period last year; earnings per share were RMB-0.004, down by RMB0.07 year on year. The Company's profit decreased, primarily because of the impact of the appreciation of Renminbi.

Operating Results

In 2020, the Company recorded an operating income of RMB23,760.40 million, representing an increase of 5.53% over the same period last year, of which operating income from the main thermal power equipment (including thermal power and steam power products) was RMB8,710.41 million (or 36.66% of the total operating income), representing a year-on-year increase of 4.34%. Operating income from main hydropower equipment was RMB2,454.05 million (or 10.33% of the total operating income), representing a year-on-year decrease of 8.51%. Operating income from engineering services for power stations was RMB6,405.09 million (or 26.96% of the total operating income), representing a year-on-year increase of 17.46%. Operating income from ancillary equipment and supplementary products for power stations was RMB931.42 million (or 3.92% of the total operating income), representing a year-on-year decrease of 21.64%. Operating income from AC/DC motors and other products and services was RMB3,791.82 million (or 15.96% of the total operating income), representing a year-on-year increase of 6.68%. Operating income from nuclear power products was RMB1,467.61 million (or 6.18% of the total operating income), representing a year-on-year increase of 13.85%. The Company actively explored the market, resulting in an increase in overall sales. Some overseas projects have entered the peak execution period and the proportion of revenue generated from the power station engineering services segment increased.

In 2020, the Company recorded an income of export of RMB6,156.25 million (or 25.91% of the total operating income), increasing by RMB698.62 million over the previous year. The export was dominated by Asia and South America, in which export to Asia amounting to RMB5,781.90 million while export to South America amounting to RMB296.68 million.

ANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Costs

In 2020, the operating costs of the Company amounted to RMB21,056.91 million, representing an increase of 9.72% as compared with the corresponding period of last year, mainly due to the increase in sales scale and the impact of the COVID-19 epidemic and the appreciation of the Renminbi.

Gross Profit from Operating Business

In 2020, the Company realized a gross profit from operating business of RMB2,703.49 million, representing a year-on-year decrease of 18.67%, and a gross profit margin was 11.38%, representing a year-on-year decrease of 3.38%. Out of the gross profit, RMB1,284.81 million was attributable to the gross profit from main thermal power equipments, decreasing by RMB195.84 million over the previous year, while the corresponding gross profit margin was 14.75%, representing a year-on-year decrease of 2.99 percentage points; RMB412.06 million was attributable to the gross profit from main hydropower equipment, decreasing by RMB1.61 million over the previous year, while the corresponding gross profit margin was 16.79%, representing a year-on-year increase of 1.37 percentage points; RMB198.47 million was attributable to the gross profit from engineering services for power stations, decreasing by RMB293.38 million over the previous year, while the corresponding gross profit margin was -3.10%, representing a year-on-year decrease of 4.84 percentage points; RMB101.65 million was attributable to the gross profit from ancillary equipment and supplementary products for power stations, decreasing by RMB60.75 million over the previous year, while the corresponding gross profit margin was 10.91%, representing a year-on-year decrease of 2.75 percentage points; RMB728.50 million was attributable to the gross profit from AC/DC motors and other products and services, decreasing by RMB138.86 million over the previous year, while the corresponding gross profit margin was 19.21%, representing a year-on-year decrease of 5.19 percentage points; RMB374.94 million was attributable to the gross profit from nuclear products, increasing by RMB69.65 million over the previous year, while the corresponding gross profit margin was 25.55%, representing a year-on-year increase of 1.87 percentage points. The Company's gross profit margin decreased, primarily due to the appreciation of the Renminbi.

Expenses

In 2020, the Company's selling expenses incurred amounted to RMB675.86 million, representing an increase of RMB71.87 million or 11.90% as compared to the corresponding period of last year, primarily due to the year-on-year increase in quality assurance fees; the administrative expenses incurred amounted to RMB1,304.71 million, representing a year-on-year decrease of RMB365.14 million or 21.87%, primarily due to the continued strengthening of the non-productive expenditure control of the Company and the partial reduction of government income tax during the pandemic in 2020; the research and development expenses incurred amounted to RMB976.71 million, representing a year-on-year increase of RMB289.18 million or 42.06%, mainly due to the acceptance of major specialised research and development projects; the finance expenses incurred amounted to RMB186.92 million, representing a year-on-year increase of RMB112.73 million or 151.96%, mainly due to an increase in our corporate financing scale and an increase in interest expenses in 2020.

ANNUAL REPORT (CONTINUED)

Financing Activities

The Company financed its operation and development with four major funding sources, namely shareholder's funds, trade receivables from customers, bank borrowings and state-funded entrusted loans. The Company arranges borrowings based on each specific project. Except for some exceptions, loans are usually raised by each of the Company's subsidiary respectively, while prior approval from the parent company is required in respect of borrowings raised for capital investments. As at 31 December 2020, the Company's total borrowings amounted to RMB7,025.39 million (31 December 2019: RMB6,199.88 million), all of which amounts were borrowed from various financial institutions, such as commercial banks and state-funded entrusted loans, at interest rates stipulated by the state. Among those borrowings, the amount repayable within one year amounted to RMB5,140.61 million, representing a decrease of RMB493.67 million as compared with the beginning of the year, primarily due to the decrease of state-funded entrusted loan and supplementary working fund; the borrowings repayable after one year amounted to RMB1,884.78 million, representing an increase of RMB1,319.18 million as compared to the beginning of the year. As at 31 December 2020, the Company's borrowings were all in RMB and there was no amount due. The repayment plan has been made for the borrowings that were not due, with no risk of default. Details of relevant bank borrowings and other borrowings are set out in notes VII (26), VII (34) and VII (36) to the financial statements of this annual report.

Monetary Capital

As at 31 December 2020, the monetary capital of the Company was RMB12,248.71 million, representing an increase of RMB2,176.46 million as compared with the beginning of the year. During the period, the net cash flow generated from operating activities of the Company was RMB1,980.89 million; the net cash flow from investing activities was RMB-1,179.83 million; net cash flow from financing activities was RMB1,367.38 million. The Company experienced an increase in monetary capital as a result of factors such as an increase in collections and an increase in the proportion of the bills payable.

Assets

As at 31 December 2020, the total assets of the Company amounted to RMB57,961.26 million, representing an increase of RMB2,878.59 million or 5.23% as compared to the beginning of the year, out of which RMB48,678.31 million was current assets, representing 83.98% of total assets; and RMB9,282.94 million was non-current assets, representing 16.02% of our total assets.

Liabilities

As at 31 December 2020, total liabilities of the Company amounted to RMB41,761.21 million, representing an increase of RMB2,534.70 million as compared to the beginning of the year, out of which RMB38,406.22 million was current liabilities, representing 91.97% of total liabilities; and RMB3,354.99 million was non-current liabilities, representing 8.03% of our total liabilities. As at 31 December 2020, the gearing ratio of the Company was 72.05%.

Equity

As at 31 December 2020, the total equity attributable to the owners of the parent company amounted to RMB15,677.22 million, representing an increase of RMB97.58 million as compared to the beginning of the year; the net asset value per share was RMB9.19, representing an increase of RMB0.06 as compared with the beginning of the year. During the period, the return rate on net assets of the Company was -0.05%.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Gearing ratio

As at 31 December 2020, the Company's gearing ratio (non-current liabilities over total shareholders' equity) was 0.21:1, compared with that of 0.15:1 at the beginning of the year.

Assets pledged to secure loans

As at 31 December 2020, the Company pledged its assets of RMB98.56 million to secure loans for liquidity.

Export business and exchange risk

Some of the deposits of the Company are denominated in foreign currencies. As at 31 December 2020, the amount of the Company's deposits in foreign currencies was equivalent to RMB933.91 million. The export business and businesses settled in foreign currencies expose the Company to exchange risk.

Utilization of fund-raising proceeds

As of 31 December 2020, RMB233 million of the fund-raising proceeds (the "Proceeds") from the domestic share subscription conducted by the Company in 2017 has not been utilized. The Company has fully utilized its remaining proceeds from issuance of shares and bonds in previous years, and no other fund-raising activities were proceeded during the year.

The use of the proceeds is as follows:

	2020 (RMB100 million)	2019 (RMB100 million)	2018 (RMB100 million)	
Investment in a joint venture project on gas turbine	1.8	0.43	1.37	Before 24 October 2026
Investment in a nuclear power technology upgrading project	4.86	3.9	0.96	Before 31 December 2023
Purchase of raw materials for the production and operation of the nuclear power business	3	3	0	
Purchase of raw materials for the production and operation of the gas turbine business	1.47	1.47	0	
Conducting financial leasing business	1.54	1.54	0	
Total	12.67	10.34	2.33	

OUTLOOK

In 2021, under the new domestic and international environment, the opportunities and challenges faced by China are co-existing, and the proportion of non-fossil energy power generation capacity will continue to increase. According to the National Power Supply and Demand Status Analysis and Forecast Report for 2020–2021, the country's additional installed power generation capacity of infrastructure is expected to be around 180 million kilowatts in 2021, of which about 140 million kilowatts of non-fossil energy power generation capacity will be put into operation. It is expected that the country's power generation capacity will reach 2.37 billion kilowatts at the end of 2021, representing a year-on-year increase of approximately 7.7%, while the installed capacity of non-fossil energy power generation will reach approximately 1.12 billion kilowatts, accounting for approximately 47.3% of the total installed capacity, increasing by approximately 2.5 percentage points from the end of 2020; the proportion of installed capacity of wind power and solar power will increase by about 3 percentage points from the end of 2020.

2021 is the first year of the 14th Five-Year Plan, and also an important gateway for the Company to accelerate its transformation and development. The Company will proactively seize the new opportunities and new challenges brought about from the "CO₂ Emission Peak" and "Carbon Neutrality", get established on the new development stage, adhere to the new development concept and integrate into the new development pattern, strive to focus on high-quality development, focus on transformation and development, and use reform and innovation as the driving force to coordinate development and safety, focus on the key industries of the equipment manufacturing industry, vigorously develop green, clean and low-carbon industries such as wind power, environmental protection, and hub motor industries; further improve quality and efficiency, and focus on the construction of key projects such as Baihetan and Hasiyan, and strengthen compliance management, fundamentally prevent major risks in respect of international operations and exchange rates; further deepen reforms, and strive to achieve major breakthroughs in deepening the reform of the three systems, advancing the reform of mixed ownership, and implementing medium- and long-term incentives; further enhance technological innovation capabilities and walk on the frontier of the global scientific and technological development, aim at meeting major national needs, and formulate the 2025 plan for the realization of self-reliance in science and technology, and fully promote the breakthrough of "neck-jamming" key technology, and strives to initiate a new situation of high-quality development to create "Innovative Harbin, Green Harbin, Digital Harbin, Opening Harbin and Happy Harbin", which will build a solid foundation for the Company to become a world-class equipment manufacturer with global competitiveness.

Harbin, the PRC, 24 March 2021

DI FANG ELECTRIC

Executive Director

Mr. Si, born in 1958, holds an MBA degree and the title of senior engineer. He now serves as executive director, chairman and party committee secretary of the Company, and the chairman and party committee secretary of HE. Mr. Si graduated from Tsinghua University School of Economics and Management, majoring in management science and engineering studies. He was the deputy factory manager, factory manager and party committee secretary of Dongfang Electrical Works, the deputy mayor of Deyang city, Sichuan province and deputy general manager, general manager, director, vice chairman and chairman of Dongfang Electrical Machinery Company Limited. He had served as vice chairman, general manager and deputy party group secretary of China Dongfang Electric Corporation since 2003, the chairman of Dongfang Electrical Machinery Company Limited from December 2006 to January 2008, the director, general manager and deputy party group secretary of China Dongfang Electric Corporation since 2008, the chairman of Dongfang Electric Corporation Limited since October 2007, the legal representative of China Dongfang Electric Corporation since April 2009. He has been the chairman and party committee secretary of HE since May 2016 as well as the chairman and party committee secretary of the Company since July 2016.

Mr. Wu, born in July 1962, is a senior engineer at researcher level with a doctor's degree. He now serves as executive director, President and standing committee member of the Party Committee of the Company and the director, general manager, deputy party committee secretary of HE. Majoring in Hydraulics and River Dynamics, Mr. Wu graduated from Tsinghua University with a master's degree in 1988 and subsequently obtained a doctorate degree at Tsinghua University in 2002. Mr. Wu joined HE in 1988. Mr. Wu has been a deputy director and deputy head of the turbine department of Electrical Machinery Institute of the Harbin Electrical Machinery Plant, a deputy factory manager of hydropower workshop, a deputy chief engineer and a deputy manager of the product design department of the Electrical Machinery Company. Mr. Wu was appointed as the deputy general manager of the Electrical Machinery Company since 1999 and then the chairman and general manager since October 2000 respectively. He also holds various social posts, including a member of academic committee of National Key Laboratory of Hydroelectric Power Generating Equipment (水力發電設備國家重點實驗室) and the vice chairman of the seventh session of council of China Energy Research Society (中國能源研究會). He was appointed as an executive director of the Company since September 2000 and has been serving as the general manager of the Company since February 2010. He has been the President of the Company since March 2013.

Mr. Sun, born in 1963, holds a MBA degree and is a senior economist. He now serves as executive director of the Company, the party committee deputy secretary of the Company and director and party committee deputy secretary of HE. Mr. Sun graduated from Jilin Normal University in 1987 and received a master's degree in economics from Jilin University and an MBA degree from Guanghua School of Management of Peking University. Mr. Sun had served as deputy manager of the manager department of Huaneng Finance Company, deputy general manager and deputy party secretary of China Huaneng Technology Development Co., Ltd., deputy general manager and member of the party group of Huaneng Comprehensive Industry Co., Ltd., chairman and party secretary of Huaneng Information Industry Holding Co., Ltd., and assistant to the general manager of China Huaneng Group Co., Ltd. He had been the deputy general manager and member of the party group of China Huaneng Group Co., Ltd. in July 2013, and has been the deputy secretary of the party committee of HE since January 2018, deputy secretary of the party committee of the Company since April 2018, the director of HE since March 2019, and an executive director of the Company since January 2021.

. a j - a , born in November 1964, a master's degree holder and senior engineer, is currently a senior vice-president and the standing committee member of the Party Committee of the Company and the standing committee member of the Party Committee and deputy general manager of HE. Mr. Zhang graduated from the Department of Thermal Engineering at Tsinghua University with a bachelor's degree in gas turbines in July 1988 and subsequently obtained a master's degree from Harbin Institute of Technology. Mr. Zhang joined HE in 1991. He was formerly a project engineer, project manager, business representative, deputy director of Harbin Power Station Equipment Import and Export Company, deputy chief engineer, deputy manager of financial planning division and deputy general manager of Harbin Power Engineering Company Limited. He became the deputy general manager of HE since September 2007, a non-executive director of the Company since January 2013, and an executive director, the senior Vice-president of the Company since March 2013, and ceased to act as an executive director of the Company since January 2021.

I j - x a j j •

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

. H J a - j , born in July 1954, holds a bachelor degree and the title of senior engineer and serves as an independent non-executive Director of the Company. Mr. Hu was graduated from Shandong Institute of Technology, majoring in power system relay protection and automation. Mr. Hu started his career in 1974. He has been deputy division leader, deputy director and director of Shandong Jining Power Plant (山東濟寧發電廠), deputy head, chief engineer, party committee member and head of Shandong Liaocheng Power Plant (山東聊城發電廠), general manager of Shandong Liaocheng Thermal Power Company Limited (山東聊城熱電有限責任公司), head and secretary of the party committee of Shandong Shiheng Power Plant (山東石橫發電廠), head and secretary of the party committee of Shandong Zouxian Power Plant (山東鄒縣發電廠), chief engineer of Shandong Electric Power Industry Bureau (Shandong Electric Power Group Corporation), deputy general manager and party leadership group member of Huaneng Power International, Inc., deputy chief engineer and program development manager, assistant to general manager and planning development director of China Huaneng Group, executive director and general manager of Huaneng Hulunbuir Energy Development Co., Ltd.. He has been the chief engineer, deputy general manager, party leadership group member of China Huaneng Group since 2009, and retired in September 2014. He has been an independent director of China First Heavy Industries since May 2015. He has been appointed as independent non-executive Director of the Company since March 2017.

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

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

朱海, born in July 1954, is a retired senior economist with a bachelor degree, and serves as an independent non-executive director of the Company. Mr. Zhu graduated from the Department of Planning and Statistics, Xiamen University. Mr. Zhu started his career in 1978. He has been the officer, deputy director, and director of the Statistics Branch of the General Planning Division, deputy cadre of the Planning and Finance Division at the Ministry of Foreign Trade and Economic Cooperation, responsible for the establishment of The Export-Import Bank of China. He held various positions at The Export-Import Bank of China, such as head of the Preparatory and Business Team, general manager of the Project Fund Department and chief representative of Shanghai office, general manager of the External Concessional Loan Department and chief representative of Shanghai office, general manager of the Vendor Credit Department (Division I), assistant to the Governor of The Export-Import Bank of China. He has been the Vice Governor, party committee member, deputy secretary of the party committee, secretary of the party committee and principal of party school of The Export-Import Bank of China since 2001, and retired in September 2014. He has been an external director of State Power Investment Corporation since January 2016. He served as an independent non-executive director of the Company from March 2017, and ceased to act as an independent non-executive director of the Company since January 2021.

俞新, born in October 1953, is a retired senior engineer at professor level with a university degree. Mr. Yu served as a deputy director of Beijing representative office, head of international cooperation department and office head of China Three Gorges Corporation, deputy director of the preparation office of Jinshajiang Development Co., Ltd. (金沙江開發有限責任公司) of China Three Gorges Corporation, head of construction department at Xiangjiaba Dam, assistant to the general manager of China Three Gorges Corporation and director, party committee member and head of discipline department of China Three Gorges Corporation, and retired in June 2014. He has been an independent director of China XD Electric Co., Ltd. since December 2014. He has been appointed as an independent non-executive director of the Company since March 2015, and ceased to act as an independent non-executive director of the Company since January 2021.

Mr. Tian, born in November 1956, is a retired senior accountant at researcher level with a college degree, enjoys the special allowance from the State Council. Mr. Tian started his career in 1974. He was a head, deputy chief accountant, deputy general manager and chief accountant of accounting division of Nanchang Aircraft Manufacturing Corporation (南昌飛機製造公司), general manager of Hongdu Aircraft Industry Co., Ltd. (洪都飛機工業有限公司), chief accountant, deputy party committee secretary, general manager, director, party committee secretary and chairman of Jiangxi Hongdu Aviation Industry Group Co., Ltd. (江西洪都航空工業集團有限責任公司), chief accountant and member of party group of China Aviation Industry Corporation II (中國航空工業第二集團公司), and chief accountant and member of party committee of Commercial Aircraft Corporation of China, Limited and retired in August 2017. He served as an independent non-executive director of the Company from March 2018, and ceased to act as an independent non-executive director of the Company since January 2021.

EIO

Mr. Qu, born in 1962, is a senior engineer with a postgraduate degree. He now serves as Chairman of the Supervisory Committee of the Company and the assistant to the general manager of HE. Mr. Qu graduated from Harbin Shipbuilding Engineering Institute with a master's degree in 1988 and joined HE in the same year. He had served as assistant engineer, business representative in Pakistan, engineer and deputy general manager of Harbin Power Station Equipment Import And Export Company, deputy manager of operation and development department, chief engineer, assistant to the general manager, executive deputy general manager, general manager, chairman and party committee secretary of Harbin Power Engineering Company Limited and the deputy general manager of the Company. He served as vice-president of the Company from March 2013 to December 2020, the assistant to the general manager of HE since April 2013 and supervisor representing shareholders and Chairman of the Supervisory Committee of the Company.

Mr. Liu, born in 1966, is a senior engineer at researcher level with a postgraduate degree and a master's degree holder. He now serves as supervisor representing shareholders of the Company and the general manager of the audit and supervision department of HE and the Company. Mr. Liu graduated from Xi'an Jiaotong University in 1989, and received an MBA degree from Harbin Institute of Technology. Mr. Liu had served as the secretary to the general manager office of Harbin Turbine, deputy chief economist, deputy director of the administration department and director to the general manager office of Harbin Turbine Company Limited, assistant to the general manager and party committee member of HE, deputy general manager of Harbin Electric Machinery Co., Ltd., secretary of the disciplinary committee of Harbin Boiler Factory Co., Ltd, deputy manager and manager of the audit department of HE and the Company. He has been serving as general managers of the audit and supervision department of HE and the Company since December 2019 and supervisor representing shareholders of the Company since January 2021.

Mr. Zhang, born in 1972, is a certified public accountant and senior engineer at researcher level with a postgraduate degree. He now serves as supervisor representing shareholders of the Company, and the chief accountant of Harbin Boiler Factory Co., Ltd. Mr. Zhang graduated from the Faculty of Business of Heilongjiang in 1995, and received an MBA degree from Harbin Institute of Technology. Mr. Zhang served as deputy manager and manager of the financial planning division the Company, deputy general manager of HE Finance Company Limited (哈電集團財務有限責任公司), chief accountant of HE Harbin Power Station Valve Co., Ltd., chief accountant of Harbin Electric Power Equipment Co., Ltd., chief accountant of Harbin Electric Corporation Jiamusi Electric Machine Co., Ltd., and deputy manager of the economic operation department of HE and the Company. He has served as the chief accountant of Harbin Boiler Factory Co., Ltd. since December 2019 and supervisor representing shareholders of the Company since January 2021.

Mr. Zhang, born in 1972, is a certified public accountant and senior engineer at researcher level with a postgraduate degree. He now serves as supervisor representing shareholders of the Company, and the chief accountant of Harbin Boiler Factory Co., Ltd. Mr. Zhang graduated from the Faculty of Business of Heilongjiang in 1995, and received an MBA degree from Harbin Institute of Technology. Mr. Zhang served as deputy manager and manager of the financial planning division the Company, deputy general manager of HE Finance Company Limited (哈電集團財務有限責任公司), chief accountant of HE Harbin Power Station Valve Co., Ltd., chief accountant of Harbin Electric Power Equipment Co., Ltd., chief accountant of Harbin Electric Corporation Jiamusi Electric Machine Co., Ltd., and deputy manager of the economic operation department of HE and the Company. He has served as the chief accountant of Harbin Boiler Factory Co., Ltd. since December 2019 and supervisor representing shareholders of the Company since January 2021.

Feng, born in September 1963, is a professor level senior policy advisor with a master degree. He is currently a full-time external director of Central Enterprises. He graduated from Harbin Institute of Electrical Engineering specializing in Electric Machinery in 1985, and later obtained a master degree in Business Administration from Harbin Institute of Technology. Mr. Feng joined HE in 1985, and has worked as a technician of the machinery department of the Boiler Company, the secretary of the Party Committee office, the vice secretary of the Communist Youth League, secretary, director of No. 1 Pipe Workshop, director of heavy vessel workshop, as well as the vice secretary of the Party Committee, the secretary of the Party Committee and vice chairman of the Boiler Company. He was appointed as a standing committee member of the City Committee and deputy mayor (acting) of Tongliao, Inner Mongolia Autonomous Region since November 2001. He has been the deputy general manager of the Company since April 2004, the vice secretary of the Party Committee of HE since October 2008, and the vice secretary of the Party Committee of the Company since January 2009. He has served as a director and deputy party group secretary of China Shipbuilding Industry Group Co., Ltd. since January 2018 and supervisor representing shareholders and Chairman of the Supervisory Committee of the Company from November 2014, and ceased to act as supervisor representing shareholders and Chairman of the Supervisory Committee of the Company since January 2021.

Chen, born in August 1964, a senior economist with a postgraduate degree, now serves as general manager of new energy engineering branch of Harbin Boiler Factory Co., Ltd.. Mr. Chen graduated from Xi'an Jiaotong University in 1987 and joined HE in the same year. He was appointed as a designer of the Design Department of the Harbin Boiler Company, secretary of factory office, deputy manager of the spare parts company, deputy secretary and chairman of Labor Union of No. 2 Pipe Workshop, secretary and head of Drum Workshop, head of No.1 Pipe Workshop. He has been the director and secretary of Safe Technology and Environmental Protection Office, and the director and secretary of Corporate Management and Development Office, and head of the Organization Department under the Party Committee and head of the United Work Front Department. He has been appointed as the general manager of new energy engineering branch of the Boiler Company since August 2019. He served as a supervisor representing shareholders of the Company from December 2009, and ceased to act as supervisor representing shareholders of the Company since January 2021.

Zhu, born in April 1973, is a senior auditor with a master degree. He is currently the chief accountant of Harbin Electric Corporation (QHD) Heavy Equipment Company Limited (哈電集團(秦皇島)重型裝備有限公司). Mr. Zhu graduated from Harbin University of Science and Technology, majoring in auditing, and then further obtained a master degree in Engineering from the same university. Mr. Zhu started his career in July 1998. He has been a staff member and the chief of the Planning Division of Harbin Automobile Industry Company under HE (哈電集團哈汽實業公司) and the auditing business director of the Audit Department of HE, the auditing business director of the Audit Department, and the deputy director and director of No. 1 Auditing Division under the Audit Department of the Company. He has been the chief accountant of Harbin Electric Corporation (QHD) Heavy Equipment Company Limited (哈電集團(秦皇島)重型裝備有限公司) since December 2019. He served as a supervisor representing shareholders of the Company from May 2017, and ceased to act as supervisor representing shareholders of the Company since January 2021.

Mr. Yang

Mr. Yang, born in 1972, is a certified public accountant and senior accountant with a bachelor degree. He now serves as a supervisor representing employees of the Company and the chief accountant of Harbin Turbine Company Limited. Mr. Yang graduated from Shenyang University of Technology in 1996 and joined HE in the same year. He successively served as the deputy manager and manager of the financial planning division of Harbin Electric Machinery Co., Ltd., deputy general manager, deputy secretary of the Party committee and secretary of the disciplinary committee of Harbin Electric and General Electric Wind Power (Jiangsu) Co., Ltd., deputy chief accountant and manager of the financial planning division of Harbin Turbine Company Limited, assistant to the manager of the financial assets department and director of the finance office of HE and the Company. He has served as the chief accountant of Harbin Turbine Company Limited since November 2018, and a supervisor representing employees of the Company since January 2021.

Mr. Zhao, born in 1978, is a senior accountant, international certified management accountant with a postgraduate degree. He now serves as a supervisor representing employees of the Company and the chief accountant of Harbin Electric Machinery Co., Ltd. Mr. Zhao graduated from Anshan Iron and Steel College in 2000 and later obtained a master's degree in business administration from Harbin Institute of Technology. Mr. Zhao successively served as the deputy manager of the finance office of Harbin Boiler Company Limited, assistant to the manager, assistant to the manager and director of the accounting department of HE and the Company's financial assets department, and the deputy general manager and chief accountant of HE Finance Company Limited. Since November 2019, he has served as the chief accountant of Harbin Electric Machinery Co., Ltd and a supervisor representing employees of the Company since January 2021.

Mr. Zhang, born in September 1974, a senior political engineer at professor level with a master degree, now serves as the leader of Discipline Inspection Group appointed by the Discipline Committee of HE. Mr. Zhang graduated from Anshan Institute of Iron and Steel Technology, majoring in metal press processing. Then he obtained a master degree in engineering from Harbin Institute of Technology. Mr. Zhang started his career in July 2000. He held various positions in the Turbine Company, including a technician of the material research center, secretary to the general manager office, deputy director of the technology and management division, deputy director and director of the Corporate Development and Research Center, and head of the organization department under the Party Committee. He has been the leader of Discipline Inspection Group appointed by the Discipline Committee of HE since November 2019 and served as supervisor representing employees of the Company from January 2013, and ceased to act as supervisor representing employees of the Company since January 2021.

Mr. Zhang, born in February 1964, is a senior engineer with a bachelor degree. He is currently a supervisor representing employees of the Company, the director of the Work and Construction Department under the Party Committee of Electric Machinery Company. Mr. Zhang graduated from Shenyang Architectural and Civil Engineering Institute specializing in Machinery Manufacturing Process and Equipment. Mr. Zhang joined HE in 1986, and worked as a technician, the deputy head of technical room, deputy director and director of the Coil Factory of Harbin Electric Machinery Company, head of equipment department and head of the organization department under the Party Committee of Electric Machinery Company. He has been the head of the Work Department under the Party Committee of Electric Machinery Company since November 2018 and a supervisor representing employees of the Company from November 2014, and ceased to act as supervisor representing employees of the Company since January 2021.

EXECUTIVE

Li Jia, born in July 1968, is a senior accountant and certified public accountant in China with a doctor's degree. He now serves as the senior vice-president of the Company and a chief accountant of HE. Mr. Liu graduated from Harbin Institute of Technology, majoring in industrial accounting with a bachelor's degree. He subsequently obtained a doctorate degree from the same university. Mr. Liu joined HE in 1991. He has been an assistant to the director, the deputy director and the director of finance department of the Boiler Company, and the deputy chief accountant and head of finance department of the Group. He was appointed as the deputy general manager of the Boiler Company in April 2001. Mr. Liu has been serving as deputy general manager of the Company since September 2006, Vice-President of the Company since March 2013 and senior vice-president of the Company since November 2014. He assumed the post as the company secretary of the Company from January 2012 to January 2013.

Lu Jiqiang, born in September 1973, is a holder of a doctoral degree in engineering and a senior engineer of researcher level. He is currently a senior vice-president and standing committee member of the Party Committee of the Company, and a standing committee member of the Party Committee and the deputy general manager of HE. Mr. Lu graduated from Harbin Institute of Technology with a degree in thermal turbine, and obtained a Ph.D. in dynamical machinery and engineering from Harbin Institute of Technology. Mr. Lu joined HE in 1995. He has served as a designer of the design institute, deputy chief designer of the design research center (design institute), deputy head of the design research center, vice principal of the research institute, head of the technical management department and deputy chief engineer of Harbin Turbine Company Limited. He served as the assistant to the general manager of Harbin Turbine Company Limited in September 2009, deputy general manager of Harbin Turbine Company Limited in June 2011, executive deputy general manager of Harbin Turbine Company Limited in March 2015, general manager and deputy secretary of the Party Committee of Harbin Turbine Company Limited in January 2016, chairman and secretary of the Party Committee of Harbin Turbine Company Limited in March 2017, standing committee member of the Party Committee and deputy general manager of HE since August 2018, and a senior vice-president and standing committee member of the Party Committee of the Company since November 2018.

Guo Jun, born in 1967, is a senior engineer with a university degree. He now serves as the vice-president of the Company, party committee secretary and chairman of Harbin Electric International Co., Ltd., and the general manager of the international industry department of HE. Mr. Guo graduated from Harbin Shipbuilding Engineering Institute in 1989 and joined HE in the same year. He served as engineer, deputy manager of operation and development department, deputy chief engineer and manager of engineering coordination department, deputy chief engineer, deputy general manager, general manager and member of party committee, party committee secretary and general manager, chairman and general manager and deputy party committee secretary of Harbin Power Station Equipment Import and Export Company. He has been appointed as the chairman and party committee secretary of Harbin Electric International Company Limited since October 2016. He has served as the general manager of the international industry department of HE since December 2019, and the vice-president of the Company since January 2021.

• **Qiu Jiqiang**, born in 1968, is a senior engineer at researcher level with a master's degree in engineering. He is currently the vice-president of the Company, the secretary of the Party Branch and general manager of Power Station Service Division of the Company, the party committee secretary and chairman of Harbin Turbine Company Limited. Mr. Qiu graduated from the Harbin Institute of Technology in 1990 and joined HE in the same year, and obtained a master's degree in engineering from the Harbin Institute of Technology. Mr. Qiu had served as the technician of Harbin Electric Machinery Company Limited, deputy chief technician and deputy director of technical room of cooling branch factory, manager of cooling branch factory, manager, deputy general manager, chairman and general manager and deputy secretary of party committee of hydropower workshop, general manager of Power Station Service Division of the Company. Since February 2017, he has served as the general manager and secretary of the Party Branch of Power Station Service Division of the Company. He has also served as party committee secretary and chairman of Harbin Turbine Company Limited since August 2020, and the vice-president of the Company since January 2021.

• **Wang Guang**, born in 1967, is a senior engineer at researcher level with a doctorate's degree. He is currently the vice-president of the Company, the party committee secretary and chairman of Harbin Electric Machinery Company Limited. Mr. Wang graduated from Changchun Institute of Optics and Fine Mechanics in 1989 and joined HE in the same year, and obtained a doctorate's degree in engineering from the Harbin Institute of Technology. Mr. Wang had served as engineer of Harbin Electric Machinery Company Limited, head of the turbine department of Electrical Machinery Institute and head of the Inspection Scientific Center for turbine inspection, head of foreign trading department, deputy chief economist and secretary of Party Branch and head of project management department, manager of hydropower workshop. He also served as the director and general manager, chairman and general manager of Harbin Electric Machinery AC-DC Motor Limited Duty Company (currently known as the Harbin Electric Power Equipment Company Limited), deputy general manager of Harbin Electric Machinery Company Limited, head of technology and quality department of the Company. Since August 2018, he has served as the party committee secretary and chairman of Harbin Electric Machinery Company Limited, and the vice-president of the Company since January 2021.

• **Xie Jijun**, born in January 1973, a senior engineer with a master's degree in engineering, now serves as Vice-Governor of the People's Government of Hunan Province, PRC and a member of the Party Committee of the Company. Mr. Xie graduated from Southeast University in 1997 with a master's degree in thermal engineering, and was then employed and served as deputy manager, manager and deputy chief engineer of the integrated business department of China National Water Resources & Electric Power Materials & Equipment Co., Ltd., general manager and deputy chief engineer of Beijing Guodian Engineering Tender Co., Ltd. (北京國電工程招標有限公司), general manager of Beijing Zhongtang Electrical Engineering Consultancy Co., Ltd. (北京中唐電工程諮詢有限公司), deputy head of the materials management department of China Datang Corporation, general manager and deputy secretary of the Party Committee of China National Water Resources & Electric Power Materials & Equipment Co., Ltd., and general manager and deputy secretary of the Party Committee of China National Water Resources & Electric Power Materials & Equipment Group Co., Ltd. He served as director of the general office of China Datang Corporation in December 2016, director of the general office and member of the Party Discipline Inspection Committee of China Datang Corporation Ltd., Datang International Power Generation Co., Ltd. and China Datang Corporation Renewable Power Co., Ltd. in December 2017, standing committee member of the Party Committee and deputy general manager of HE since August 2018, and a senior vice-president and standing committee member of the Party Committee of the Company from November 2018, and resigned as senior vice-president of the Company in October 2020.

DI RECTOR, EXECUTIVE BOARD MEMBER (CORPORATE)

Mr. Zhang Haifeng, born in September 1961, is a senior engineer with an MBA degree. He now serves as an assistant to the general manager of HE. Mr. Zhang graduated from Harbin Institute of Electrical Engineering in 1984 and joined HE in the same year. He has been an engineer of the enginery repairing workshop, the secretary and an assistant to the director of the Communist Party Committee Office of the Harbin Boiler Works. In 1994, Mr. Zhang participated in the reorganization of HE to be a shareholding enterprise and the issuance and listing of the Company's shares. Since November 1994, he has been appointed as the deputy director of the general manager office, the deputy director of the planning department and director of the enterprise management department, and the director of the auditing and law department of the Boiler Company. Since 1998, he has been a standing committee member of the Party Committee and director of the organization department of HE and the Company. Since 1999, he was appointed as the secretary of the Communist Party Committee and vice chairman of Archeng Relay Group Company and Archeng Relay Company Limited. He has been serving as the deputy general manager of the Company since September 2000. He served as the Vice-President of the Company from March 2013, and resigned as vice-president of the Company in January 2021.

CORPORATE SECRETARY

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

CI AL AC I L IE

The Company is mainly engaged in the manufacture and sales of various kinds of power generation equipment and provision of power station engineering services, and its major businesses currently include: manufacturing of large scale thermal power, hydropower, nuclear power and its ancillary equipment, turnkey construction of power station projects, development, design and manufacturing of major products such as power equipment of ships and electric power equipment etc. The operations of the Company are mainly located in China, with approximate three-fourth of its revenue deriving from China during 2020.

In 2020, the revenue from export of the Company amounted to RMB6,156.25 million, representing 25.91% of the Company's operating income, representing a year-on-year increase of RMB698.92 million. The Company's major regions for export included Asia and South America, which respectively amounted to RMB5,781.90 million and RMB296.68 million.

B I E IE

Details of a fair review of the Company's business in 2020, key financial performance indicators and possible future developments of the Company are set out in the section headed "Management Discussion and Analysis" of this Annual Report.

CI AL K A D CE AI IE

In 2020, the Company actively promoted the integration of law, compliance, internal control and risk management, established the linkage mechanism, improved the comprehensive risk management system, formulated risk assessment standards, analyzed the internal and external risk factors of the Company, adopted bottom-up approach combined the internal with the external for risk identification and assessment. Through risk identification and assessment, the Company took effective measures to actively prevent the occurrence of risks and ensure the operation and management of the year were legal and compliant, and major risks were under control. During the year, the principal risks and countermeasures of the Company were as follows:

1. Pandemic risk: The power generation equipment manufacturing industry to which the Company belongs is highly dependent on the development of the global economy. The pneumonia caused by the COVID-19 swept the country and had great impact on the operation of the Company. The Company insisted on putting the life safety and health of its employees in the first place, and established a leading agency for epidemic prevention and control to fight against the epidemic with all efforts and achieved the goal of "zero infection".
2. Risk of excessive scale of "two funds": The excessive scale of the "two funds" affected the return of funds and increased the risk of bad debts and losses. The Company adopted a series of management measures to actively promote the reduction of "two funds". The scale of the "two funds" showed a downward trend, and the risk of capital occupation continued to decrease.
3. Risk of financial and financial derivatives business: At present, the derivatives business of the Company is only the forward settlement of foreign exchange for the purpose of locking in exchange rates. As of the end of 2020, forward settlement of foreign exchange was in a profitable state.
4. Debt risk: The Company successfully completed the control target of asset-liability ratio in 2020 with no liquidity debt risk.

INTEGRATION OF ENVIRONMENTAL AND SOCIAL AFFAIRS INTO THE COMPANY

On 30 November 2020, the Company issued an announcement regarding the proposed adoption of share appreciation rights incentive plan and scheme, and planned to grant not more than 50.94 million share appreciation rights to no more than 294 participants. On 29 January 2021, the share appreciation rights incentive plan and scheme were approved by the shareholders' general meeting of the Company. On the same day, the Board announced that the conditions for granting the share appreciation rights incentive plan and scheme had been fulfilled, and 48.32 million shares appreciation rights were formally granted to 281 participants.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

In 2020, the Company continued to realize its social responsibility of "Friendly environment, Warm Home". The Company attached great importance to the harmony and unity of economy and ecology, deeply implemented the concept of green development, strictly carried out relevant environmental protection policies, vigorously promoted energy conservation and emission reduction, deepened development in the environmental protection industry, and actively promoted the development of new energy industries; adhered to people-oriented, scientifically built the staff team, protected the rights and interests of its employees, and cared for the lives of employees; maintained effective communication with suppliers, customers, market investors and other stakeholders, took into account the interests of related parties, created a mutually beneficial and win-win relationship, and continued to promote the healthy development of the Company; insisted on giving back to the society and vigorously supported social welfare undertakings, establishing a responsible corporate image.

The 2020 Environmental, Social and Governance report of the Company will be published in May 2021.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

In 2020, none of non-compliant events occur to the Company with respect to relevant laws and regulations that have a significant impact on the business of the Company. Relevant laws and regulations are listed as follows:

Applicable Laws and Regulations	Key Points	Compliance Measures
Contract Law of the People's Republic of China	The Company's business contract signed with customers must comply with basic requirements stipulated in the Contract Law.	<ol style="list-style-type: none"> Business contracts signed by each business department of the Company need to be reviewed by the Company's legal advisers. The legal adviser puts emphasis on reviewing the main terms of the contract subject, contract subject, quantity, quality, price or remuneration, performance period, place, method, liability for breach of contract and dispute resolution, proposes amendments and controls contract legal risk of the Company.

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<p>Securities Law of the People's Republic of China and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited</p>	<p>Relevant regulations required to comply with by the Company as a securities issuer.</p>	<p>The Company appoints professional legal advisers to assist with related work as the securities issuer and formulates related systems to regulate internal governance and information disclosure and other related works.</p>
<p>Tendering and Bidding Law of the People's Republic of China</p>	<p>The tendering activities and procurement of the Company must be strictly carried out in accordance with the Tendering and Bidding Law.</p>	<ol style="list-style-type: none"> 1. The Company establishes a tendering procurement center to fully implement the relevant procurement and tendering policies, laws and regulations of the country and higher-level units, and organize and promote the implementation of centralized procurement tendering work. 2. In accordance with the "Administrative Measures on Tendering Procedures" and other regulations, the Company must Conduct open tendering or selective tendering if purchases of goods or services reach certain amount.
<p>Labor Law of the People's Republic of China and Labor Contract Law of the People's Republic of China</p>	<p>When entering into or terminating an employer-employment relationship, provisions of the Labor Law and the Labor Contract Law must be followed by both the Company and employees.</p>	<p>A fixed labor contract model and cancelling clauses reviewed by the legal department should be possessed by the human resources department of the Company.</p>
<p>Intellectual property rights laws, mainly include: Copyright Law, Patent Law, Trademark Law</p>	<p>Relevant laws on intellectual property rights should be strictly abided by on the production and operation, technology research and development and commercial brand protection of the Company.</p>	<p>The Company's technology management department is responsible for centralized management of the Company's intellectual property rights. The assistance from legal adviser of the Company is required by the application of intellectual property rights and the protection of trademark and goodwill. Electric Machinery Company and Boiler Company, subsidiaries of the Company, have successfully applied for well-known trademarks in China.</p>

EMPLOYEES' OWNERSHIP (CONTINUED)

EMPLOYEES' OWNERSHIP

1. Employees

As of 31 December 2020, the Company had 16,857 employees. The Company had a workforce of 13,750 current employees, of which female employees totaled 2,306, accounting for 16.77%. 1,209 employees aged above 55, accounting for 8.79%; 1,887 employees aged 50–54, accounting for 13.72%, 3,962 employees aged 40–49, accounting for 28.81%, 5,374 employees aged 30–39, accounting for 39.08% and 1,318 employees aged below 29, accounting for 9.59%.

In 2020, the Company organized 1,628 classes in total for various trainings, with over 67,000 persons participating in.

2. Major suppliers

During 2020, the top five suppliers of the Company attributed 22.07% of the total purchases, of which the largest supplier accounted for 7.52% of the total purchases.

3. Major customers

During 2019, the Company's top five customers attributed 27.05% of total operating revenue, of which the largest customer accounted for 10.04% of total operating revenue.

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

LIST OF SUBSIDIARIES AND DIRECTORS OF SUBSIDIARIES

Details of major subsidiaries of the Company and directors of the subsidiaries as of 31 December 2020 are set out in note IX to the financial statements of this annual report.

RESULTS

As of 31 December 2020, the operating income of the Company amounted to RMB23,760.40 million, and net profit attributable to the owners of the parent company was RMB-7.28 million. The results of the Company for the year ended 31 December 2020 are set out in the consolidated income statement of this annual report.

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The Board did not recommend the payment of the final dividend for the year 2020.

A special dividend of RMB0.011 per share (tax inclusive) was proposed by the Board. The total dividend payable amounted to RMB18.7718 million.

For special dividend distribution arrangements, please refer to the announcement issued previously and the circular issued on 13 April 2021 by the Company.

As at 31 December 2020, the Company received no notification from any shareholders to waive or agree to waive any dividends.

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

For individual shareholders of H shares who are residents of Hong Kong or Macau and countries which entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on their behalf;

DIVIDENDS (CONTINUED)

For individual shareholders of H shares who are residents of countries which entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on their behalf. Individual shareholders of H shares may apply for refund of excess amount of individual income tax withheld by providing relevant information for approval by taxation authority;

For individual shareholders of H shares who are residents of countries which entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective rate stipulated by the relevant tax treaty on behalf of the relevant shareholders;

For individual shareholders of H shares who are residents of countries which entered into a tax treaty with the PRC stipulating a dividend tax rate of 20% or has not entered into any tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the relevant shareholders;

According to the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), the Company will withhold and pay dividend income tax at the rate of 10% on behalf of the non-resident corporate shareholders.

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

INFORMATION ABOUT DIRECTORS, EXECUTIVES AND EMPLOYEES

Details of Directors and Supervisors are set out in the section headed "Directors, Supervisors and Senior Management" in this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

INTEREST OF DIRECTORS, EMPLOYEES AND SENIORS MANAGEMENT IN THE SHARE CAPITAL

As of 31 December 2020, none of the directors, supervisors and senior management of the Company had any interest or short position in the shares, underlying shares and debentures (as the case may be) of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (SFO)) which was required to be notified to the Company and the Hong Kong Stock Exchange (including interest or short position which any such director, supervisor or senior management is taken or deemed to have under such provisions of the SFO) pursuant to the SFO or which was required to be recorded in the Register kept by the Company pursuant to section 352 of the SFO or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules.

SERVICE CONTRACT OF DIRECTORS AND EMPLOYEES

As of 31 December 2020, the Company entered into no service contract specified in Rule 14 of Appendix 16 of the Listing Rules with Directors and Supervisors of the Company.

INTEREST OF DIRECTORS AND EMPLOYEES IN CONTRACTS OF SIGNIFICANCE

As of 31 December 2020, none of the Directors or Supervisors has any interest, whether directly or indirectly, in the contracts of significance entered into by the Company.

CONTRACT OF SIGNIFICANCE WITH THE CONTROLLING SHAREHOLDER OR RELATED BODIES

On 14 February 2020, the Company entered into an EPC Framework Agreement with Harbin Electric Group Co., Ltd. ("HE"), the Controlling Shareholder, and on 9 April 2020, the EPC Framework Agreement was approved by the shareholders' general meeting of the Company. Accordingly, the Company will provide EPC services to HE and its subsidiaries through Harbin Electric International Engineering Co., Ltd. ("Harbin Electric International"), a wholly-owned subsidiary, in accordance with the terms and conditions as set out in the EPC Framework Agreement within three years. The annual cap for the EPC service fee is RMB1 billion.

DIRECTORS' REMUNERATION (CONTINUED)

REMUNERATION OF DIRECTORS AND SUPERVISORS

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

The remuneration of the directors and supervisors of the Company as of 31 December 2020 is as follows:

Unit: RMB

	Basic Salary	Performance Bonus	Director's Remuneration	Total
Executive Directors				
Mr. Si Ze-fu	0.00	0.00	0.00	0.00
Mr. Wu Wei-zhang	0.00	568,100.00	2,320.80	570,420.80
Mr. Zhang Ying-jian	0.00	504,400.00	2,320.80	506,720.80
Total	0.00	1,072,500.00	4,641.60	1,077,141.60
Independent Non-Executive Directors - Executive				
Mr. Zhu Hong-jie	0.00	60,000.00	0.00	60,000.00
Mr. Yu Wen-xing	0.00	60,000.00	0.00	60,000.00
Mr. Hu Jian-min	0.00	60,000.00	0.00	60,000.00
Mr. Tian Min	0.00	60,000.00	0.00	60,000.00
Total	0.00	240,000.00	0.00	240,000.00
Senior Management				
Mr. Feng Yong-qiang	0.00	0.00	0.00	0.00
Mr. Chen Guang	0.00	648,636.00	22,047.60	670,683.60
Mr. Zhu Peng-tao	0.00	379,361.89	22,047.60	401,409.49
Mr. Zhang Wen-ming	0.00	549,212.00	2,320.80	551,532.80
Mr. Zhang Jun-quan	0.00	229,056.00	2,320.80	231,376.80
Total	0.00	1,806,265.89	48,736.80	1,855,002.69

Details of the remuneration of directors, supervisors and senior management of the Company as of 31 December 2020 are set out in note XII(IV) to the financial statements in this annual report.

DIRECTORS' REMUNERATION (CONTINUED)

FIVE HIGHEST PAID PERSONNEL

As of 31 December 2020, the five highest paid personnel in the Company are all senior management of the Company and its subsidiaries. Remuneration of one of them was over HK\$1 million but below HK\$1.5 million and four of them was below HK\$1 million.

Unit: RMB

	2020	2019	2018	2017
Total remuneration of the five highest paid personnel	0	3,894,400.00	110,238.00	4,004,638.00

COMPANY GUARANTEE ARRANGEMENTS

As of 31 December 2020, total internal guarantees in favour of the Company made by the Company and its subsidiaries amounted to RMB2,538.85 million. No external guarantee was provided.

EMPLOYEES' INDEMNIFICATION

As provided by applicable laws, each director of the Company is entitled to be indemnified by respective companies for all costs, charges, losses, fees and liabilities which arise from or are connected to the execution and performance of their duties according to the Articles of Association of the Company. The provision becomes effective in the financial year ended 31 December 2020 and remains in effect as at the date of this report.

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

INVESTMENT IN SECURITIES

For the year ended 31 December 2020, the Company had no significant investment in securities.

DIRECTOR'S REPORT (CONTINUED)

EMPLOYEES' SALARIES AND BENEFITS

In 2020, the total salaries of the Company amounted to RMB1,615.23 million.

In order to incentivize key employees, the Company has established a share appreciation rights incentive plan. On 29 January 2021, the Company approved the share appreciation rights incentive plan and scheme at the general meeting. A total of 48.32 million share appreciation rights were formally granted to 281 participants.

The employees of the Company are members of the state-managed retirement benefits scheme operated by the PRC government. At the same time, the Company have adopted corporate annuity arrangements in accordance with the relevant regulations, and the company is required to contribute a certain percentage of employees' salaries to the retirement benefit schemes.

FIXED ASSETS

As of 31 December 2020, the fixed assets of the Company amounted to RMB5,646.00 million, details of the movements in fixed assets of the Company are set out in Note VII(XX) to the financial statements in this annual report.

PROFIT AVAILABLE FOR DISTRIBUTION

As of 31 December 2020, the total undistributed profits of the Company amounted to RMB8,799.33 million. Movements in the undistributed profits of the Company during the year are set out in the consolidated statement of changes in equity to the financial statements.

FINANCIAL HIGHLIGHTS

The financial highlights of the Company for the last five years are set out in the section headed "Financial Highlights" in this annual report.

SHARES, WARRANTS AND DEBENTURES OF THE COMPANY LISTED

As of 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

MAJOR LITIGATION

During 2020, the Company had no major litigation.

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

In accordance with regulations of the State Administration of Taxation, the rate for tax rebate applicable to the Company's new export products contracts is 13% effective from 15 October 2003.

Pursuant to the Implementation Measures of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), the Company has been included in the general framework of the value-added tax system reform, which allows the Company to deduct the value-added tax incurred for the purchase of equipment.

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

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

DI RECTORS' REPORT (CONTINUED)

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

Details of connected transactions and continuing connected transactions of the Company as of 31 December 2020 are set out Note XII(IV) to the financial statements in this annual report. The Company also confirmed that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of such connected transactions and continuing connected transactions.

As of 31 December 2020, the Company carried out the following connected transactions and continuing connected transactions (other than connected transactions that are exempted under Rule 14A.33 of the Listing Rules):

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Nil

CONTINGENT LIABILITIES

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

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

During the financial year from 1 January to 31 December 2020, the transaction cap for providing services by the Company and its subsidiaries to HE and its subsidiaries was RMB2 million, while the actual transaction amount was RMB0.371 million; the transaction cap for selling products was RMB17 million, while the actual transaction amount was nil; the transaction cap for receiving services from HE and its subsidiaries was RMB72 million, while the actual transaction amount was RMB57.662 million; the transaction cap for purchasing products was RMB65 million, while the actual transaction amount was RMB1.51 million. The amounts of such transactions did not exceed the cap.

2. *Financial Service Framework Agreement between the Company and HE*

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

During the financial year from 1 January to 31 December 2020, the accumulated maximum daily balance of loan services provided by Finance Company to the HE and its subsidiaries was RMB170 million, while the actual transaction amount was RMB150 million; the transaction cap of service fees and handling fees for other financial services provided by the Finance Company to HE and its subsidiaries was RMB3 million, while the actual transaction amount was nil. The amount of such transaction did not exceed the cap.

3. *EPC Framework Agreement between the Company and HE*

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

During the financial year from 1 January to 31 December 2020, the annual cap of EPC service fees was RMB1,000 million, while the actual transaction amount was RMB232.267 million. The amount of such transaction did not exceed the cap.

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

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

During the financial year from 1 January to 31 December 2020, the annual cap of technology development expenses was RMB100 million, while the actual transaction amount was RMB50.567 million. The amount of such transaction did not exceed the cap.

DIRECTORS' REPORT (CONTINUED)

Continuing Connected Transactions

The Independent Non-Executive Directors of the Company have reviewed the continuing connected transactions (as defined in the Listing Rules) set out in Note XII to the financial statements and confirmed that:

1. These continuing connected transactions had been entered into according to the agreement governing them on terms that are fair and reasonable and in the interests of shareholders of the issuer as a whole;
2. These continuing connected transactions had been entered into on normal commercial terms or better;
3. These continuing connected transactions had been entered into in the ordinary and usual course of business of the issuer.

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

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

DETAIL OF SHARE CAPITAL

As of 31 December 2020

As of 31 December 2020, the total share capital of the Company comprised 1,706,523,000 shares, of which 1,030,952,000 Domestic Shares (state-owned corporate shares) were held by the HE (representing 60.41% of the entire share capital) and 675,571,000 H shares were held by overseas holders of H shares (representing 39.59% of the entire share capital).

Equity Interest of Shareholders

As of 31 December 2020 and up to the date of this annual report, the shareholders having an interest and short positions in 5% or more of the issued share capital of the Company of the relevant classes as recorded in the register of interests in shares and short positions required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the "SFO") were as follows:

Long positions in the shares of the Company:

Date	Shareholder	Number of shares	Percentage
As at 31 December 2020	Harbin Electric Corporation Co., Ltd	1,030,952,000	60.41%

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as of 31 December 2020.

Public float

The Company has sufficient public float. As of 31 December 2020, the top ten registered shareholders holding the largest quantity of shares were as follows:

Rank	Shareholder	Number of shares	Percentage	Share type
1	HARBIN ELECTRIC CORPORATION CO., LTD	1,030,952,000	60.41%	Shares owned by stated owned legal person
2	HKSCC NOMINEES LIMITED	627,354,315	36.76%	H share
3	TANG KEUNG LAM	28,000,000	1.64%	H share
4	TANG'S INVESTMENTS LIMITED	17,000,000	1.00%	H share
5	LI CHI SING	376,000	0.02%	H share
6	YIP CHOK CHIU	360,000	0.02%	H share
7	CHEUNG YUM TIN	200,000	0.01%	H share
8	HO YUN HUNG	200,000	0.01%	H share
9	CHAN CHEUK YIN	140,000	0.01%	H share
10	LEE LAI HAR	140,000	0.01%	H share

DIRECTORS' SHAREHOLDING (CONTINUED)

As at 31 December 2020

Based on the register of members as at 31 December 2020, the shareholding of holders of H shares as follows:

Number of holders	Number of shares	Percentage of H shares	Percentage of total shares
1 – 1,000	4	402	0.00%
1,001 – 5,000	42	110,283	0.02%
5,001 – 10,000	40	314,000	0.05%
10,001 – 100,000	39	1,266,000	0.19%
100,001 – above	10	673,880,315	99.75%
Total	133	675,571,000	100.00%

MODEL CODE

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

CORPORATE GOVERNANCE CODE

The Company has been actively enhancing the Company's corporate governing structure and standardizing the Company's operations through strictly complying with relevant provisions such as the Company Law of the People's Republic of China and the Securities Law of the People's Republic of China. Directors of the Company strived to maintain corporate governance of high standard and believe quality governance is a key to the long-term success and sustainable development of the Company's business.

In 2020, the Company has complied with the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, and adopted recommended best practice set forth therein where appropriate. However, the eighth session of the Board was postponed due to the confirmation of candidates of the new session of the Board by the Company on 31 December 2020.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial statements, continuing connected transactions, internal control and risk management of the Company for the year ended 31 December 2020, and discussed with the Board on the financial reporting procedures as well as the internal control system of the Company.

Audit

The financial statement of the Company for the year ended 31 December 2020 has been audited by Dahua Certified Public Accountants LLP (“Dahua Certified Public Accountants”). Its annual remuneration of the auditing service was RMB2.20 million. In addition, Dahua Certified Public Accountants has obtained an independent assurance report on the calculation of discounted future estimated cash flows in relation to the valuation of the entire equity interest in the capital injection of Harbin Power Group Harbin Power Station Valve Co., Ltd., a subsidiary of the Company, at a remuneration of RMB145,000.

Dahua Certified Public Accountants is qualified and willing to continuously serve as an auditor of the Company, and the Board proposed to re-appoint Dahua Certified Public Accountants as the auditor of the Company’s 2021 financial statements at the general meeting. A resolution to re-appoint the firm and to authorize the Board to fix their remuneration is to be proposed at the 2020 annual general meeting of the Company.

By Order of the Board

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Chairman

Harbin, China, 24 March 2021

To all shareholders:

For the year ended 31 December 2020, all members of the Board of Supervisors (“the Board of Supervisors”) of the Company duly performed their functions with taking the interests of the Company and all shareholders into account in accordance with the relevant regulations of the Company Law of the People’s Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association of the Company. The Board of Supervisors has carried out a supervision on the performance of the functions and powers of the directors and senior managers of the Company, attended or sat in on all the Shareholders’ meetings and Board meetings during the year, actively participated in the examination and verification of the Company’s major decision-making matters, and inspected the Company’s operations and finances on a regular basis, which promoted the Company’s work in a smooth manner.

In 2020, the Board of Supervisors convened three meetings. The main work contents are as follows:

No.	Content
1	To review the Company’s 2019 annual results
2	To review the Company’s 2020 interim results
3	To agree the Company’s H Share Appreciation Right Incentive Scheme (Phase I) (Draft)
4	To agree the Measures for the Implementation and Assessment of the Company’s H Share Appreciation Right Incentive Scheme (Phase I)

The Supervisors attended six Shareholders’ meetings and six Board meetings in person, supervised the procedures of and matters in the meeting, and put forward relevant opinions and suggestions in a responsible manner.

For all related works of the Company in 2020, the Board of Supervisors gave the following independent opinions:

- During the Period, the Company strictly complied with the nation’s laws and regulations, operated in accordance with the procedures regulating listing companies, and duly executed various resolutions passed at the general meetings. The Company achieved satisfying results from all works during the year, and achieved stable and healthy development.
- The Board of Supervisors considered that the Board of Directors and Senior Management of the Company are diligent in performing their duties and protecting the interests of the shareholders. The Board and all directors earnestly carried out their rights and obligations under the Company Law of the People’s Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association of the Company, and made decisions on significant issues such as production and operation of the Company in accordance with laws and regulations. The Senior Management duly implemented resolutions passed at the Board meetings, advanced each work on all fronts and ensured smooth going concern of the Company. During the Period, none of the members of the Board and Senior Management was found to breach of the nations’ laws and rules and the Articles of the Association of the Company or act against the interests of the Company and the legitimate rights and interests of shareholders and employees.

3. The Board of Supervisors has reviewed the Company's financial conditions for the year 2020 and considered that relevant information such as annual financial report and the dividend profit scheme to be proposed by the Board of Directors for approval at the Annual General Meeting has objectively and truly reflected the financial position and operating results of the Company. The profit scheme has taken into account both the interests of the shareholders and the Company's long-term development.
4. The Board of Supervisors has considered and approved the H Share Appreciation Right Incentive Scheme (Phase I) (Draft) of Harbin Electric Co., Ltd., and believed that the implementation of the H Share Appreciation Right Incentive Scheme (Phase I) was beneficial to the Company's sustainable development and there was no apparent prejudice to the interests of the Company and all Shareholders.
5. The Board of Supervisors has considered and approved the Measures for the Implementation and Assessment of the Company's H Share Appreciation Right Incentive Scheme (Phase I) of Harbin Electric Co., Ltd., and believed that it was in line with the relevant applicable state laws and regulations and the actual situation of the Company, could ensure the smooth implementation of the incentive plan, and would further improve the corporate governance structure, form a favorable and balanced value distribution system, and establish a profit sharing and binding mechanism among shareholders, management personnel and key personnel of the Company.
6. The Board of Supervisors has reviewed the Report of the Directors and considers that the report truly and objectively reflected the actual conditions of each related work of the Company during the period.

In 2021, the Board of Supervisors will continue to effectively perform its supervisory duties in accordance with the relevant regulations of the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association of the Company to ensure the operation of the Company in accordance with the law, and protect the interests of the Company and Shareholders.

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

Harbin Electric Co., Ltd.
The Board of Supervisors

24 March 2021

CO R O A E GO E A CE F O A

CO R O A E GO E A CE A C ICE

The Company has been actively enhancing the Company's corporate governing structure and standardized the Company's operations through strictly complying with relevant provisions such as the Company Law of the People's Republic of China and the Securities Law of the People's Republic of China. The Board of the Company is committed to maintaining a high standard of corporate governance, and believes that good corporate governance practices are crucial to the success and sustainable development of the Company's operation in the long run.

In 2020, the Company has fully complied with provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong and, where appropriate, adopted the recommended best practices as specified therein, but the change in the composition of the eighth session of the Board was postponed due to that the Company did not determine the candidates for the new session of the Board until 31 December 2020.

The Board of the Company is responsible for the corporate governance functions. In 2020, the Board of the Company has strictly observed the policies and practices in compliance with laws and regulatory requirement, and also enacted and amended its regulations with reference to those policies and practices, with an aim to perfect our corporate governance policies and practices. The Company continues to focus on the training and continuous professional development of directors and senior management, and actively carries out internal review and rectification work to improve the level of the Company's governance.

CODE OF CO D C A GA DI G DI A C O A ' EC A IE A AC IO

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules of The Stock Exchange of Hong Kong as the code of conduct regarding directors' securities transactions. In response to a specific enquiry by the Company, all Directors confirmed that they complied with the Model Code for Securities Transactions by Directors of Listed Issuers at all applicable times during 2020.

BOA R OF DI A C O A

The major duties of the Board of Directors of the Company are to exercise the discretion in management decision according to the authorization by the general meeting with respect to the development strategies, management structure, investment and financing, planning and management and financial control. Details are set out in the Articles of Association.

C R A B a D i A

The Board of Directors of the Company had 7 directors, of which 4 are independent non-executive directors. As of 31 December 2020, members of the Board of Directors of the Company were:

Executive directors: Mr. Si Ze-fu (Chairman), Mr. Wu Wei-zhang, Mr. Zhang Ying-jian

Independent non-executive directors: Mr. Zhu Hong-jie, Mr. Yu Wen-xing, Mr. Hu Jian-min, Mr. Tian Min

On 29 January 2021, the Company convened an extraordinary general meeting and appointed the directors of the ninth session of the Board. Members of the ninth session of the Board of Directors of the Company were:

Executive directors: Mr. Si Ze-fu (Chairman), Mr. Wu Wei-zhang, Mr. Sun Zhi-yong

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

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

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

During 2020, the Board of Directors of the Company was comprised of 4 independent non-executive directors, namely Mr. Zhu Hong-jie, Mr. Yu Wen-xing, Mr. Hu Jian-min, Mr. Tian Min. From 29 January 2021, the independent non-executive directors of the Company are: Mr. He Yu, Mr. Hu Jian-min, Mr. Chen Guo-qing, Mr. Tang Zhi-hong.

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

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

Board of Directors

During 2020, the Board of the Company convened 16 meetings to discuss and make decision on the major issues in the production and operation of the Company, including the Company's overall strategy, investment plan, operation and financial performance, 6 of which were regular meetings that directors presented in person or by authorized proxy. The Independent non-executive Directors of the Company did not have dissenting opinions regarding any of the Company's decisions. Attendances of the meetings are as follows:

Attendance of Directors at meetings of the Board of Directors in 2020

Director	Attended in person	Attended by proxy	Number of absences	Attendance rate
Mr. Si Ze-fu	16	16	0	100%
Mr. Wu Wei-zhang	16	15	1	93.75%
Mr. Zhang Ying-jian	16	16	0	100%
Mr. Zhu Hong-jie	16	16	0	100%
Mr. Yu Wen-xing	16	16	0	100%
Mr. Hu Jian-min	16	16	0	100%
Mr. Tian Min	16	15	1	93.75%

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

On 9 April 2020, the Company convened the extraordinary general meeting of Shareholders, general meeting for holders of H Shares and class meeting of the holders of Domestic Shares. On 12 June 2020, the Company convened the annual general meeting, general meeting for holders of H Shares and class meeting of Domestic Shareholders, the attendances of Directors are as follows:

Attendance of Directors at general meeting in 2020

Director	Attendance at Extraordinary General Meeting of Shareholders	Attendance at Annual General Meeting	Attendance at Class Meeting of Domestic Shareholders
Mr. Si Ze-fu	6	6	100%
Mr. Wu Wei-zhang	6	6	100%
Mr. Zhang Ying-jian	6	6	100%
Mr. Zhu Hong-jie	6	6	100%
Mr. Yu Wen-xing	6	6	100%
Mr. Hu Jian-min	6	6	100%
Mr. Tian Min	6	6	100%

Director's Term

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

Director's Powers and Board's Powers

The Board of Directors shall exercise its functions and powers under authorization by the relevant laws and regulations and general meetings, including convening general meetings, reporting in general meeting, implementing the resolutions of the general meeting, determining the Company's business plan and investment plan, preparing the Company's annual financial budget, final accounts, profit distribution plan, and the appointment and removal of major personnel. In 2020, the Board of the Company made decisions discreetly after solemn discussions, and encouraged all directors to commit their duties by different methods, such as holding board meetings and communication. The Company encourages the directors with different opinions to express their own concerns and discuss these matters in sufficient depth. Every Director has devoted sufficient time and effort to explore the development of the Company, ensuring the correctness of the Company's development strategy and direction, so as to safeguard the interests of shareholders.

The management of the Company is authorized by the Board to be responsible for the management of the Company's operations and day-to-day affairs, and to report to the Board. In 2020, the management of the Company takes its responsibilities seriously and conscientiously by strictly implementing the resolutions passed by the Board, to ensure the steady operation and healthy development of the Company.

COACHES (CORPORATE)

Directors

During 2020, the Company actively organized the trainings for the Directors, and reported the daily business briefing and market information of the Company, which greatly strengthened the knowledge and skills necessary for all the Directors, to ensure the Directors continue to contribute to the Board with comprehensive information and where necessary.

In 2020, the independent non-executive directors of the Company participated in the advanced seminar for directors and supervisors of the companies listed inside and outside of China organized by Hong Kong Institute of Chartered Secretaries, during which they received training on director responsibilities, core responsibilities and governance practices, and learned special courses such as Sino-US relations and corporate survive and development strategies under global COVID-19 pandemic, as well as dynamic governance of the Board and duty performance of directors. Executive directors participated in trainings such as "Transformation Practices in the Development Process of Excellent State-owned Enterprises" organized by the Company. In 2020, the directors of the Company received an aggregate of above 100 hours of training courses. These courses further enhanced the directors' skills and knowledge, enabling them to make greater contributions to the development of the Company.

CHAIRMAN AND OFFICERS

During 2020, the Chairman of the Company was Mr. Si Ze-fu, and the President of the Company was Mr. Wu Wei-zhang.

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

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

ECIAL CO L EE DE HE BOA D

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

During 2020, the meetings convened by the special committees under the Board of the Company included 1 Nomination Committee meeting, 2 Remuneration Committee meetings, 6 Audit Committee meetings, and 8 Strategy Development Committee meetings. Each Director has attended the meetings of the committee in which he/she acted as a member in person, and had a thorough discussion on the related issues, providing quality, constructive opinions and advices. Attendances of the meetings are as follows:

A a D i a i a i a i B a i 2020

a D i	A a A a A a			A a A a A a			A a A a A a			A a A a A a		
	A a	A a	A a	A a	A a	A a	A a	A a	A a	A a	A a	A a
Mr. Si Ze-fu	1	1	100%									
Mr. Wu Wei-zhang									8	8	100%	
Mr. Zhang Yingjian									8	8	100%	
Mr. Zhu Hong-jie				6	6	100%	2	2	100%			
Mr. Yu Wen-xing				6	6	100%	2	2	100%	8	8	100%
Mr. Hu Jian-min	1	1	100%							8	8	100%
Mr. Tian Min	1	1	100%	6	6	100%						

A i C i

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

The members of the Audit Committee under the Board of the Company are all independent non-executive directors. In 2020, the members of the Audit Committee under the Board of the Company were Mr. Tian Min, Mr. Zhu Hong-jie and Mr. Yu Wen-xing, and Mr. Tian Min, an independent non-executive, was the chairman of the Committee.

In 2020, the Audit Committee held a total of 6 meetings and accomplished the following key tasks:

No.	Main tasks
1	Agreeing the contents in unaudited Annual Report of 2019 and submitting them to the Board of Directors
2	Agreeing the contents in audited Annual Report of 2019 and submitting them to the Board of Directors
3	Agreeing the Company's self-assessment report of 2019 on internal control and risk management and submitting it to the Board of Directors
4	Agreeing the matters in Continuing Connected Transactions and submitting them to the Board of Directors
5	Agreeing the Company's contents of Interim Report of 2020 and submitting them to the Board of Directors
6	Agreeing the Company and its subsidiaries' financing and loan matters and submitting them to the Board of Directors
7	Agreeing the Company's 2021 annual budget and submitting them to the Board of Directors

The Audit Committee has reviewed the financial statements included in the 2020 Annual Report, confirmed that these financial statements were prepared in accordance with China Accounting Standards and fairly presented the financial positions and results of the Company for the year ended 31 December 2020.

i a i C i

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

During 2020 the members of the Nomination Committee under the Board of the Company included Mr. Si Ze-fu, Mr. Hu Jian-min and Mr. Tian Min; and two thirds of the members of the Nomination Committee were independent non-executive directors, Chairman of the Company, Mr. Si Ze-fu being the chairman of the Committee.

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

In 2020, the Nomination Committee convened one meeting and accomplished the following key tasks:

- | | 主要工作 |
|---|--|
| 1 | Agreeing the Nomination of the directors of the ninth session of the Board of Directors of the Company and submitting them to the Board of Directors |

薪酬委员会

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

During 2020, the members of the Remuneration Committee were Mr. Yu Wen-xing and Mr. Zhu Hong-jie, all of whom are independent non-executive Directors, an independent non-executive director of the Company, Mr. Yu Wen-xing being the chairman of the Committee.

In 2020, the Remuneration Committee convened a total of 2 meetings and accomplished the following key tasks:

- | | 主要工作 |
|---|--|
| 1 | Listening to the assessment results of our units in 2019 |
| 2 | Agreeing the Company's H Share Appreciation Right Incentive Scheme (Phase I) (Draft) and submitting them to the Board of Directors |
| 3 | Agreeing the Measures for the Implementation and Assessment of the Company's H Share Appreciation Right Incentive Scheme (Phase I) and submitting them to the Board of Directors |

a D i C i

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

During 2020, the members of the Strategy Development Committee under the Board of the Company were Mr. Wu Wei-zhang, Mr. Zhang Ying-jian, Mr. Yu Wen-xing and Mr. Hu Jian-min and Mr. Wu Wei-zhang, an executive director, was the chairman of the committee.

In 2020, the Strategy Development Committee held a total of 8 meetings and accomplished the following key tasks:

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- 1 Agreeing the related major investment of the Company and submitting them to the Board of Directors
 - 2 Agreeing the 2019 Corporate Governance Report and submitting them to the Board of Directors
 - 3 Agreeing the bankruptcy liquidation of the subsidiaries and submitting them to the Board of Director
 - 4 Agreeing the mixed ownership reform of the subsidiaries and submitting them to the Board of Directors
 - 5 Agreeing the changes of the business scope and the amendment of the Articles of Association of the subsidiaries and submitting them to the Board of Directors
-

The Strategy Development Committee under the Board of has reviewed this report and confirmed that: the Company strived to maintain corporate governance of high standard and believed that quality governance is a key to long-term success and sustainable development of the Company's business. In 2020, the Company fully complied with the provisions in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong and, when appropriate, adopted the recommended best practices as specified therein. However, the eighth session of the Board is subject to postponement due to the appointment of the new session of the Board on 31 December 2020.

A DLO A D HEI E IO

In 2020, the audit business remuneration of Da Hua Certified Public Accountants (special general partnership), the auditor of the Company was RMB2.2 million. In addition, Da Hua Certified Public Accountants prepared an independent assurance report on the calculation of the discounted future estimated cash flow related to the valuation of the entire equity of the Company's subsidiary, Harbin Power Group Harbin Power Station Valve Co., Ltd. in relation to its capital increase. The remuneration was RMB145,000.

Da Hua Certified Public Accountants (special general partnership), together with the Audit Committee of the Board have reviewed the financial statements included in the 2020 Annual Report and been convinced that the financial statements were prepared in accordance with the PRC Accounting Standards and fairly presented the financial positions and performance of the Group for the year ended 31 December 2020.

The Board proposed to the general meeting to renew the appointment of Da Hua Certified Public Accountants (special general partnership) as the auditor of the financial statements of the Company in 2021.

CO A EC A

In 2020, Mr. Ai Li-song was the Company Secretary of the Company, and Mr. Tung Tat Chiu, Michael, Joint Secretary of the Company, will assist Mr. Ai to carry out the duties as the Company Secretary. In 2020, Mr. Ai participated in no less than 15 hours of professional training.

HA HOLDE IGH

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

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

- (1) Two or more shareholders who hold more than 10% (including 10%) of the shares in total with voting rights at the meeting to be held may sign one or more written request in the same format, and submit to the Board of Directors to convene interim general meeting or class meeting of shareholders and clarify the issue of the meeting. The Board of Directors shall convene an interim general meeting or a class meeting in time after receiving the above written request.
- (2) If the Board of Directors does not dispatch a notice for convening the meeting within 30 days after receiving the above written request, shareholders requesting may convene the meeting on their own within 4 months after receipt of the request by Board of Directors.

CORPORATE GOVERNANCE (CONTINUED)

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

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

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

INFORMATION DISCLOSURE AND MANAGEMENT OF INVESTOR RELATIONS

The Company continuously enhances its information disclosure management and promotes its investor relations management. The Company discloses information on an open, fair, true, accurate, complete and timely ground and strictly follows the related disclosure requirements of relevant laws and regulations, the Listing Rules and the Articles of Association of the Company. In our effort to enhancing the management of investor relations, the Company issues its Interim Reports and Annual Reports and discloses matters such as connected transaction, equity incentives, introduction of strategic investors by subsidiaries in a timely manner and enhancing the transparency of the Company.

In 2020, the Company through spot meeting and teleconference communicated, with a view to updating the investors' information on the Company's latest development and prospects, and in turn strengthening the relationship with the investors.

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

B a	A a
<p>Article 151 Subject to the restrictions imposed by Articles 143, 144 and 146, dividends shall be <u>paid to the shareholding of each shareholder, within 6 months</u> after the end of the financial year.</p>	<p>Article 151 Subject to the restrictions imposed by Articles 143, 144 and 146, dividends shall be <u>paid to the shareholding of each shareholder.</u></p>
<p>Paragraph 2 of Article 184 When the Company merges, all parties to the merger shall sign a merger agreement, and a balance sheet and list of property shall be prepared. The Company shall notify its creditors within 10 days and shall <u>publish a notice in newspapers within 30 days after the date of the resolution to merge.</u></p>	<p>Paragraph 2 of Article 184 When the Company merges, all parties to the merger shall sign a merger agreement, and a balance sheet and list of property shall be prepared. The Company shall notify its creditors within 10 days and shall <u>publish a notice in newspapers within 30 days after the date of the resolution to merge.</u></p>
<p>Paragraph 2 of Article 185 When the Company demerges, all parties to the demerger shall sign a demerger agreement, and a balance sheet and list of property shall be prepared. The Company shall notify its creditors within 10 days and <u>publish a notice in newspapers within 30 days of the date of the resolution to demerge.</u></p>	<p>Paragraph 2 of Article 185 When the Company demerges, all parties to the demerger shall sign a demerger agreement, and a balance sheet and list of property shall be prepared. The Company shall notify its creditors within 10 days and <u>publish a notice in newspapers within 30 days of the date of the resolution to demerge.</u></p>
<p>Article 191 The liquidation committee of the Company shall notify all creditors within the day of its establishment and within 60 days thereof publish <u>a notice in newspapers.</u> The liquidation committee shall be responsible for the registration of the creditor rights.</p>	<p>Article 191 The liquidation committee of the Company shall notify all creditors within 10 days following its establishment and within 60 days thereof publish <u>a notice in newspapers.</u> The liquidation committee shall be responsible for the registration of the creditor rights.</p>

R K A AGE E A DI E AL CO L

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

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

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

In 2020, the Company has reviewed the risk management and internal control system as well as risks and has completed its self-assessment report on internal control and risk management and then approved by the Audit Committee of the Board.

The Board of Directors and the Audit Committee confirm that: as of 31 December 2020, the risk management and internal control system has operated effectively; the Company has adopted effective monitoring mechanism to rectify the issues in time; and the Company has properly complied with the provisions on the risk management and internal control system in the Corporate Governance Code.

• a • Ha i E i C i a L i i :

I. AUDIT SCOPE

We have audited the accompanying financial statements of Harbin Electric Company Limited (hereafter, the "Company"), which comprise the consolidated and parent company's balance sheets as at 31 December 2020, the consolidated and parent company's income statements as at 31 December 2020, the consolidated and parent company's cash flow statements, and the consolidated and parent company's statements of changes in equity, as well as notes to the financial statements.

We believe that the attached financial statements are prepared in all material respects which in accordance with the Accounting Standards for Business Enterprises, and fairly reflect the consolidated and parent company's financial position of Company as at 31 December 2020, the Company's operating results and cash flow.

II. BASIS OF FORMING OUR AUDIT OPINION

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

III. KEY AUDIT ITEMS

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

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

1. Revenue Recognition
2. Impairment of Accounts Receivable

(I) Revenue Recognition

1. Description

Please refer to notes (XXXI) and VIII (XLV) of the consolidated financial statements. The operating revenue of the “Company” in 2020 was 23,760,399,708.62 yuan. The “Company” recognized revenue according to performance period and performance time. The integrity and accuracy of revenue recognition had a significant impact on the Company’s business results. At the same time, the recognition of revenue according to the performance period involves the significant judgment and estimation of the management, which may affect whether the “Company” recognized revenue in the appropriate accounting period according to the performance period. Therefore, we identified revenue recognition as a key audit item.

2. Audit Response

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

- (1) We evaluated the design rationality of relevant internal control, and tested the effectiveness of key control implementation.
- (2) According to the revenue recognition accounting policy, we checked and reviewed the relevant major contracts and key contract terms.
- (3) We sampled the contract and costed budget data on which the management’s estimated total revenue and estimated total cost are based, and evaluate whether the management’s estimate was reasonable and enough.
- (4) We sampled sales contracts, invoices, transportation documents, progress confirmation documents and other supporting materials to assess the authenticity and accuracy of the actual costs incurred.
- (5) We conducted sampling inspection on business documents such as contracts, invoices, warehousing receipts and exit permits to verify the rationality and integrity of revenue recognition at the time of performance.
- (6) We selected samples to review the project completion schedule and checked the accuracy of relevant revenue recognition.

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

(II) I pa j A u o a ja

1. Description

Please refer to notes () and VIII (IV), (V), (VI) and (VII) of the financial statements. On 31 December 2020, the original value of accounts receivable, notes receivable, prepayments and other receivables in the consolidated financial statement of the "Company" was 18,252,156,906.92 yuan, and the total provision of bad debts was 4,932,503,413.19 yuan. When determining the recoverability of receivables, the management needed to identify the items and objective evidence of impairment, evaluated the expected future available cash flow and determined its present value, and used significant accounting estimates and judgments. The recoverability of receivables was important to the financial statements. Therefore, we recognized the impairment of receivables as a key audit item.

2. Audit Response

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

- (1) We evaluated and tested the design and operation effectiveness of internal control related to customer credit risk assessment and receivables recovery process related to the daily management and recoverability assessment of receivables.
- (2) We reviewed the judgment and estimation of the management in assessing the recoverability of receivables, and pay attention to whether the management has fully identified the items that have been impaired.
- (3) We selected receivables with significant amount or high risk and tested the recoverability independently. We verified the reasonableness of the time point and amount of provision for bad debts.
- (4) We conducted a spot check on the receivables for which bad debt reserves were accrued by the management according to the combination of credit risk characteristics, and evaluated the reasonableness of the management's bad debt reserves.
- (5) We had assessed whether the management's accounting treatment and presentation and disclosure of impairment of receivables in the financial statements on 31 December 2020 were appropriate.

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

IV. OTHER INFORMATION (CONTINUED)

IV. OTHER INFORMATION

Harbin Electric Company Limited's management (hereinafter referred to as management) is responsible to other information which includes information covered in Harbin Electric's 2020 Annual Report, but does not include financial statements and our audit reports.

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

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

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

V. RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

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

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

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

VI. AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

1. Identify and evaluate the risk of material misstatement of financial statements due to fraud or error; design and implement audit procedures to address these risks and obtain adequate and appropriate audit evidence as a basis for issuing audit opinions. As fraud may involve collusion, forgery, intentional omission, false statements may above internally control, the risk of significant misstatement due to fraud is higher than the risk of not finding a significant misstatement due to an error.
2. Understand the internal controls related to auditing to design appropriate audit procedures, but not for the purpose of commenting on the effectiveness of internal controls.
3. Evaluate the appropriateness of accounting policies adopted by management and the rationality of accounting estimates and relevant disclosures.
4. Draw conclusions about the appropriateness of management's use of the going concern assumption. At the same time, according to the audit evidence obtained, it is possible to draw conclusions on whether there are material uncertainties on the events or circumstances that result in significant doubt about Harbin Electric Corporation's ability to continue as a going concern. If we conclude that there is material uncertainty, the auditing standards require us to bring the relevant disclosures in the financial statements to the users of the statements in the audit report; if the disclosure is not enough, we should publish non-unqualified opinions. Our conclusions are based on information available as of the date of the audit report. However, future events or circumstances may result in Harbin Electric Corporation's inability to continue to operate.
5. Evaluate the overall presentation, structure and content (including disclosure) of the financial statements and to assess whether the financial statements reflect the relevant transactions and events fairly.
6. Obtain enough and appropriate audit evidence of the financial information of the entity or business activity of the Company to express an opinion on the financial statements. We are responsible for directing, supervising and performing group audits. We take full responsibility for the audit opinion.

We communicate with the governance about planned audit scope, timing, and major audit findings, including communicating the internal control deficiencies identified in our audit.

We also provide the governance with a statement that we have complied with the ethical requirements relating to our independence and communicate with the governance on all relationships and other items that may reasonably be considered to affect our independence, as well as the relevant precautions (if applicable).

IDE E DE A DLO (CO I ED)

Through the matters we communicate with those charged with governance, we identify matters that are significant in the audit of the financial statements for the current period, which therefore become the key audit items. We disclose these items in the audit report, unless public disclosure of such items is prohibited by laws and regulations; in exceptional circumstances, where the benefit arising from public disclosure of certain matters is outweighed by the negative consequence brought by such disclosure in consideration of public interest. We do not disclose such items in the audit report.

Da H a C i i A a
(Special General Partnership)

C i a C i i A a : a i a i
(Project partner)

C i a C i i A a : F i Q a

Beijing • China
24 March 2021

COOLIDA IO BALANCE SHEET

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

	Notes	31 D 2020	1 January 2020
Current assets:			
Cash and bank	VIII、(I)	12,248,710,271.39	10,072,252,977.07
Settlement reserve			
Due from banks and other financial institutions	VIII、(II)	676,000,000.00	888,000,000.00
Transactional financial assets	VIII、(III)	201,804,166.47	
Financial assets at fair value through profit and loss			
Derivative assets			
Notes receivable	VIII、(IV)	3,449,736,818.53	3,301,953,735.63
Accounts receivable	VIII、(V)	6,150,804,226.22	5,818,842,820.85
Receivables for financing			
Prepayments	VIII、(VI)	2,943,908,354.75	2,901,225,990.61
Premium receivable			
Reinsurance premium receivable			
Reinsurance reserve receivable			
Other receivables	VIII、(VII)	1,121,689,573.11	854,708,274.51
Including: Dividend receivable	VIII、(VII)		3,134,827.61
Buying back the sale of financial assets	VIII、(VIII)	1,500,000,000.00	
Inventories	VIII、(IX)	8,245,995,247.86	9,287,668,696.47
Including: raw materials		2,876,563,564.28	3,167,750,924.22
Merchandise inventories(finished goods)		339,640,064.19	286,364,638.84
Contract assets	VIII、(X)	11,230,143,320.48	10,267,289,497.11
Held-for-sale assets			
Current portion of non-current assets			
Other current assets	VIII、(XI)	909,520,855.73	2,333,811,211.04
Total current assets		48,678,312,834.54	45,725,753,203.29

CO OLIDA IO BALA CE HEE (CO _I ED)

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

	Notes	31 D 2020	1 January 2020
-、 a++ ◆ :			
Loans and advances issued	VIII、 (XII)	24,593,595.00	34,089,231.04
Debt investments			
Available-for-sale financial assets			
Other debt investments	VIII、 (XIII)	299,978,100.00	300,623,400.00
Held-to-maturity investments			
Long-term receivables	VIII、 (XIV)	294,242,908.47	1,540,730.47
Long-term equity investments	VIII、 (XV)	394,669,474.11	214,823,131.64
Other equity instruments investments	VIII、 (XVI)	571,317,537.94	597,549,193.66
Other non-current financial assets	VIII、 (XVII)	167,567,126.04	45,510,641.64
Investment property	VIII、 (XVIII)	202,575,484.38	196,499,452.03
Fixed assets	VIII、 (XIX)	5,645,998,218.56	5,917,633,439.86
Including: Cost		14,643,182,941.70	14,432,763,186.43
Accumulated depreciation		8,950,135,400.59	8,467,513,114.63
Impairment		47,049,322.55	47,616,631.94
Construction in progress	VIII、 (XX)	114,308,312.64	247,408,962.85
productive biological assets			
Oil and gas assets			
The right-of-use assets			
Intangible assets	VIII、 (XXI)	968,448,496.00	982,044,801.27
Development disbursements	VIII、 (XXII)	53,460,949.36	288,801,839.77
Goodwill			
Long-term deferred expenses	VIII、 (XXIII)	7,733,999.22	14,748,667.37
Deferred tax assets	VIII、 (XXIV)	538,049,449.57	515,639,833.88
Other non-current assets			
Including: authorised reserve material			
- a -、 a++ ◆		9,282,943,651.29	9,356,913,325.48
- a a++ ◆		57,961,256,485.83	55,082,666,528.77

Corporate representative:

Chief Accountant:

Accounting Supervisor:

CO OLIDA IO BALANCE SHEET (CONTINUED)

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

Item	Notes	31 D 2020	1 January 2020
Current liabilities:			
Short-term borrowings	VIII、(XXV)	5,140,606,340.72	5,334,276,168.70
Borrowings from central bank		106,625,035.00	
Placement from banks and other financial institutions			
Transactional financial liabilities			
Financial liabilities at fair value through profit and loss			
Derivative liabilities			
Notes payable	VIII、(XXVI)	6,275,459,425.43	5,571,474,750.27
Accounts payable	VIII、(XXVII)	12,979,384,960.79	11,855,193,376.96
Advances from customers			
Contract liabilities	VIII、(XXVIII)	12,017,553,327.95	12,251,816,737.12
Securities sold under agreement to repurchase			
Deposits and placements from other financial institutions	VIII、(XXIX)	467,991,744.67	572,298,335.02
Securities brokering			
Securities underwriting			
Employee benefits payable	VIII、(XXX)	538,332,153.08	539,090,012.63
Including: salary payable		243,839,270.44	261,228,346.84
Welfare benefits payable		16,968.18	
#Including: Employee bonus and welfare fund			
Taxes and surcharges payable	VIII、(XXXI)	450,081,285.12	330,384,742.00
Including: taxes payable excluding surcharges		434,074,977.60	319,673,777.48
Other payables	VIII、(XXXII)	429,757,945.73	144,169,679.46
Including: Dividend payable	VIII、(XXXII)	3,482,873.50	3,512,873.50
Fees and commissions payable			
Reinsurance amounts payable			
Held-for-sale liabilities			
Current portion of non-current liabilities	VIII、(XXXIII)		300,000,000.00
Other current liabilities	VIII、(XXXIV)	428,655.00	495,272.00
Total		38,406,220,873.49	36,899,199,074.16

CO OLIDA IO BALA CE HEE (CO _I ED)

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

	Notes	31 D 2020	1 January 2020
Reserve of insurance contract			
Long-term borrowings	VIII、(XXXV)	1,884,779,453.00	565,600,000.00
Bonds payable			
including : preferred stocks			
perpetual debts			
Lease liabilities			
Long-term payable	VIII、(XXXVI)	42,881,194.29	510,862,094.29
Long-term employee benefits payable	VIII、(XXXVII)	152,433,979.11	176,288,338.42
Provisions	VIII、(XXXVIII)	1,009,074,468.47	940,402,644.61
Deferred income	VIII、(XXXIX)	265,816,002.56	134,150,192.62
Deferred tax liabilities			
Other non-current liabilities			
Including: authorized reserve fund			
a		3,354,985,097.43	2,327,303,269.94
a		41,761,205,970.92	39,226,502,344.10

CO OLIDA IO BALANCE SHEET (CONTINUED)

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

	Notes	31 D 2020	1 January 2020
Equity:			
Paid-in capital	VIII, (XL)	1,706,523,000.00	1,706,523,000.00
State-owned capital			
State-owned legal person's capital		1,030,952,000.00	1,030,952,000.00
Collectively owned capital			
Private capital			
Foreign capital		675,571,000.00	675,571,000.00
#Less: payback capital			
Paid-in capital (share capital)-net value		1,706,523,000.00	1,706,523,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual debt			
Capital reserve	VIII, (XLI)	4,341,412,461.31	4,249,144,205.66
Less: treasury shares			
Other comprehensive income		-20,928,123.89	-30,906,914.62
Including: Currency translation reserve		-5,330,264.04	4,029,075.02
Specialized reserve	VIII, (XLII)	41,743,525.66	41,541,755.49
Surplus reserve	VIII, (XLIII)	809,136,649.47	809,136,649.47
Including: statutory surplus reserve		809,136,649.47	809,136,649.47
Other surplus reserve			
#Reserve fund			
#Corporate development fund			
#Return of investment			
General risk reserve			
Retained earnings	VIII, (XLIV)	8,799,327,500.41	8,804,199,937.94
Equity attributable to parent company		15,677,215,012.96	15,579,638,633.94
*Minority interests		522,835,501.95	276,525,550.73
a		16,200,050,514.91	15,856,164,184.67
a a i i i a		57,961,256,485.83	55,082,666,528.77

Corporate representative:

Chief Accountant:

Accounting Supervisor:

BALANCE SHEET

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

I	Notes	31 D	2020	1 January 2020
Q				
Assets				
Cash and bank		991,999,831.13		1,064,083,576.16
Settlement reserve				
Due from banks and other financial institutions				
Transactional financial assets				
Financial assets at fair value through profit and loss				
Derivative assets				
Notes receivable		194,830,120.36		18,300,000.00
Accounts receivable	XVI、(I)	1,941,831,885.35		1,165,321,793.85
Receivables for financing				
Prepayments		4,026,236,132.20		3,580,448,513.02
Premium receivable				
Reinsurance premium receivable				
Reinsurance reserve receivable				
Other receivables	XVI、(II)	1,704,348,475.30		2,232,981,406.14
Including: Dividend receivable	XVI、(II)	145,786,403.99		179,624,995.11
Buying back the sale of financial assets				
Inventories		661,178,117.10		902,354,928.93
Including: raw materials				
Merchandise inventories (finished goods)				
Contract assets		747,023,406.79		448,519,662.38
Held-for-sale assets				
Current portion of non-current assets				
Other current assets		355,790,254.53		468,391,691.90
		10,623,238,222.76		9,880,401,572.38
Liabilities and Equity				
Liabilities				
Equity				

BALANCE SHEET (CONTINUED)

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

	Notes	31 D 2020	1 January 2020
Non-current assets:			
Loans and advances issued			
Debt investments			
Available-for-sale financial assets			
Other debt investments			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XVI, (III)	7,291,771,560.99	6,190,449,174.64
Other equity instruments investments		493,984,728.96	557,954,193.66
Other non-current financial assets			
Investment property		8,433,800.44	5,592,411.77
Fixed assets		702,673,202.99	741,976,297.85
Including: Cost		915,038,025.65	936,469,380.67
Accumulated depreciation		212,364,822.66	194,493,082.82
Impairment			
Construction in progress		2,136,006.28	2,136,006.28
productive biological assets			
Oil and gas assets			
The right-of-use assets			
Intangible assets		96,859,709.12	96,369,697.92
Development disbursements		21,240,813.48	13,343,251.85
Goodwill			
Long-term deferred expenses			
Deferred tax assets			
Other non-current assets			
Including: authorised reserve material			
a		8,617,099,822.26	7,607,821,033.97
Current assets:			
a		19,240,338,045.02	17,488,222,606.35

Corporate representative:

Chief Accountant:

Accounting Supervisor:

BALANCE SHEET (CONTINUED)

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

	Notes	31 D 2020	1 January 2020
Current liabilities:			
Short-term borrowings		398,730,000.00	898,730,000.00
Borrowings from central bank			
Placement from banks and other financial institutions			
Transactional financial liabilities			
Financial liabilities at fair value through profit and loss			
Derivative liabilities			
Notes payable		414,229,588.15	261,281,477.41
Accounts payable		3,411,500,878.76	1,820,434,230.42
Advances from customers			
Contract liabilities		4,783,625,222.91	4,437,805,313.09
Securities sold under agreement to repurchase			
Deposits and placements from other financial institutions			
Securities brokering			
Securities underwriting			
Employee benefits payable		180,933,933.77	181,229,454.63
Including: salary payable		175,061,601.84	175,061,601.84
Welfare benefits payable			
#Including: Employee bonus and welfare fund			
Taxes and surcharges payable		4,076,429.75	5,772,346.81
Including: taxes payable excluding surcharges		4,076,429.75	5,772,346.81
Other payables		1,618,679,017.16	1,669,755,006.61
Including: Dividend payable		5,763.47	5,763.47
Fees and commissions payable			
Reinsurance amounts payable			
Held-for-sale liabilities			
Current portion of non-current liabilities			300,000,000.00
Other current liabilities			
Total		10,811,775,070.50	9,575,007,828.97

BALANCE SHEET (CONTINUED)

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

	Notes	31 D 2020	1 January 2020
Reserve of insurance contract			
Long-term borrowings		2,050,000,000.00	1,250,000,000.00
Bonds payable			
including: preferred stocks			
perpetual debts			
Lease liabilities			
Long-term payable			
Long-term employee benefits payable			
Provisions		88,813,238.98	88,813,238.98
Deferred income		40,490,339.77	41,927,011.39
Deferred tax liabilities			
Other non-current liabilities			
Including: authorized reserve fund			
a		2,179,303,578.75	1,380,740,250.37
a		12,991,078,649.25	10,955,748,079.34

BALANCE SHEET (CONTINUED)

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

	Notes	31 D 2020	1 January 2020
Equity:			
Paid-in capital		1,706,523,000.00	1,706,523,000.00
State-owned capital			
State-owned legal person's capital		1,030,952,000.00	1,030,952,000.00
Collectively owned capital			
Private capital			
Foreign capital		675,571,000.00	675,571,000.00
#Less: payback capital			
Paid-in capital (share capital)-net value		1,706,523,000.00	1,706,523,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual debt			
Capital reserve		3,625,820,100.48	3,625,820,100.48
Less: treasury shares			
Other comprehensive income		-158,015,265.39	-74,045,800.69
Including: Currency translation reserve			
Specialized reserve			
Surplus reserve		645,909,005.07	645,909,005.07
Including: statutory surplus reserve		645,909,005.07	645,909,005.07
Other surplus reserve			
#Reserve fund			
#Corporate development fund			
#Return of investment			
General risk reserve			
Retained earnings		429,022,555.61	628,268,222.15
Equity attributable to parent company		6,249,259,395.77	6,532,474,527.01
*Minority interests			
a		6,249,259,395.77	6,532,474,527.01
a a i i i a		19,240,338,045.02	17,488,222,606.35

Corporate representative:

Chief Accountant:

Accounting Supervisor:

COOLIDA IO I CO E A E E

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

	Notes	Q 1	Prior Period
1.		23,999,703,493.48	22,901,459,145.46
Including: operating revenue	VIII、(XLV)	23,760,399,708.62	22,515,591,468.64
Interest income	VIII、(XLVI)	239,303,784.86	385,867,676.82
Premium earned			
Fees and commissions income			
2.		24,377,795,080.59	22,367,518,189.56
Including: operating cost	VIII、(XLV)	21,056,908,588.88	19,191,312,021.68
Interest expenses	VIII、(XLVI)	9,600,470.13	14,427,750.90
Fees and commissions expenses	VIII、(XLVII)	44,316.99	54,128.19
Cash surrender amount			
Net expenses of claim settlement			
Net provisions for insurance reserves			
Policy dividend expenses			
Reinsurance expenses			
Taxes and surcharges	VIII、(XLVIII)	167,046,550.28	126,175,614.36
Selling expenses	VIII、(XLIX)	675,859,315.66	603,991,912.06
Administrative expenses	VIII、(L)	1,304,707,938.61	1,669,845,499.18
Research and development expenses	VIII、(LI)	976,707,037.96	687,524,568.89
Financial expenses	VIII、(LII)	186,920,862.08	74,186,694.30
Including: interest expenses		233,562,605.22	121,186,584.99
Interest income		47,077,675.59	62,031,288.50
Net exchange loss ("-" for net proceeds)		-21,696,224.40	-433,735.71
Other costs and expenses			
Add: Other income	VIII、(LIII)	477,041,547.59	102,526,412.72
Investment income ("-" for loss)	VIII、(LIV)	76,633,822.67	27,206,095.96
Including: investment income from associates and joint ventures		5,826,738.34	20,512,794.72
Income from derecognition of financial assets at amortised cost			
Gain on foreign exchange ("-" for loss)		5,694.79	-1,403.16
Net exposure hedging returns ("-" for losses)			
Gain from fair-value changes ("-" for loss)	VIII、(LV)	217,411.27	
Credit losses ("-" for loss)	VIII、(LVI)	-71,445,008.59	-225,027,958.13
Impairment on assets ("-" for loss)	VIII、(LVII)	-70,549,613.94	-295,503,414.48
Proceeds from asset disposal ("-" for loss)	VIII、(LVIII)	5,790,846.33	5,299,562.95

CONSOLIDATED INCOME STATEMENT (CONTINUED)

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

	Notes	2023	2022	Prior Period
3. Operating profit (loss)		39,603,113.01		148,440,251.76
Add: non-operating income	VIII、(LIX)	77,195,702.90		142,588,893.37
Including: Government grants		5,596,779.91		12,300,901.34
Less: non-operating expenses	VIII、(LX)	39,840,938.92		73,886,377.61
4. Profit before income tax (loss)		76,957,876.99		217,142,767.52
Less: income tax	VIII、(LXI)	60,902,792.05		99,927,361.67
5. Profit (loss) attributable to owners of parent		16,055,084.94		117,215,405.85
(1) By ownership				
Net profit attributable to parent company		-7,280,537.53		106,173,199.36
*Profit/loss attributable to minority share-holders		23,335,622.47		11,042,206.49
(2) By going concern basis				
Continuous operating profit and loss		16,055,084.94		117,215,405.85
Termination of the business profit and loss				
6. Other comprehensive income after tax attributable to parent company		9,935,232.98		-96,906,420.38
(1) Comprehensive income not to be reclassified as profit or loss				
1. Remeasure the change in net liabilities or net assets of defined beneficiary plans				
2. Shares in other comprehensive income that the investee cannot reclassify into profit or loss under the equity method				
3. Net gain on equity instruments at fair value through other comprehensive income		-83,969,464.70		-137,404,578.60
4. Fair value changes in enterprise's own credit risk				
5. Others				

CONSOLIDATED INCOME STATEMENT (CONTINUED)

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

Item	Notes	Current Period	Prior Period
(2) Other comprehensive income to be reclassified as profit or loss		93,948,255.43	40,452,448.01
1. Share of other comprehensive income of an associate			
2. Net gain on debt instruments at fair value through other comprehensive income		-440,417.25	455,589.79
3. Gain or loss from fair value changes of available-for-sale financial assets			
4. The amount of financial assets reclassified into other comprehensive income			
5. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
6. Other debt investment credit impairment provision			
7. Cash flow hedging reserve		103,748,011.74	38,684,045.39
8. Currency translation reserve		-9,359,339.06	1,312,812.83
9. Other profit or loss to be reclassified			
*Other comprehensive income after tax attributable to minority share-holders		-43,557.75	45,710.21
7. Total comprehensive income attributable to parent company		25,990,317.92	20,308,985.47
Total comprehensive income attributable to parent company		2,698,253.20	9,221,068.77
*Total consolidated income attributable to minority share-holders		23,292,064.72	11,087,916.70
8. Earnings per share:			
Basic earnings per share		-0.004	0.062
Diluted earnings per share		-0.004	0.062

Corporate representative:

Chief Accountant:

Accounting Supervisor:

I C O E _ A E E _

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

	Notes	C	Prior Period
1.		5,353,935,426.04	3,781,616,351.06
Including: operating revenue	XVI, (IV)	5,353,935,426.04	3,781,616,351.06
Interest income			
Premium earned			
Fees and commissions income			
2.		5,676,728,352.31	4,146,780,868.80
Including: operating cost	XVI, (IV)	5,334,769,598.24	3,626,742,352.45
Interest expenses			
Fees and commissions expenses			
Cash surrender amount			
Net expenses of claim settlement			
Net provisions for insurance reserves			
Policy dividend expenses			
Reinsurance expenses			
Taxes and surcharges		10,611,733.50	7,768,128.59
Selling expenses		67,007,879.40	90,744,695.85
Administrative expenses		164,785,349.20	382,128,348.49
Research and development expenses		54,487,624.88	9,302,563.19
Financial expenses		45,066,167.09	30,094,780.23
Including: interest expenses		78,036,688.84	55,066,633.50
Interest income		40,990,292.06	31,403,672.67
Net exchange loss ("-" for net proceeds)		8,171.53	1,099,718.35
Other costs and expenses			
Add: Other income		3,771,611.45	2,097,324.05
Investment income ("-" for loss)	XVI, (V)	316,668,108.47	148,343,343.73
Including: investment income from associates and joint ventures		5,348,236.27	17,109,039.28
Income from derecognition of financial assets at amortised cost			
Gain on foreign exchange ("-" for loss)			
Net exposure hedging returns ("-" for losses)			
Gain from fair-value changes ("-" for loss)			
Credit losses ("-" for loss)		-68,684,600.35	-115,965,444.88
Impairment on assets ("-" for loss)		-128,762,580.26	-199,449,680.17
Proceeds from asset disposal ("-" for loss)		834,262.05	18,504,805.82

I N C O M E _ A E E _ (C O _ I _ E D)

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

Item	Notes	C Y	Prior Period
3. Operating profit (loss)		-198,966,124.91	-511,634,169.19
Add: non-operating income		255,363.00	7,370,722.64
Including: Government grants			
Less: non-operating expenses		386,991.19	36,373,238.98
4. Profit before income tax (loss)		-199,097,753.10	-540,636,685.53
Less: income tax		147,913.44	
5. Profit (loss) attributable to owners of parent		-199,245,666.54	-540,636,685.53
(1) By ownership			
Net profit attributable to parent company		-199,245,666.54	-540,636,685.53
*Profit/loss attributable to minority share-holders			
(2) By going concern basis			
Continuous operating profit and loss		-199,245,666.54	-540,636,685.53
Termination of the business profit and loss			
6. Other comprehensive income (loss) attributable to parent company		-83,969,464.70	-137,404,578.60
(1) Comprehensive income not to be reclassified as profit or loss		-83,969,464.70	-137,404,578.60
1. Remeasure the change in net liabilities or net assets of defined beneficiary plans			
2. Shares in other comprehensive income that the investee cannot reclassify into profit or loss under the equity method			
3. Net gain on equity instruments at fair value through other comprehensive income		-83,969,464.70	-137,404,578.60
4. Fair value changes in enterprise's own credit risk			
5. Others			

INCOME STATEMENT (CONTINUED)

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

Item	Notes	Current Period	Prior Period
(2) Other comprehensive income to be reclassified as profit or loss			
1. Share of other comprehensive income of an associate			
2. Net gain on debt instruments at fair value through other comprehensive income			
3. Gain or loss from fair value changes of available-for-sale financial assets			
4. The amount of financial assets reclassified into other comprehensive income			
5. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
6. Other debt investment credit impairment provision			
7. Cash flow hedging reserve			
8. Currency translation reserve			
9. Other profit or loss to be reclassified			
*Other comprehensive income after tax attributable to minority share-holders			
7. Total comprehensive income attributable to parent company		-283,215,131.24	-678,041,264.13
*Total consolidated income attributable to minority shareholders		-283,215,131.24	-678,041,264.13
8. Earnings per share:			
Basic earnings per share			
Diluted earnings per share			

Corporate representative:

Chief Accountant:

Accounting Supervisor:

COLOIDAIO CASH FLOW STATEMENT

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

	Notes	2020	2019	Prior Period
1. Cash inflows from operating activities:				
Cash received from sales and services		22,079,206,795.17		20,858,580,470.08
Net increase in deposits and placements from financial institutions		-104,306,590.35		-1,129,266,279.27
Net increase in due to central banks		106,625,035.00		
Net increase in placement from financial institutions				-660,000,000.00
Cash received from premiums of original insurance contracts				
Net amount of reinsurance business				
Net increase in insured's deposits and investments				
Net increase in disposal of financial assets at fair value through profit and loss				
Cash received from interests, fees and commissions		241,572,735.87		384,315,321.75
Net increase of placement from banks and other financial institutions				
Net increase in repurchasing				
Net cash received from agent sales of securities				
Taxes and surcharges refunds		213,870,752.12		386,707,107.76
Other cash receipts related to operating activities		1,308,632,762.76		695,910,799.59
a a i a i i i i		23,845,601,490.57		20,536,247,419.91
Cash paid for goods and services		16,332,187,339.84		18,824,747,746.59
Net increase in loans and advances		177,577,502.03		34,963,313.89
Net increase in deposits with central banks and other financial institutions		159,607,066.52		-136,595,465.42
Cash paid for claim settlements on original insurance contracts				
Net increase of due from banks and other financial institutions		-290,000,000.00		
Cash paid for interest, fees and commissions		5,745,278.26		22,010,570.98
Cash paid for policy dividends				
Cash paid to and for employees		2,537,276,312.93		2,482,999,195.96
Taxes and surcharges cash payments		1,032,013,697.61		855,899,003.57
Other cash payments related to operating activities		1,910,308,680.84		1,847,065,071.25
a a i a i i i i		21,864,715,878.03		23,931,089,436.82
a a i a i i i i		1,980,885,612.54		-3,394,842,016.91

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

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

	Notes	2022	Prior Period
2. Cash received from investing activities:			
Cash received from withdraw of investments		2,562,060,650.00	557,389,066.94
Cash received from investment income		164,115,919.26	65,504,510.85
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		8,277,529.97	3,041,696.13
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts related to investing activities		13,355,599.94	11,690,889.53
2.1 Cash received from investing activities:		2,747,809,699.17	637,626,163.45
Cash paid for fixed assets, intangible assets and other long-term assets		350,527,377.92	492,075,913.64
Cash payments for investments		3,063,489,400.00	2,624,669,000.00
Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other business units		277,614,400.71	483,559,694.40
Other cash payments related to investing activities		236,005,238.59	130,175,759.77
2.2 Cash paid for investing activities:		3,927,636,417.22	3,730,480,367.81
Net cash generated from investing activities:		-1,179,826,718.05	-3,092,854,204.36

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

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

Item	Notes	Current Year	Prior Period
3. Cash received from financing activities:			
Cash received from investments by others		866,975,100.00	
Including: cash received by subsidiaries from minority shareholders' investments			
Cash received from borrowings		5,556,390,196.59	8,315,951,230.89
Other cash receipts related to other financing activities		39,030.91	1,021,391.83
3. Cash paid for financing activities:			
Cash repayments for debts		4,754,571,695.71	4,191,898,268.88
Cash payments for distribution of dividends, profit and interest expenses		297,703,653.21	168,770,574.75
Including: dividends or profit paid by subsidiaries to minority shareholders			
Other cash payments related to financing activities		3,748,855.22	
3. Net cash and cash equivalents increased (decreased) during the period:		6,423,404,327.50	8,316,972,622.72
4. Cash and cash equivalents at the beginning of the period:			
4. Cash and cash equivalents at the end of the period:		5,056,024,204.14	4,360,668,843.63
5. Cash and cash equivalents at the beginning of the period:		1,367,380,123.36	3,956,303,779.09
6. Cash and cash equivalents at the end of the period:		-67,615,503.84	22,933,704.54
7. Add: beginning balance of cash and cash equivalents		2,100,823,514.01	-2,508,458,737.64
8. Add: beginning balance of cash and cash equivalents		9,197,222,711.30	11,705,681,448.94
9. Cash and cash equivalents at the end of the period		11,298,046,225.31	9,197,222,711.30

Corporate representative:

Chief Accountant:

Accounting Supervisor:

CASH FLOW STATEMENT

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

	Notes	2019	Prior Period
1. Cash inflows from operating activities:			
Cash received from sales and services		3,291,301,758.01	3,177,093,138.60
Net increase in deposits and placements from financial institutions			
Net increase in due to central banks			
Net increase in placement from financial institutions			
Cash received from premiums of original insurance contracts			
Net amount of reinsurance business			
Net increase in insured's deposits and investments			
Net increase in disposal of financial assets at fair value through profit and loss			
Cash received from interests, fees and commissions			
Net increase of placement from banks and other financial institutions			
Net increase in repurchasing			
Net cash received from agent sales of securities			
Taxes and surcharges refunds		395,004.68	2,906,199.10
Other cash receipts related to operating activities		758,790,101.31	265,144,417.33
a		4,050,486,864.00	3,445,143,755.03
2. Cash outflows from operating activities:			
Cash paid for goods and services		2,978,497,078.48	2,938,851,899.95
Net increase in loans and advances			
Net increase in deposits with central banks and other financial institutions			
Cash paid for claim settlements on original insurance contracts			
Net increase of due from banks and other financial institutions			
Cash paid for interest, fees and commissions			
Cash paid for policy dividends			
Cash paid to and for employees		118,161,820.23	135,398,143.78
Taxes and surcharges cash payments		48,729,828.35	87,284,627.19
Other cash payments related to operating activities		426,685,223.85	720,339,406.27
a		3,572,073,950.91	3,881,874,077.19
Net change in cash and cash equivalents		478,412,913.09	-436,730,322.16

CASH FLOW STATEMENT (CONTINUED)

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

	Notes	Currency	Prior Period
2. Cash received from investing activities:			
Cash received from withdraw of investments		250,000,000.00	
Cash received from investment income		363,439,255.27	55,457,634.60
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,397,800.00	
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts related to investing activities		5,572,350.00	15,480,562.50
a a i i a i i i i		620,409,405.27	70,938,197.10
Cash paid for fixed assets, intangible assets and other long-term assets		15,599,580.32	10,294,339.68
Cash payments for investments		1,076,343,780.00	210,370,800.00
Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other business units			483,559,694.40
Other cash payments related to investing activities		19,515.30	475,759.77
a a i i a i i i i		1,091,962,875.62	704,700,593.85
a i i a i i i i		-471,553,470.35	-633,762,396.75

CASH FLOW STATEMENT (CONTINUED)

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

	Notes	Current Period	Prior Period
3. Cash received from investments by others:			
Cash received from investments by others			
Including: cash received by subsidiaries from minority shareholders' investments			
Cash received from borrowings		800,000,000.00	1,750,000,000.00
Other cash receipts related to other financing activities			
3. a. Cash received from investments by others:		800,000,000.00	1,750,000,000.00
Cash repayments for debts		800,000,000.00	950,000,000.00
Cash payments for distribution of dividends, profit and interest expenses		78,935,016.24	55,962,506.45
Including: dividends or profit paid by subsidiaries to minority shareholders			
Other cash payments related to financing activities			
3. a. Cash payments for distribution of dividends, profit and interest expenses:		878,935,016.24	1,005,962,506.45
3. b. Cash payments for distribution of dividends, profit and interest expenses:		-78,935,016.24	744,037,493.55
4. Exchange rate changes on cash and cash equivalents		-8,171.53	-51,228.85
5. Add: beginning balance of cash and cash equivalents		-72,083,745.03	-326,506,454.21
		1,064,083,576.16	1,390,590,030.37
6. Ending cash and cash equivalents		991,999,831.13	1,064,083,576.16

Corporate representative:

Chief Accountant:

Accounting Supervisor:

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

I	C									
	1,706,523,000.00	4,249,144,206.66	-30,906,914.62	41,541,755.49	809,168,649.47	8,804,199,937.94	15,579,638,633.94	276,524,550.73	15,635,164,184.67	
1. E	1,706,523,000.00	4,249,144,206.66	-30,906,914.62	41,541,755.49	809,168,649.47	8,804,199,937.94	15,579,638,633.94	276,524,550.73	15,635,164,184.67	
1. Add: Increase/decrease due to changes in accounting policies										
Increase/decrease due to corrections of errors in Prior Period										
Others										
2. B	1,706,523,000.00	4,249,144,206.66	-30,906,914.62	41,541,755.49	809,168,649.47	8,804,199,937.94	15,579,638,633.94	276,524,550.73	15,635,164,184.67	
3. I		92,263,256.65	9,978,730.73	201,770.17		-4,872,437.53	97,576,979.02	246,309,951.22	343,866,330.24	
(1) Total comprehensive income		92,263,256.65	9,978,730.73	201,770.17		-4,872,437.53	97,576,979.02	246,309,951.22	343,866,330.24	
(2) Owner's contributions and withdrawals of capital						-7,280,637.53	2,698,333.20	23,292,054.72	25,390,371.92	
1. Common stock contributed by owners										
2. Capital contributed by other equity instruments holders										
3. Share-based payment recorded in owner's equity										
4. Others										
(3) Accrual and utilization of specialized reserve										
1. Accrual of specialized reserve										
2. Utilization of specialized reserve										
(4) Profit distribution		76,993,880.00					76,993,880.00		76,993,880.00	
1. Appropriation of surplus reserve										
- Holding statutory surplus reserve										
- Discretionary surplus reserve										
- Reserve fund										
- Corporate development fund										
- Return of investment										
2. Accrual of general risk reserve										
3. Distribution to owner/shareholder										
4. Others										
(5) Transfer within owner's equity										
1. Capital reserve transferred to paid-in capital										
2. Surplus reserve transferred to paid-in capital										
3. Recover of loss by surplus reserve										
4. Defined benefit plan changes carried forward to retained earnings										
5. Other comprehensive income carried forward to retained earnings										
6. Others										
4. E	1,706,523,000.00	4,341,412,463.31	-20,938,123.89	41,743,525.66	809,168,649.47	8,793,327,500.41	15,577,215,012.96	522,835,591.95	16,100,050,604.91	

Corporate representative:

Chief Accountant:

Accounting Supervisor:

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

I ↓	Equity attributable to parent company										Total owner's equity	
	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		Subtotal
1. E ↑	1,706,623,000.00			3,715,737,494.12	66,045,215.97	30,812,993.78	809,186,649.47	8,660,026,738.58	15,026,282,081.92	1,282,748,516.51	16,339,030,596.43	
1. Add: increase/decrease due to changes in accounting policies												
1. Increase/decrease due to corrections of errors in Prior Period												
Others												
2. B ↓	1,706,623,000.00			3,715,737,494.12	66,045,215.97	30,812,993.78	809,186,649.47	8,660,026,738.58	15,026,282,081.92	1,282,748,516.51	16,339,030,596.43	
3. I ↓				533,406,711.54	-96,932,130.59	10,728,771.71		106,173,193.36	553,356,552.02	-1,006,222,965.78	-452,866,413.76	
(1) Total comprehensive income				533,406,711.54	-96,932,130.59	10,728,771.71		106,173,193.36	553,356,552.02	-1,006,222,965.78	-452,866,413.76	
(2) Owner's contributions and withdrawals of capital												
1. Common stock contributed by owners												
2. Capital contributed by other equity instruments holders												
3. Share-based payment recorded in owner's equity												
4. Others												
(3) Accrual and utilization of specialized reserve												
1. Accrual of specialized reserve												
2. Utilization of specialized reserve												
(4) Profits distribution												
1. Appropriation of surplus reserve												
Including: statutory surplus reserve												
Discretionary surplus reserve												
#Reserve fund												
#Corporate development fund												
#Return of investment												
2. Accrual of general risk reserve												
3. Distribution to owner/shareholder												
4. Others												
(5) Transfer within owner's equity												
1. Capital reserve transferred to paid-in capital												
2. Surplus reserve transferred to paid-in capital												
3. Recover of loss by surplus reserve												
4. Defined benefit plan changes carried forward to retained earnings												
5. Other comprehensive income carried forward to retained earnings												
6. Others												
4. E ↓	1,706,623,000.00			4,249,144,205.66	-30,906,914.62	41,541,755.49	809,186,649.47	8,804,199,937.94	15,579,688,633.94	276,525,550.73	15,866,164,184.67	

Accounting Supervisor:

Chief Accountant:

Corporate representative:

A E E OF CHANGE I EQ L

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

I	1,706,523,000.00		6,532,474,527.01		6,532,474,527.01	
	1,706,523,000.00	3,625,820,100.48	645,939,005.07	645,939,005.07	645,939,005.07	6,532,474,527.01
1. E	1,706,523,000.00	3,625,820,100.48	645,939,005.07	645,939,005.07	645,939,005.07	6,532,474,527.01
1. Add: Increase due to changes in accounting policies						
2. Increase due to corrections of errors in Prior Period						
3. Others						
2. B	1,706,523,000.00	3,625,820,100.48	645,939,005.07	645,939,005.07	645,939,005.07	6,532,474,527.01
1. Total comprehensive income						
2. Owner's contributions and withdrawals of Capital						
1. Common stock contributed by owners						
2. Capital contributed by other equity instruments holders						
3. Share-based payment recorded in owner's equity						
4. Others						
3. Accrual and utilization of specialized reserve						
1. Accrual of specialized reserve						
2. Utilization of specialized reserve						
4. Profits distribution						
1. Appropriation of surplus reserve						
Including: statutory surplus reserve						
Discretionary surplus reserve						
#Reserve fund						
#Corporate development fund						
#Return of investment						
2. Distribution to owner/shareholder						
3. Others						
4. Others						
5. Transfer within owner's equity						
1. Capital reserve transferred to paid-in capital						
2. Surplus reserve transferred to paid-in capital						
3. Recover of loss by surplus reserve						
4. Defered benefit plan changes carried forward to related earnings						
5. Other comprehensive income carried forward to related earnings						
6. Others						
4. E	1,706,523,000.00	3,625,820,100.48	645,939,005.07	645,939,005.07	645,939,005.07	6,532,474,527.01
1,706,523,000.00	3,625,820,100.48	645,939,005.07	645,939,005.07	645,939,005.07	6,532,474,527.01	
-74,045,800.69	3,625,820,100.48	645,939,005.07	645,939,005.07	645,939,005.07	6,532,474,527.01	
-83,989,664.70	3,625,820,100.48	645,939,005.07	645,939,005.07	645,939,005.07	6,532,474,527.01	
-83,989,664.70	3,625,820,100.48	645,939,005.07	645,939,005.07	645,939,005.07	6,532,474,527.01	
-199,245,666.54	3,625,820,100.48	645,939,005.07	645,939,005.07	645,939,005.07	6,532,474,527.01	
-199,245,666.54	3,625,820,100.48	645,939,005.07	645,939,005.07	645,939,005.07	6,532,474,527.01	
429,022,455.61	3,625,820,100.48	645,939,005.07	645,939,005.07	645,939,005.07	6,532,474,527.01	
6,249,259,395.77	3,625,820,100.48	645,939,005.07	645,939,005.07	645,939,005.07	6,532,474,527.01	

Accounting Supervisor:

Chief Accountant:

Corporate representative:

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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

I	Prior period											
	Equity attributable to parent company					Minority interest						
	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	Subtotal	Minority interest
1. E	1,706,823,000.00			3,625,820,100.48		63,388,777.91	645,999,005.07	1,168,904,907.68		7,210,515,791.14		7,210,515,791.14
	Add: Increase/decrease due to changes in accounting policies											
	Increase/decrease due to corrections of errors in Prior Period											
	Others											
2. B	1,706,823,000.00			3,625,820,100.48		63,388,777.91	645,999,005.07	1,168,904,907.68		7,210,515,791.14		7,210,515,791.14
3. I												
	(1) Total comprehensive income											
	(2) Owner's contributions and withdrawals of capital											
	1. Common stock contributed by owners											
	2. Capital contributed by other equity instruments holders											
	3. Share-based payment recorded in owner's equity											
	4. Others											
	(3) Accrual and utilization of specialized reserve											
	1. Accrual of specialized reserve											
	2. Utilization of specialized reserve											
	(4) Profits distribution											
	1. Appropriation of surplus reserve											
	Including: statutory surplus reserve											
	Discretionary surplus reserve											
	#Reserve fund											
	#Corporate development fund											
	#Return of investment											
	2. Accrual of general risk reserve											
	3. Distribution to owner/shareholder											
	4. Others											
	(5) Transfer within owner's equity											
	1. Capital reserve transferred to paid-in capital											
	2. Surplus reserve transferred to paid-in capital											
	3. Recover of loss by surplus reserve											
	4. Defined benefit plan changes carried forward to retained earnings											
	5. Other comprehensive income carried forward to retained earnings											
	6. Others											
4. E	1,706,823,000.00			3,625,820,100.48		-74,045,800.89	645,999,005.07	628,286,222.15		6,532,474,527.01		6,532,474,527.01

Corporate representative:

Chief Accountant:

Accounting Supervisor:

I. I F O A I O A B O H E C O A

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Harbin Electric Company Limited (the "Company") was initially and was formed through the restructuring of Harbin Electric Corporation ("HE Corporation") and its three affiliates: Harbin Electrical Machinery Works, Harbin Boiler Works and Harbin Turbine Works (the "three major power factories"). The Company was established in Harbin on 6 October 1994. The reconstruction and listing of its shares in Hong Kong with limited liabilities has been approved by the State Commission for Restructuring the Economic Systems on 5 November 1994.

The initial share capital of the Company was CNY1,189,151,000, of which CNY720,000,000 was held by HE Corporation, representing 60.55% of its total share capital. Offshore H Shares of CNY469,151,000, representing 39.45% of its total share capital, was listing on the Stock Exchange of Hong Kong on 16 December 1994. After obtaining the approval by the resolution on the general meeting and by the China Securities Regulatory Commission and the approval from the Stock Exchange of Hong Kong, the Company placed a total of 93,830,000 H Shares, including 85,300,000 new shares and the domestic shares it held was decreased by 8,530,000 shares in 2005. After the completion of the placing of H Shares, the share capital of the Company was changed to CNY1,274,451,000. After obtaining the approval by the resolution on the 2005 annual general meeting of the Company and Zheng Jian Guo He Zi [2007] No. 6 of China Securities Regulatory Committee, in February 2007, the Company issued an additional of 112,590,000 overseas listed foreign shares ("H Shares"), including 102,355,000 shares and the shareholding of domestic shareholders was decreased by 10,235,000 shares. Pursuant to the approval of the State-Owned Property [2006] No.1492 issued by the State-owned Assets Supervision and Administration Commission of the State Council, the Company shall transfer 10,235,000 shares of state-owned enterprise legal person held by Harbin Electric Corporation to the National Social Security Fund Council upon the placing of its H shares. On 2 March 2007, the Company received an additional share capital of CNY102,355,000.00 paid by overseas shareholders in their currency. Hence, the registered capital and share capital changed to CNY1,376,806,000.00, of which CNY701,235,000.00 were held by state-owned enterprise legal person, representing 50.93% of the total share capital. Overseas H shares amounted to CNY675,571,000.00, representing 49.07% of the total share capital. On 1 December 2017, the shareholders' meeting approved the proposal to issue new domestic shares to Harbin Group, including 3,297,700 new shares. On 1 December 2017, the shareholders' meeting approved the proposal to issue new domestic shares to Harbin Group, including 3,297,700 new shares. On 6 December 2017, the company received an additional share capital of CNY329,717,000.00 paid by Harbin Group in currency, and the registered capital and share capital of the company changed to CNY1,706,523,000.00. Among them, state-owned legal person shares amounted to 1,030,952,000.00 yuan, which accounted for 60.41% of total share capital, and overseas issued H shares amounted to 675,571,000.00 yuan, which accounted for 39.59% of total share capital.

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

Legal representative: Si Zefu

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

Q E O 2020 F I A C I A L A E E (C O I E D)

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

I. I F O A I O A B O H E C O A (C O I E D)

(II) a. 2020 12 31 2019 12 31 2018 12 31

The Company is engaged in manufacturing of power generator and generator units, its principal businesses are production and sales of power generator and turn-key construction of power station projects.

Major business segments are: Manufacturing of large scale thermal power, hydro power, nuclear power and its ancillary equipment, turn-key construction of power station projects, research and development, design and manufacturing of major products such as power equipment of ships and electric power equipment etc.

(III) a. 2020 12 31 2019 12 31 2018 12 31

The parent company of the company is Harbin Electric Corporation.

(I) A 2020 12 31 2019 12 31 2018 12 31

The financial statements were approved by the board of directors on 24 March 2021.

Q E _ O 2020 FI A CIAL _ A E E _ (CO _ I ED)

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

II. CO E OF CO OLIDA ED FI A CIAL _ A E E _

As of 31 December 2020, the company scope of consolidated financial statements had the company are as follows:

Name of subsidiaries
Harbin Turbine Co., Ltd.
Harbin Power Technology & Trade Inc.
Harbin Electric International Co., Ltd.
Harbin Electric Machinery Co., Ltd.
Harbin Power Equipment National Engineering Research Centre Co., Ltd
Harbin Power Group Harbin Power Station Valve Co., Ltd.
Harbin Boiler Company Limited
Harbin Electric Power Equipment Co., Ltd.
Harbin Electric Corporation (QHD) Heavy Equipment Company Limited
Harbin Electric Corporation Finance Company Limited
Harbin Electric (H.E) Corporation
Harbin Electric Group Shanxi Environmental Protection Engineering Co., Ltd.
Chengdu Sanliya Technology Company
Harbin Electric Leasing (Tianjin) Co., Ltd.
Harbin Electric Group Biomass Power Generation (Wangkui) Co., Ltd.
Harbin Electric Group Biomass Power Generation (Dehui) Co., Ltd.

The company's subsidiaries in China are all limited liability companies and have not issued equity and debt securities. For the details of the scope and changes of the consolidated financial statements of the current period, please refer to VII. Changes in the scope of consolidation" and " . Rights in other entities" in this note.

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. B A I F O _ H E _ A _ I O _ O F F I A C I A L _ A E E _

(I) B a _ _ _ a _

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

(II) G _

The company has continuous operation capability for at least 12 months from the end of the reporting period, and has no major issues affecting its ability to continue to operate. Therefore, the financial statements are prepared on the basis of the going concern assumption.

I . D E C _ I O _ O F I _ O _ A _ A C C O _ I G _ O L I C I E _ A _ D _ A C C O _ I G E _ I _ A _ E

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The Company have formulated certain specific accounting policies and accounting estimates in accordance with the production and operation characteristics, which are mainly reflected in the valuation method of inventory, the method of calculating the expected credit loss of receivables, the depreciation of fixed assets and the amortization of intangible assets, the timing of revenue recognition, etc.

(II) a _ _ _ a _ _ _ a _ _

The financial statements prepared by the company are following the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the financial status, operating results, cash flow and other relevant information of the company and its subsidiaries.

(III) A _ _ _ _

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

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I . D E C I _ I O O F I _ O _ A _ A C C O _ I G _ O L I C I E A D A C C O _ I G E _ I A E (C O _ I _ E D)

(II) _ a a _ i _ a _ i _ a _ a _ a _ a _ (C _ _)

2. Procedure of consolidation (Continued)

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

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

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

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

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

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I . D E C I _ I O _ O F I _ O _ A _ A C C O _ I G _ O L I C I E _ A _ D A C C O _ I G E _ I _ A _ E (C O _ I _ E D)

(II) _ a _ a _ i _ a _ i _ a _ a _ a _ a _ (C _ y _)

2. Procedure of consolidation (Continued)

(1) Acquisition of subsidiaries or business

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

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

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

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

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)
(In addition to the special note, the unit of amount is CNY)

**I . D E C I S I O N O F I O A _ A C C O _ I G O L I C I E A D
A C C O _ I G E _ I A E (C O _ I _ E D)**

(II) 1 a a j + j a j a q + a + (C _ r _)

2. *Procedure of consolidation (Continued)*

(2) *Disposal of subsidiaries or business*

1) *General treatment*

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

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

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I . D E C I _ I O O F I _ O _ A _ A C C O _ I G _ O L I C I E A D A C C O _ I G E _ I A E (C O _ I _ E D)

(II) _ a a _ i _ a _ i a _ a _ a _ a _ (C _ y _)

2. Procedure of consolidation (Continued)

(2) Disposal of subsidiaries or business (Continued)

2) Step-by-step disposal of subsidiaries

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

- A. These transactions are achieved at the same time or the mutual effects on each other are considered;
- B. A complete set of commercial results can be achieved with reference to the series of transactions;
- C. Achieving a transaction depends on at least achieving of one of the other transactions;
- D. One transaction recognized separately is not economical, but it is economical when considered together with other transactions.

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

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

Q U E S T I O N 2020 F I N A N C I A L S T A T E M E N T S (C O N T I N U E D)
(In addition to the special note, the unit of amount is CNY)

**I . D E C L A R A T I O N O F I N T E R I M A C C O U N T I N G P O L I C I E S A N D
A C C O U N T I N G P R I N C I P L E S (C O N T I N U E D)**

(II) P a a j + j a j a q + a + (C y)

2. Procedure of consolidation (Continued)

(3) Acquisition of minority stake of subsidiaries

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

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

The difference between disposal consideration of long-term equity investment in subsidiaries partially disposed by the Group without losing control and the share of net assets calculated from the date of acquisition or combination date shall be adjusted to share premium in the capital reserve in the consolidated balance sheet. Adjustments shall be made to retained earnings in the event that the share premiums in the capital reserves are not sufficient.

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I . D E C I _ I O O F I _ O _ A _ A C C O _ I G _ O L I C I E A D A C C O _ I G E _ I A E (C O _ I _ E D)

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1. *Joint venture arrangements classification*

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

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

- (1) The legal form of the joint venture arrangement indicates that the joint venture party has rights and obligations respectively the relevant assets and liabilities in the arrangement.
- (2) The terms of the contract of the joint venture arrangement stipulate that the joint venture party shall have rights and obligations respectively to the relevant assets and liabilities in the arrangement.
- (3) Other relevant facts and circumstances indicate that the joint venture party has rights and obligations respectively to the assets and liabilities in the arrangement, such as the joint venture party having almost all the outputs associated with the joint venture arrangement, and the settlement of the liabilities in the arrangement continues to depend on the support of the joint venture party.

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I . D E C _ I _ I O _ O F _ I _ O _ A _ A C C O _ I _ G _ O L I C I E _ A _ D _ A C C O _ I _ G _ E _ I _ A _ E _ (C O _ I _ E D)

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

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1. Foreign currency transactions

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

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

2. Conversion of foreign currency financial statements

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

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

I . D E C L A R A T I O N O F I N T E R N A T I O N A L A C C O U N T I N G P O L I C I E S A N D A C C O U N T I N G P O L I C I E S (C O I E D)

(I) F i n a n c i a l I n s t r u m e n t s

Financial instruments include financial assets, financial liabilities and equity instruments.

1. Classification of the financial instruments and measurement

According to the business model of the company's management of financial assets and the contractual cash flow characteristics of financial assets, financial assets are classified as follow:

- (1) Financial assets measured at amortized cost,
- (2) Financial assets measured at fair value and whose changes are included into other comprehensive income, and
- (3) Financial assets measured at fair value through profit or loss.

Financial assets are measured at fair value at the time of initial recognition, but accounts receivable or notes receivable arising from the sale of goods or the provision of services do not contain material financing components or do not take into account financing components not exceeding one year, the initial measurement shall be measured at the transaction price.

For financial assets measured at fair value and whose changes are recorded into the profits and losses of the current period, the related transaction expenses are directly recorded into the profits and losses of the current period, and the related transaction expenses of other categories of financial assets are recorded into their initial recognition amount.

The subsequent measurement of financial assets depends on their classification, and all affected related financial assets are reclassified if and only if the company changes the business model of managing financial assets.

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I . D E C I _ I O O F I _ O _ A _ A C C O _ I G _ O L I C I E A D A C C O _ I G E _ I A E (C O _ I _ E D)

(I) F i a a i _ (C _)

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

(1) Classified as financial assets measured at amortized cost

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

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

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

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

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

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

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)
(In addition to the special note, the unit of amount is CNY)

I . D E C I _ I O O F I O _ A _ A C C O _ I G O L I C I E A D
A C C O _ I G E _ I A E (C O _ I _ E D)

(I) F i a a i _ (C)

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

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

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

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

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

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

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

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

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

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I . D E C I _ I O O F I _ O _ A _ A C C O _ I G _ O L I C I E A D A C C O _ I G E _ I A E (C O _ I _ E D)

(I) F i a a i _ (C _)

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

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

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

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

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

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

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

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I . D E C L A R A T I O N O F I N T E R N A T I O N A L A C C O U N T I N G P O L I C I E S A N D A C C O U N T I N G P O L I C I E S (C O _ I _ E D)

(I) F i n a n c i a l l i a b i l i t i e s (C o _ I _ E D)

2. Classification and measurement of financial liabilities

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

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

The subsequent measurement of financial liabilities depends on their classification:

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

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

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

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I . D E C I _ I O O F I _ O _ A _ A C C O _ I G _ O L I C I E A D A C C O _ I G E _ I A E (C O _ I _ E D)

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2. Classification and measurement of financial liabilities (Continued)

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

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

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

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

(2) Other financial liabilities

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

- 1) Financial liabilities measured at fair value and whose changes are included into the current profit and loss.
- 2) The transfer of financial assets does not meet the conditions for derecognition or continues to be involved in the financial liabilities formed by the transferred financial assets.
- 3) Financial guarantee contracts that do not fall into the first two categories of this article, and loan commitments that fall below market interest rates do not fall into the first category of this article.

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2. Classification and measurement of financial liabilities (Continued)

(2) Other financial liabilities (Continued)

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

3. Conditions for termination of financial assets and financial liabilities

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

- 1) Termination of the contractual right to receive cash flows from the financial asset.
- 2) The financial asset has been transferred and the transfer meets the requirements for the termination recognition of the financial asset.

(2) Conditions for termination of financial liabilities

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

If the company signs an agreement with the creditor to replace the existing financial liabilities with new financial liabilities, and the contractual terms of the new financial liabilities and the existing financial liabilities are substantially different, the existing financial liabilities are derecognized and the new financial liabilities are recognized. If all or parts of the contract terms of the original financial liabilities are substantially amended, the original financial liabilities will be derecognized in full or in part, and the financial liabilities whose terms have been amended shall be recognized as a new financial liability. When financial liabilities is derecognized in full or in part, the difference between the carrying amount of the financial liabilities derecognized and the consideration paid (including transferred non-cash assets or new financial liability) is recognized in profit or loss for the current period.

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

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4. *Confirmation conditions and measurement methods for financial asset transfer*

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

- (1) If almost all risks and rewards of ownership of financial assets are transferred, the financial assets are derecognized, and the rights and obligations generated or retained during the transfer are separately recognized as assets or liabilities.
- (2) If almost all risks and rewards in the ownership of financial assets are retained, the financial assets will continue to be recognized.
- (3) Where there is neither transfer nor retention of almost all risks and rewards in the ownership of financial assets (i.e. other than in the case of (1),(2) of this article), control over financial assets is maintained, as follows:
 - 1) If the control of the financial asset is not retained, the financial asset is derecognized, and the rights and obligations generated or retained during the transfer are separately recognized as assets or liabilities.
 - 2) If the control of the financial asset is retained, the relevant financial assets will be recognized and the relevant liabilities will be recognized accordingly according to the extent to which they continue to be involved in the transferred financial assets. The degree of continued involvement in the transferred financial assets refers to the degree of risk or reward for the value change of the transferred financial assets undertaken by the company.

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4. *Confirmation conditions and measurement methods for financial asset transfer (Continued)*

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

(1) If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following two amounts is included into the current profit and loss:

- 1) The book value of the transferred financial assets at the date of termination of recognition.
- 2) The sum of the consideration received as a result of the transfer of the financial assets corresponding to the amount of the termination recognition portion of the accumulated amount of the change in fair value that was originally directly included into other comprehensive income (the financial assets involved in the transfer are financial assets measured at fair value and whose changes are included into other comprehensive income).

(2) If the financial assets are partially transferred and the transferred part satisfies the conditions for termination recognition as a whole, the book value of the pre-transfer financial assets as a whole shall be apportioned at their respective relative fair values at the date of transfer between the termination recognition part and the continuing recognition part, in which case the retained service assets shall be treated as part of the continuing recognition financial assets, and the difference between the following two amounts shall be recorded into the profits and losses of the current period.

- 1) The book value of the derecognition part at the date of termination of recognition.
- 2) The sum of the consideration for the derecognition portion and the amount of the derecognized portion of the cumulative amount of changes in fair value that is directly recognized in owners' equity (when the transferred financial asset is an available-for-sale financial asset).

If the transfer of financial assets does not meet the conditions for derecognition, the financial assets continue to be recognized and the consideration received is recognized as a financial liability.

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

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

6. *Impairment of financial instruments*

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

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

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

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

- (1) An unbiased probability weighted average amount determined by evaluating a range of possible outcomes;
- (2) The time value of money;
- (3) Reasonable and evidence-based information on past events, current conditions, and future economic conditions that are not available at the balance sheet date without unnecessary additional costs or effort.

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6. *Impairment of financial instruments (Continued)*

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

- Phase 1: If the credit risk of the financial instrument has not increased significantly since the initial recognition, the Group measures its loss provision based on the amount equivalent to the expected credit loss of the financial instrument in the next 12 months;
- Phase 2: If the credit risk of the financial instrument has increased significantly since the initial recognition, but it is not regarded as the credit impairment that has occurred, the Group measures its loss provision based on the amount equivalent to the expected credit loss for the entire duration of the financial instrument;
- Phase 3: For financial instruments that have suffered credit impairment, the Group measures its loss provision based on the amount of expected credit losses for the entire life of the financial instrument.

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

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

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7. *Offset of financial assets and financial liabilities*

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

- (1) The Company has a legal right to set off the recognized amount and that such legal right is currently enforceable;
- (2) The Company plans to settle the financial assets and liquidate the financial liabilities on a net basis or at the same time.

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

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

- (1) The hedging relationship only consists of eligible hedging instruments and hedged items.
- (2) At the beginning of hedging, the company officially designated hedging instruments and hedged items, and prepared written documents on hedging relationships and risk management strategies and risk management objectives for hedging.
- (3) The hedging relationship meets the requirement of hedging effectiveness.

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

- 1) There is an economic relationship between the hedged items and the hedging instruments. This economic relationship makes the value of hedging instruments and hedged items change in opposite directions due to the same hedged risk.
- 2) Among the value changes caused by the economic relationship between the hedged items and the hedging instruments, the influence of credit risk is not dominant.
- 3) The hedging ratio of the hedging relationship is equal to the ratio of the actual number of hedged items of the company to the actual number of hedging instruments, but does not reflect the imbalance of the relative weight of the hedged items and the hedging instruments. This imbalance will lead to invalid hedges and may produce accounting results that are inconsistent with the hedge accounting objectives.

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(II) H E D G I N G (C O N T I N U E D)

2. Method of fair value hedges accounting

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

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

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

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3. Method of Cash flow hedges accounting

- (1) The part of gains or losses generated by the hedging instrument are as the effective hedging, which is regarded as the cash flow hedging reserve, and are included into other comprehensive income. The amount of cash flow hedge reserve is determined according to the lower of the absolute amounts of the following two items:
 - 1) Cumulative gains or losses of hedging instruments since hedging;
 - 2) The cumulative change in the present value of the expected future cash flow of the hedged item since hedging. The amount of the cash flow hedge reserve included into other comprehensive income in each period is the amount of change in the current cash flow hedge reserve.
- (2) The part of gains or losses generated by hedging instruments that are invalid for hedging (that is, other gains or losses after deducting other comprehensive income) is included into the current profit and loss.
- (3) The amount of cash flow hedge reserve shall be handled in accordance with the following provisions:
 - 1) The hedged item is an expected transaction, and the expected transaction causes the company to subsequently confirm a non-financial asset or non-financial liability, or the expected transaction of non-financial asset or non-financial liability forms a confirmed commitment which applies to the fair value hedge accounting, then the amount of the cash flow hedge reserve originally recognized in other comprehensive income is transferred out and included into the initial recognition amount of the asset or liability.
 - 2) For cash flow hedges that are not covered in the previous article, the amount of cash flow hedging reserve originally recognized in other comprehensive income is transferred out and included into the current profit and loss in the same period in which the expected cash flow of the hedge affecting the profit or loss.
 - 3) If the amount of cash flow hedge reserve recognized in other comprehensive income is a loss, and the loss is expected to be irreparable in whole or in part in the future accounting period, then the irrecoverable part is transferred out from other comprehensive income and included into the current profit and loss when the loss is expected to be irrecoverable.

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(II) H E D G I N G (C O I E D)

4. Overseas net investment hedging

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

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

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

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

5. Termination of hedge accounting

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

- (1) Due to changes in risk management objectives, the hedging relationship no longer meets the risk management objectives.
- (2) The hedging instrument has expired, been sold, the contract has been terminated or has been exercised.
- (3) There is no longer an economic relationship between the hedged item and the hedging instrument, or the value of the economic relationship between the hedged item and the hedging instrument changes, the impact of credit risk begins to dominate.
- (4) The hedging relationship no longer satisfies other conditions for the use of hedging accounting methods as stipulated in this standard. In the case of rebalancing of the hedging relationship, the enterprise should firstly consider the rebalancing of the hedging relationship, and then assess whether the hedging relationship satisfies the conditions for applying the hedging accounting method specified in this standard.

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

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6. Fair value selection of credit risk exposure

When using credit derivative instruments that are measured at fair value and whose changes are included into the current profit or loss to manage the credit risk exposure of the financial instrument (or its component parts), it is designated as a financial instrument measured at fair value and its changes are included into the current profit and loss at the time of initial recognition of the financial instrument (or its component parts) and when it has not been confirmed in subsequent measurement, and a written record is also made, but the following conditions should also be met at the same time:

- (1) The subject of credit risk exposure of financial instruments (such as borrowers or loan commitment holders) is consistent with the subject of credit derivatives;
- (2) The repayment level of financial instruments is consistent with that of the instruments to be delivered under the terms of credit derivatives.

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Receivables include accounts receivable, other receivables, etc. The accounts receivable formed by the Company's external sales of goods or provision of labor services shall be deemed as the initial recognition amount based on the fair value of the contract or agreement receivable from the purchaser. The receivables are presented using the effective interest method and the amortized cost less the provision for bad debts.

Enterprises involved in the provision of bad debts for the applicable credit loss model within the scope of the merger include: Harbin Electric Co., Ltd. and all its subsidiaries.

1. Accounts receivable

For accounts receivable, whether it contains significant financing components, the company always measures its loss reserves in accordance with the amount of expected credit losses for the entire life period, and the increase or reversal of the loss provision resulting therefrom is included into the current profit and loss as an impairment loss or gain.

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1. *Accounts receivable (Continued)*

The Company combines the accounts receivable according to similar credit risk characteristics (aging) and estimates the proportion of the provision for bad debts of the accounts receivable based on all reasonable and evidenced information, including forward-looking information.

A _ i	A _ _ _ i a a _ a a i (%)
Within 1 year (Including 1 year)	0-5
1 - 2 years	5-25
2 - 3 years	50
3 - 4 years	80
4 - 5 years	80
Over 5 years	100

If there is objective evidence that a receivable has been credit impaired, the Company makes provision for bad debts and confirms the expected credit losses for the accounts receivable.

The scope of amounts receivable are not accrued for bad debts.

- (1) Account Receivables between related parties;
- (2) Others receivables to the relevant national industry authorities and industry associations, etc, which belong to the nature of deposits, margin and the internal receivables of the enterprise or the in-service employees for the business operations, temporary borrowings, reserve funds and other receivables, no provision for impairment may be made, unless there is conclusive evidence showing that there is a sign of impairment, no provision for impairment may be made.

2. *Other receivables*

The measurement of impairment loss for other receivables is treated in accordance with the measurement method of impairment loss of the aforementioned financial assets (excluding receivables).

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1. *Category of inventory*

Inventory refers to the finished goods or goods that the Company holds for sale in its daily activities, the products in the process of production, the materials and materials consumed in the process of production or in the process of providing services, etc. Inventory mainly includes raw materials, in-process products, finished products (inventory goods), issued goods, contract performance costs and so on.

2. *Valuation method of inventory*

Inventories are determined at the actual cost when acquired. Cost of inventories included purchasing cost, processing cost and other cost. When acquired and approved the subsidiaries of the Company measure the cost by the following two methods:

- (1) Actual cost: Cost of inventories is determined using the weighted average method.
- (2) Intended cost: difference between the intended cost and the actual cost will be calculated by cost variance account, and the cost difference assumed for the inventories will be pay by installment, so as to adjust the intend cost to the actual cost.

3. *Inventory system*

The perpetual inventory system is adopted.

4. *Amortization of low-value consumables and packaging materials*

- (1) Low-value consumables are a mortised using the immediate write-off method.
- (2) Packaging materials are a mortised using the immediate write-off method.

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

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

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

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

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If the company has transferred the goods to the customer and has the right to receive consideration, and the right depends on factors other than the passage of time, it is recognized as a contract asset. The company's unconditional (i.e. depends only on the passage of time) right to collect consideration from customers is listed separately as receivables.

For the determination method and accounting arrangement method of the expected credit losses of the contract assets of the company, please refer to Impairment of financial instruments of Note IV/(XI) .

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1. *Determination of investment cost*

- (1) For long-term equity investments formed through business combination of entities, the specific accounting policies, please refer to the accounting arrangement methods for business combinations involving entities under common control and not under common control of Note IV/(VI).
- (2) Long-term equity investments acquired by other means

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

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

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

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

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(I) L o n g - t e r m e q u i t y i n v e s t m e n t s (C o n t r o l l e d)

2. Subsequent measurement and recognition of profit or loss

(1) Cost method

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

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

(2) Equity method

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

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

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

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

(2) Equity method (Continued)

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

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

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

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

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

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

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

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

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4. Conversion of long-term equity investment accounting method

(1) Fair value measurement transfers to equity method accounting

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

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

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

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

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

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

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

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

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

(3) *Equity method accounting transfers to fair value measurement*

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

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

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

(4) *Cost method transfers to equity method*

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

(5) *Cost method transfers to fair value measurement*

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

5. *Disposal of long-term equity investments*

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

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

- (1) These transactions were concluded at the same time or in consideration of mutual influence;
- (2) These transactions as a whole can achieve a complete business result;
- (3) The occurrence of a transaction depends on the occurrence of at least one other transaction;
- (4) A transaction is uneconomical alone, but it is economical when considered together with other transactions.

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

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

- (1) In individual financial statements, the difference between the book value and the actual purchase price is included into the current profit and loss for the equity disposed. If the remaining equity after disposal can exercise joint control or exert significant influence on the investee, then adopt the equity method accounting, and the remaining equity is deemed to be adjusted by equity method when it is acquired. If the remaining equity after disposal cannot exercise joint control or exert significant influence on the investee, it shall be changed to accounting treatment in accordance with the relevant provisions of "Enterprise The relevant provisions of Accounting Standard No. 22 – Recognition and Measurement of Financial Instruments", and the difference between the fair value and the book value on the date of loss of control is included in the current profit and loss.
- (2) In the consolidated financial statements, for each transaction before the loss of control of the subsidiary, the disposal price and the corresponding disposal of long-term equity investment shall be between the share of the subsidiary 's net assets continuously calculated from the purchase date or the merger date, then adjust the capital reserve (equity premium), if the capital reserve is insufficient to offset, adjust the retained earnings; The sum of consideration received from disposal of equity investment and the fair value of the remaining equity investment, net of the difference between the sum of the company's previous share of the subsidiary's net assets recorded from the acquisition date, is recognized in investment income in the period in which control is lost, at the same time write down goodwill. Other comprehensive income related to the previous equity investment in the subsidiary, are transferred to investment income of the current period when the control is lost.

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

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

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

6. *Impairment test method and accrual method for impairment preparation*

On the balance sheet date, if there is a similar situation where the book value of the long-term equity investment is greater than the share of the book value of the owner's equity of the investee, the impairment test of long-term equity investment is carried out in accordance with – 8 of the Accounting Standards for Enterprises. The recoverable amount of a long-term equity investment is determined on the basis of the higher between the net amount of the fair value of a single long-term equity investment minus disposal costs and the present value of the expected future cash flow of a long-term equity investment. When the recoverable amount of long-term equity investment is lower than the book value, the book value of the assets is written down to the recoverable amount, and the amount of the write-down is recognized as the impairment loss of the assets, and is included into the profits and losses of the current period, and the accrual is carried on the corresponding asset impairment preparation.

Once the impairment loss of long-term equity investment is confirmed, it will not be reversed.

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Investment property is held to earn rentals or capital appreciation or both which include leased land use rights, land use rights held for sale after appreciation and leased buildings. In addition, for the vacant buildings that the company holds for operation and lease, if the board of directors makes a written resolution that clearly states that it will be used for operation and lease and the intention to hold will not change in the short term, it is also reported as investment property.

The investment property of the company is based on its cost as the book value. The cost of outsourcing investment property includes the purchase price, related taxes and other expenses directly attributable to the asset. The cost of self-built investment property is determined by the necessary expenditures incurred before the assets reach the expected usable state.

The Company's existing investment property is measured at cost. Investment property measured at cost – buildings held for leasing shall adopt the same depreciation policy for fixed assets of the company, land use rights held for leasing shall adopt the same amortization policy for the intangible assets.

When the use of investment property is changed to self-use, the company will convert the investment property into fixed assets or intangible assets from the date of change. When the purpose of self-use property is changed to earn rent or capital appreciation, the company will convert fixed assets or intangible assets into investment property from the date of change. When a conversion occurs, the book value before conversion is used as the book value after conversion.

On the balance sheet date, the company estimates the recoverable amount of investment property that shows signs of impairment. If the recoverable amount is lower than its book value, the corresponding impairment loss is recognized. Once the impairment loss of investment property is confirmed, it will not be reversed.

When the investment property is disposed of or withdrawn permanently from use and it is expected that no economic benefits can be obtained from its disposal, the confirmation of the investment property is terminated. The amount of disposal income from the sale, transfer, scrap or damage of investment property after deducting its book value and related taxes is included into the current profit and loss.

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1. *Conditions for recognition of fixed assets*

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year. Fixed asset is recognized when it meets the following conditions:

- (1) It is probable that the economic benefits associated with the fixed asset will flow to the enterprise;
- (2) Its cost can be reliably measured.

2. *Initial measurement of fixed assets*

The fixed assets of the company are initially measured at cost, including:

- (1) The cost of outsourcing fixed assets includes the purchase price, import duties and other related taxes and fees, as well as other expenses that can be directly attributed to the asset before they reach their intended usable state.
- (2) The cost of self-built fixed assets is determined by the necessary expenditures incurred before the assets reach the expected usable state.
- (3) For fixed assets invested by investors, the value agreed in the investment contract or agreement is regarded as the book value, but the value agreed in the contract or agreement is not accounted for at fair value.
- (4) If the payment for the purchase of fixed assets is delayed beyond the normal credit conditions, and is of a financing nature in essence, the cost of fixed assets is determined on the basis of the present value of the purchase price. The difference between the actual payment and the present value of the purchase price and the present value of the purchase price is recorded in the current profit or loss during the credit period, except where it should be capitalized.

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3. Subsequent measurement and disposal of fixed assets

(1) Depreciation for fixed assets

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

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

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

Ca i	D r q i r i	a a a (%)	A a a q i a (%)
Houses and buildings	15 - 30	3	3.23-6.47
Machinery and equipment	7 - 15	3	6.47-13.86
Transportation equipment	5 - 6	3	16.17-19.40
Electronic equipment	5 - 10	3	9.70-19.40
Office equipment	5 - 9	3	10.78-19.40
Others	5 - 9	3	10.78-19.40

(2) Subsequent expenditure on fixed assets

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

(3) Disposal of fixed assets

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

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

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

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

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

After the impairment loss of fixed assets is confirmed, the depreciation of the impaired fixed assets shall be adjusted accordingly in the future period so that the book value of the adjusted fixed assets (after deducting the estimated net residual value) will be systematically amortized over the remaining useful life of the fixed assets.

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

Where there are indications that a fixed asset may be impaired, the enterprise estimates the recoverable amount based on a single fixed asset. Where it is difficult for an enterprise to estimate the recoverable amount of a single fixed asset, the recoverable amount of the asset group is determined on the basis of the asset group to which the fixed asset belongs.

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1. *Categories of construction in progress*

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

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

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

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

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

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

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

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1. *Criteria for recognition of capitalized borrowing costs*

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

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

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

- (1) expenditures for the assets (including cash paid, transferred non-currency assets or expenditure for holding debt liability for the acquisition, construction or production of assets qualified for capitalization) have been incurred;
- (2) borrowing costs have been incurred;
- (3) acquisition, construction or production that are necessary to enable the asset reach its intended usable or saleable condition have commenced.

2. *Capitalization period of borrowing costs*

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

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

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

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

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3. *Suspension of capitalization period*

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

4. *Calculation method of capitalization amount of borrowing costs*

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

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

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

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

- 1) The initial measurement amount of the lease liability;
- 2) If the lease payment is paid on or before the start of the lease period, if there is a lease incentive, the relevant amount of the lease incentive already enjoyed shall be deducted;
- 3) The initial direct costs incurred by the company;
- 4) The company expects to incur costs (not including costs incurred for the production of inventory) in order to dismantle and remove the leased assets, restore the premises where the leased assets are located, or restore the leased assets to the state agreed in the lease terms.

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

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

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1. *Initial measurement of intangible assets*

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

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

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

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

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

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

I . D E C I S I O N O F I O A _ A C C O _ I G O L I C I E A D A C C O _ I G E _ I A E (C O _ I _ E D)

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2. *Subsequent measurement of intangible assets*

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

(1) *Intangible assets with finite useful life*

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

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

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

(2) *Intangible assets with uncertain service life*

If an intangible asset can not be foreseen to bring economic benefits to an enterprise, it shall be regarded as an intangible asset with uncertain service life.

For intangible assets with uncertain service life, they are not amortized during the holding period, and the life of intangible assets is reviewed at the end of each period. If it is still uncertain after the review at the end of the period, the impairment test shall be continued in each accounting period.

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3. *Provision for impairment of intangible assets*

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

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

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

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

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

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

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

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

I . D E C I S I O N O F I N T E R N A L A C C O U N T I N G P O L I C I E S A N D A C C O U N T I N G M E T H O D S (C O _ I _ E D)

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

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

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

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

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

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

- (1) It is technically feasible to complete this intangible asset so that it can be used or sold;
- (2) Have the intention to complete the intangible assets and use or sell them;
- (3) The ways in which intangible assets generate economic benefits include the existence of a market for intangible assets that are capable of proving the existence of a market for the products produced using such intangible assets. Intangible assets are used internally and can prove their usefulness;
- (4) Sufficient technical, financial, and other resources to support the development of this intangible asset and the ability to use or sell the intangible asset;
- (5) Expenditure attributable to the development phase of intangible assets can be reliably measured.

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

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Long-term prepaid expenses are expenses which have occurred but will benefit over 1 year and shall be amortized over the current period and subsequent periods. The long-term deferred expenses incurred by the company shall be measured at the actual cost and amortized on an average basis for the expected period of benefit. For the long-term deferred expenses that cannot benefit the subsequent accounting period, the amortized value of the project shall be included into the current profit and loss when determined.

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

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

1. *Short-term remuneration*

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

2. *Retirement benefits*

(1) *Defined contribution scheme*

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

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2. Retirement benefits (Continued)

(2) Defined benefit scheme

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

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

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

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

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

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3. *Dismissal benefits*

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

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

- 1) The fixed payment amount and the actual fixed payment amount after deducting the leasing incentive related amount;
- 2) Variable lease payments depending on index or ratio;
- 3) When the company reasonably determines that the option will be exercised, the lease payment includes the exercise price of the purchase option;
- 4) When the lease term reflects that the company will exercise the option to terminate the lease, the lease payment includes the amount to be paid for the exercise of the option to terminate the lease;
- 5) The expected payment due to the residual value of the guarantee provided by the company.

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

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

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1. *Type of Share-based payments*

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

2. *Confirmation methods for equity instruments*

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

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

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

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

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

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

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

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

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

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1. *General corporate bonds*

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

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

2. *Convertible corporate bonds*

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

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1. *Recognition criteria for estimated liabilities*

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

The obligation is a present obligation of the Group;

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

The amount of the obligation can be measured reliably.

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2. Method of measuring the various estimated liabilities

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

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

The best estimates are handled as follows:

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

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

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

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

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

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

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1. On the contract start date, the enterprise shall evaluate the contract and identify the individual performance obligations included in the contract, and determine whether each individual performance obligation is fulfilled within a certain period of time, or is performed at a certain point in time, and then, when each individual performance obligation is fulfilled, the income is separately recognized.

The performance obligation refers to the commitment of the enterprise in the contract to transfer the goods to the customer clearly. The performance obligation includes both the commitments specified in the contract and the commitments that the client reasonably expects the company to perform when the contract is concluded due to the company's publicly announced policies, specific statements or past practices. The initial activities that an enterprise should undertake to perform a contract usually do not constitute a performance obligation unless the activity transfers the promised goods to the customer.

The enterprise shall measure the income according to the transaction price allocated to each individual performance obligation. The company shall determine the transaction price in accordance with the terms of the contract and in combination with its previous practices. When determining the transaction price, the enterprise should consider the impact of variable consideration, major financing components in the contract, non-cash consideration, and customer consideration.

2. If one of the following conditions is met, it is a performance obligation to be performed within a certain period of time; otherwise, it is a performance obligation at a certain point in time:
 - (1) The customer obtains and consumes the economic benefits brought by the performance of the enterprise at the same time as the company performs the contract.
 - (2) The customer can control the goods under construction in the process of corporate performance.
 - (3) The goods produced during the performance of the enterprise have irreplaceable uses, and the enterprise has the right to receive payment for the part of the performance that has been completed so far throughout the contract period.

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3. *Confirmation of performance obligation income performed at a certain point in time*

For performance obligations performed at a certain point in time, the enterprise shall earn income when the customer obtains control of the relevant commodity. In determining whether a customer has acquired control of a commodity, the company should consider the following signs:

- (1) The enterprise has the current right to collect the goods, that is, the customer has a current payment obligation for the goods.
- (2) The enterprise has transferred the legal title of the commodity to the customer, that is, the customer already owns the legal title of the commodity.
- (3) The enterprise has transferred the physical goods to the customer, that is, the customer has possessed the goods in kind.
- (4) The enterprise has transferred the main risks and rewards of ownership of the goods to the customer, that is, the customer has obtained the main risks and rewards of ownership of the goods.
- (5) The customer has accepted the goods.
- (6) Other indications that the customer has obtained control of the commodity.

4. *Confirmation of performance obligation income performed during a certain period of time*

For performance obligations performed within a certain period of time, the enterprise shall confirm the income according to the progress of the performance during the period, unless the performance of the performance cannot be reasonably determined. Enterprises should consider the nature of the goods and use the output method or input method to determine the appropriate performance schedule. Among them, the output method is based on the value of the goods that have been transferred to the customer to determine the performance of the customer; the input method is based on the company's commitment to fulfill the performance obligations. For similar performance obligations in similar situations, companies should use the same method to determine the progress of compliance.

When the performance of the performance cannot be reasonably determined, if the costs incurred by the enterprise are expected to be compensated, the revenue shall be recognized according to the amount of costs incurred, until the performance of the performance can be reasonably determined.

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1. *Contract performance costs*

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

- (1) This cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing costs (or similar costs), the costs clearly borne by the customer, and other costs incurred only by the contract;
- (2) This cost increases the resources of the company to fulfill its performance obligations in the future.
- (3) The cost is expected to be recovered.

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

2. *Contract acquisition costs*

If the incremental cost incurred by the company in obtaining the contract is expected to be recovered, it is recognized as an asset as the cost of obtaining the contract. Incremental cost refers to the cost that the company will not incur without obtaining the contract, such as sales commission, etc. If the amortization period of the contract acquisition cost is less than one year, the company will account for the current profits and losses when incurred.

3. *Amortization of contract costs*

The assets related to contract costs are amortized at the time when the performance obligations are performed or in accordance with the progress of performance of the performance obligations, and are included into the current profit and loss, using the same basis for the recognition of the goods or services income related to the assets.

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4. *contract costs impairment*

For assets related to contract costs whose carrying amount is higher than the difference between the remaining price expected to be obtained by the transfer of goods or services related to the asset and estimate costs that will occur in order to transfer the relevant goods or services, the Company will make provision for impairment for the excess and recognize it as asset impairment loss.

After the impairment provision is accrued, if the factors of impairment in the previous period change, so that the above two differences are higher than the asset's book value, the asset impairment provision previously accrued shall be transferred back to the current profit and loss, but the book value of the transferred asset shall not exceed the book value of the asset on the reversal date without presuming the provision for impairment.

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1. *Types*

Government grants are monetary assets and non-monetary assets that the company obtains from the government free of charge, but exclude capital invested by the government as the owner of the business. They are divided into government grants related to assets and government grants related to income.

For government grants that the government document does not specify the grant object, the company is divided into government grants related to assets or government grants related to the income according to the actual grant object. For details of the relevant judgment basis explanation, please refer to other current liabilities/other non-current liabilities/non-operating income items in Note of this financial statement.

Government grants related to assets refer to government grants acquired by the company for the purpose of purchasing or constructing or otherwise forming long-term assets. Government grants related to income refer to government grants other than government grants related to assets.

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2. *Government grant confirmation*

If there is evidence at the end of the period that the company can meet the relevant conditions stipulated in the financial support policy and is expected to receive financial support funds, the government grant shall be confirmed according to the amount receivable. In addition, government grants are confirmed when they are actually received.

If the government grant is a monetary asset, it shall be measured according to the amount received or receivable. If the government grant is a non-monetary asset, it shall be measured at the fair value. If the fair value cannot be obtained reliably, it shall be measured in nominal amount (CNY1). Government grants measured in nominal amounts are directly included into the current profit and loss.

3. *Accounting treatment method*

Government subsidies related to assets should be offset against the book value of related assets or recognized as deferred income. If the government subsidies related to assets are recognized as deferred income, they are included into the current profit and loss in a reasonable and systematic manner within the useful life of the assets constructed or purchased.

A government grant related to income is used for compensation for related expenses or losses to be incurred by the Company in subsequent periods, the grant shall be recognized as deferred income. And in the period of confirming the related cost, expense or loss, it shall be included into the current profit and loss or offset related costs. For the compensation of related costs and losses already incurred by the company, it shall be directly included into the current profit and loss or offset related costs.

The government grant related to the daily activities of the company is included into other income or offset related costs. If it is not related to the daily activities of the company, it is included into non-operating income.

When the confirmed government subsidy needs to be returned, if the book value of the relevant asset is deducted at the initial confirmation, the book value of the asset is adjusted; if there is a related deferred income balance, the book value of the related deferred income is offset, and the excess is included into the current profit and loss; If there is no relevant deferred income, it is directly included into the current profit and loss.

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I . D E C I _ I O O F I _ O _ A _ A C C O _ I G _ O L I C I E A D A C C O _ I G E _ I A E (C O _ I _ E D)

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1. *Basis for recognition of deferred income tax assets*

Deferred income tax assets are recognized for deductible temporary differences to the extent of taxable income that is probable in the future to deduct deductible temporary differences.

2. *Basis for recognition of deferred income tax liabilities*

The company recognizes the taxable temporary difference between the current period and the previous period that has not been paid as deferred income tax liabilities. However, it does not include the goodwill and the temporary difference formed by the taxable income or deductible losses when transaction formed by non-business combinations occurs.

3. *When the following conditions are met at the same time, the deferred income tax assets and deferred income tax liabilities are listed as the net amount after offset*

- (1) The enterprise has the legal right to settle the current income tax assets and current income tax liabilities on a net basis;
- (2) The deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection authority on the same taxpayer or related to different taxpayers, however, in the future period in which each of the important deferred income tax assets and liabilities are reversed, the taxpayer involved intends to settle the current income tax assets and liabilities on a net basis or acquire assets and liquidate liabilities simultaneously.

In general, in individual financial statements, current income tax assets and liabilities and deferred income tax assets and deferred income tax liabilities are presented in net amount after offset. In the consolidated financial statements, among the enterprises included into the scope of consolidation, one party's current income tax assets or deferred income tax assets and the other party's current income tax liabilities or deferred income tax liabilities are generally not offset, unless the company involved has the legal right of a net amount to settle and intends to settle in net amount.

I . D E C I S I O N O F I O A A C C O U N T I N G P O L I C I E S A N D A C C O U N T I N G P O L I C I E S (C O I E D)

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On the contract start date, the company evaluates whether the contract is a lease or includes a lease. If one of the parties in a contract transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or includes a lease.

1. Spin-off of lease contract

When the contract contains multiple separate leases at the same time, the company will split the contract and separate the individual leases for accounting treatment.

When the contract includes both lease parts and non-lease parts, the company will split the lease and non-lease parts, and the lease parts will be accounted for in accordance with the lease standard, and the non-lease parts shall be accounted for in accordance with other applicable corporate accounting standards.

2. Merger of lease contracts

When two or more contracts including leases concluded into by the company at the same time or at a similar time with the same party or their related parties meet one of the following conditions, they will be combined into one contract for accounting treatment:

- (1) The two or more contracts are concluded based on the overall business purpose and constitute a package of transactions, and the overall business purpose cannot be understood unless considered as a whole.
- (2) The amount consideration of one of the two or more contracts depends on the pricing or performance of other contracts.
- (3) The asset use rights transferred from the two or more contracts constitute a separate lease.

3. The accounting treatment of the company as the lessee

At the beginning of the lease period, the company recognizes the right to use assets and lease liabilities for the lease. For the accounting policies of right to use assets and lease liabilities, please refer to Right to use assets of (XX).

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I . D E C I S I O N O F I O A _ A C C O _ I G O L I C I E A D A C C O _ I G E _ I A E (C O _ I _ E D)

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4. The accounting treatment of the company as the lessor

(1) Classification of lease

The company divides the lease into finance lease and operating lease on the lease start date. Finance lease refers to a lease that substantially transfers almost all the risks and rewards related to the ownership of leased assets, and its ownership may or may not be transferred eventually. Operating lease refers to other lease other than finance lease.

If a lease has one or more of the following situations, the company is generally classified as a finance lease:

- 1) At the end of the lease term, the ownership of the leased asset is transferred to the lessee.
- 2) The lessee has the option to purchase the leased asset. The purchase price concluded is sufficiently low compared to the fair value of the leased asset when the option is expected to be exercised, so that it can be reasonably determined at the date of commencement of the lease that the lessee will exercise the option.
- 3) Although the ownership of the assets is not transferred, the lease period accounts for most of the useful life of the leased assets.
- 4) At the start of the lease, the present value of the lease receipt is almost equivalent to the fair value of the leased asset.
- 5) The nature of the leased assets is special and only the lessee can use them without major renovation.

If a lease has one or more of the following signs, the company may also be classified as a finance lease:

- 1) If the lessee cancels the lease, the loss caused by the cancellation of the lease to the lessor shall be borne by the lessee.
- 2) The gains or losses resulting from the fluctuation in the fair value of the residual value of the assets belong to the lessee.
- 3) The lessee has the ability to continue to the lease to the next period for a rent far below the market level.

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4. *The accounting treatment of the company as the lessor (Continued)*

(2) *Accounting treatment of finance lease*

On the beginning of the lease period, the company confirms the finance lease receivables for the finance lease and terminates the recognition of the finance lease assets.

At the initial measurement of finance lease receivables, the sum of the unguaranteed residual value and the current value of the lease receipts that have not been received at the beginning of the lease period discounted at the interest rate included into the lease is taken as the book value of the finance lease receivables. Lease receipts include:

- 1) The fixed payment amount and the actual fixed payment amount after deducting the leasing incentive related amount;
- 2) Variable lease payments depending on index or ratio;
- 3) When it is reasonably determined that the lessee will exercise the purchase option, the lease receipt includes the exercise price of the purchase option;
- 4) The lease term reflects the situation where the lessee will exercise the option to terminate the lease, and the lease receipt includes the amount that the lessee needs to pay to exercise the option to terminate the lease;
- 5) The residual value of the guarantee provided to the lessor by the lessee, a party related to the lessee and an independent third party who is financially capable of performing the guarantee obligation.

The company calculates and confirms the interest income in each period of the lease period according to the fixed lease interest rate. The variable lease payments obtained that are not included into the net measurement of the lease investment are included into the current profit and loss when they actually occur.

(3) *Accounting treatment of operating lease*

The company uses the straight-line method or other systematic and reasonable methods in each period of the lease period to confirm the lease receipts of operating leases as the rental income. The initial direct expenses related to operating leases are capitalized and apportioned on the same basis as the rental income recognized during the lease period and included into the current profit and loss in installments; the variable lease payments obtained that are not included into the lease receipts and related to operating leases are included into the current profit and loss when they actually occur.

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I . D E C I _ I O O F I _ O _ A _ A C C O _ I G _ O L I C I E A D A C C O _ I G E _ I A E (C O _ I _ E D)

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1. *Confirmation Standard held for sale*

The Company recognizes component (or non-current assets) which meet the following conditions as assets held for sale:

- (1) Based on the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions;
- (2) The sale is very likely to happen, that is, the company has already made a resolution on a sales plan, approved by the regulatory authorities(if applicable) and obtained a certain purchase commitment. It is expected that the sale will be completed within one year.

The confirmed purchase commitment refers to the legally binding purchase agreement signed by the company and other parties. The agreement contains important terms such as transaction price, time and strict penalty for breach of contract, which makes the possibility of major adjustment or cancellation of the agreement extremely small.

2. *Accounting method held for sale*

If the book value of a non-current asset or disposal group held for sale is higher than the fair value minus the net value of the sale expense, the company shall reduce the book value to the fair value minus the net value of the sale expense, and the amount of the write-down shall be recognized as the impairment loss of the assets, and shall be included in the profits and losses of the current period, while provision shall be made for impairment of the assets held for sale.

For non-current assets or disposal groups that are classified as holding for sale on the date of acquisition, the comparison at the time of initial measurement assumes that they are not classified as holding for sale, the amount of initial measurement and the net amount of fair value minus the cost of sale, measured at the lower of both.

The above principle applies to all non-current assets, but does not include investment real estate that uses the fair value model for subsequent measurement, biological assets measured net of fair value minus selling expenses, assets formed by employee compensation, and deferred income tax assets, financial assets regulated by the relevant accounting standards of financial instruments and rights arising from insurance contracts regulated by the relevant accounting standards of insurance contracts.

I . D E C I S I O N O F I O A A C C O I G O L I C I E A D
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When the company measures related assets or liabilities at fair value, it is based on the following assumptions:

- A transaction in which market participants sell assets or transfer liabilities on the measurement date is an orderly transaction under current market conditions;
- Orderly transactions for the sale of assets or transfer of liabilities are conducted in the main market of the relevant assets or liabilities. If there is no major market, it is assumed that the transaction is conducted in the most favorable market for the relevant assets or liabilities.
- Adopt the assumptions used by market participants to maximize their economic benefits when pricing the asset or liability.

The company will use the transaction price as the initial recognized fair value according to the nature of the transaction and the characteristics of the relevant assets or liabilities.

If other relevant accounting standards require or allow the company to initially measure related assets or liabilities at fair value, and the transaction price is not equal to the fair value, the company will include the relevant gains or losses in the current profit and loss, unless other relevant accounting standards have other standards.

When measuring non-financial assets at fair value, consider the ability of market participants to use the asset for the best use to generate economic benefits, or to sell the asset to other market participants that can be used for the best use to generate economic benefits.

When adopting valuation techniques, the company considers valuation techniques that are applicable under the current circumstances and have sufficient available data and other information to support. The input value of the valuation technique preferentially uses the relevant observable input value, and the unobservable input value can only be used when the relevant observable input value cannot be obtained or is not practicable.

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I . D E C _ I O O F I _ O _ A _ A C C O _ I G _ O L I C I E A D A C C O _ I G E _ I A E (C O _ I _ E D)

(II) F a i r v a l u e m e a s u r e m e n t (C o n t i n u e d)

The input value used in fair value measurement is divided into three levels:

- The first-level inputs are unadjusted quotes for the same assets or liabilities that can be obtained on the measurement date in an active market.
- The second level input value is the input value that is directly or indirectly observable for the relevant assets or liabilities except for the first level input value.
- Level 3 inputs are unobservable inputs to related assets or liabilities.

The level to which the fair value measurement result belongs is determined by the lowest level of the input value that is of great significance to the fair value measurement as a whole.

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(I) C a n g e _ i n _ a c c o u n t i n g _ p o l i c i e s

There is no change in accounting policies in this period.

(II) C a n g e _ i n _ i m p o r t a n t _ a c c o u n t i n g _ e s t i m a t e s

There is no change in important accounting estimates in this period.

(III) I _ r _ r _ o _ r _ e _ c _ t _ i _ o _ n _ o _ f _ p r i o r _ p e r i o d _ a c c o u n t i n g _ e r r o r s

No corrections to prior period accounting errors using the retrospective restatement method occurred during the reporting period.

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The principal taxable items of the Company and its subsidiaries are as follows:

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Value-added Tax ("VAT")	The output tax is calculated on the basis of the sales goods and taxable service income calculated according to the tax law. After deducting the input tax amount that is allowed to be deducted in the current period, the difference is partly due to the value-added tax.	3%, 6%, 9%, 10%, 13%, 16%
City maintenance and construction tax	Based on business tax paid, VAT and sale tax	7%

(II) B i i ax

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Harbin Electric Company Limited (Note 1)		15%
Harbin Turbine Company Limited and its subsidiary (Note 2)		15%
Harbin Power Technology & Trade Inc.		25%
Harbin Electrical Machinery Company Limited and its subsidiary (Note 3)		15%
Harbin Power Equipment National Engineering Research Centre Co., Ltd (Note 4)		15%
HE Harbin Power Plant Valve Company Limited (Note 5)		15%
Chengdu Sanliya Technology Company		25%
Harbin Boiler Company Limited and its subsidiary (Note 6)		15%
Harbin Electric Power Equipment Company Limited (Note 7)		15%
Harbin Electric Corporation (QHD) Heavy Equipment Company Limited (Note 8)		15%
Harbin Electric Corporation Finance Company Limited		25%
Harbin Electric International Company Limited (Note 9)		15%
Harbin Electric Leasing (Tianjin) Co., Ltd.		25%
Harbin Electric (H.E) Corporation		25%
Hadian Group Shanxi Environmental Protection Engineering Co., Ltd.		25%
Harbin Electric Group Biomass Power Generation (Wangkui) Co., Ltd.		25%
Harbin Electric Group Biomass Power Generation (Dehui) Co., Ltd.		25%

According to the relevant provisions of the "Enterprise Income Tax Law", high-tech enterprises that are supported by the state are subject to a corporate income tax rate of 15%.

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I. _ A A I O (C O _ I _ E D)

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Note 1: Harbin Electric Company Limited (the Company)

On 7 August 2020, the Company obtained the High and New Technology Enterprise certificate (Number: GR202023000278) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau(黑龍江省國家稅務局), and Heilongjiang Local Tax Bureau(黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

Note 2: Harbin Turbine Company Limited and its subsidiaries

On 7 August 2020, Harbin Turbine Company Limited obtained the High and New Technology Enterprise certificate (Number: GR202023000237) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau(黑龍江省國家稅務局), and Heilongjiang Local Tax Bureau(黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

On 7 August 2020, Harbin Turbine Ancillary Equipment Engineering Company Limited, the subsidiary of Harbin Turbine Company Limited obtained the High and New Technology Enterprise certificate (Number: GR202023000008) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau(黑龍江省國家稅務局), and Heilongjiang Local Tax Bureau(黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

Note 3: Harbin Electrical Machinery Company Limited and its subsidiaries

On 7 August 2020, Harbin Electrical Machinery Company Limited obtained the High and New Technology Enterprise certificate (Number: GR202023000122) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau(黑龍江省國家稅務局), and Heilongjiang Local Tax Bureau(黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

On 27 September 2020, Harbin Electric Machinery Co., Ltd.'s subsidiary Harbin National Hydropower Equipment Engineering Technology Research Center Co., Ltd. obtained the High and New Technology Enterprise certificate (Number: GR202023000071) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau(黑龍江省國家稅務局), and Heilongjiang Local Tax Bureau(黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

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Note 4: Harbin Power Equipment National Engineering Research Centre Co., Ltd

On 7 August 2020, Harbin Power Equipment National Engineering Research Centre Co., Ltd obtained the High and New Technology Enterprise certificate (Number: GR202023000085) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau(黑龍江省國家稅務局), and Heilongjiang Local Tax Bureau(黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

Note 5: HE Harbin Power Plant Valve Company Limited

On 7 August 2020, HE Harbin Power Plant Valve Company Limited obtained the High and New Technology Enterprise certificate (Number: GR202023000352) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau(黑龍江省國家稅務局), and Heilongjiang Local Tax Bureau(黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

Note 6: Harbin Boiler Company Limited and its subsidiary

On 7 August 2020, the company obtained the High and New Technology Enterprise certificate (Number: GR202023000103) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau(黑龍江省國家稅務局), and Heilongjiang Local Tax Bureau(黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

On 27 November 2018, Harbin Boiler Preheater Company Limited the subsidiary of Harbin Boiler Company Limited obtained the High and New Technology Enterprise certificate (Number: GR201823000093) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau(黑龍江省國家稅務局), and Heilongjiang Local Tax Bureau(黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I. _ A A I O (C O _ I _ E D)

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Note 7: Harbin Electric Power Equipment Company Limited

On 7 August 2020, Harbin Electric Power Equipment Company Limited obtained the High and New Technology Enterprise certificate (Number: GR202023000203) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau(黑龍江省國家稅務局), and Heilongjiang Local Tax Bureau(黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

Note 8: Harbin Electric Corporation (QHD) Heavy Equipment Company Limited

Harbin Electric Corporation (QHD) Heavy Equipment Company Limited received High and New Technology Enterprises Certificate (高新技術企業證書) jointly issued by Hebei Provincial Department of Science and Technology, Department of Finance of Hebei Province, Hebei Provincial State Taxation Bureau, and Hebei Provincial Local Taxation Bureau on 2 Dec 2019. The relevant certificate number is GR201913002647, which is effective for 3 years and entitle the company to pay Enterprise Income Tax at a rate of 15% within the period.

Note 9. Harbin Electric International Company Limited

On 27 December 2019, Harbin Electric International Company Limited was recognized as Advanced Technology Service Enterprises (技術先進型服務企業). Relevant certificate number was JF20162301100003. The company paid Enterprise Income Tax at a rate of 15% this year in accordance with Cai Shui [2009] No.63.

Q U O 2020 F I A C I A L A E E (C O I E D)

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

II. B I E C O B I A I O A D C O O L I D A E D F I A C I A L A E E

(I) 子公司

In this period, 34 subsidiaries were included in the scope of consolidated financial statements, mainly including:

子公司名称	类型	L	持股比例 (%)	表决权比例 (%)
Harbin Turbine Company Limited	1	2	100.00	100.00
Harbin Power Technology & Trade Inc.	1	2	55.56	55.56
Harbin Electric International Company Limited	1	2	100.00	100.00
Harbin Electric Machinery Co.,Ltd.	1	2	100.00	100.00
Hadian Power Generation Equipment State Engineering Research Centre Co.,Ltd.	1	2	75.00	75.00
HE Harbin Power Plant Valve Company Limited	1	2	45.00	45.00
Harbin Boiler Company Limited	1	2	100.00	100.00
Harbin Electric Power Equipment Co., Ltd.	1	2	100.00	100.00
Harbin Electric Corporation (QHD) Heavy Equipment Company Limited	1	2	34.00	34.00
Harbin Electric Corporation Finance Company Limited	2	2	55.00	55.00
Harbin Electric (H.E) Corporation	1	2	100.00	100.00
Hadian Group Shanxi Environmental Protection Engineering Co., Ltd.	1	2	51.00	51.00
Chengdu Sanliya Technology Company	1	2	40.70	40.70
Harbin Electric Leasing (Tianjin) Co., Ltd.	1	2	80.00	80.00
Harbin Electric Group Biomass Power Generation (Wangkui) Co., Ltd.	1	2	100.00	100.00
Harbin Electric Group Biomass Power Generation (Dehui) Co., Ltd.	1	2	100.00	100.00

Type of enterprise: 1. Domestic non-financial subsidiary; 2. Domestic financial subsidiary; 3. Overseas subsidiary; 4. Public institution; 5. Infrastructure unit

Note: Enterprises with a shareholding ratio of less than 50% are included in the scope of the merger, as can be found in Note IX (1) the equity part of the subsidiary.

Q U E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)
(In addition to the special note, the unit of amount is CNY)

III. Q U E _ O K E _ L E _ I C O _ O L I D A _ E D F I A C I A L _ A E E _

(If there is no special indication, the following amounts are in RMB, and the opening balances are all on 1 January 2020)

(I) C a _ a _ a

I _ *	C _ * _ _ a a	Opening balance
Cash	3,314,137.20	4,701,674.25
Bank deposit	11,333,881,488.11	9,218,134,947.38
Other currency	911,514,646.08	849,416,355.44
Total	12,248,710,271.39	10,072,252,977.07
Among: the total amount of money deposited abroad	338,208,986.92	192,527,994.13

The details of the monetary funds that have restrictions on the use of mortgages, pledges or freezes, and that are placed overseas and whose remittances are restricted are as follows:

I _ *	C _ * _ _ a a	Opening balance
The bank acceptance deposit	209,432,739.02	350,262,255.27
Guarantee deposit	590,520.68	1,171,051.80
The central bank's legal deposit reserve	701,491,386.38	497,983,048.37
The court froze the deposit	39,149,400.00	25,613,910.33
Total	950,664,046.08	875,030,265.77

The monetary capital deposited abroad was CNY338,208,986.92 at the end of year 2020, and it is the closing balance of offshore engineering on-site funds allocated by the Company's subsidiary Harbin Electric International Engineering Co., Ltd. and Harbin Electric Machinery Co., Ltd.

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(II) Q a a j a q i j i

I	C a a	Opening balance
Call loan to other banks	470,000,000.00	860,000,000.00
Call loan to non-bank financial institutions	300,000,000.00	200,000,000.00
Less: loan loss reserves	94,000,000.00	172,000,000.00
The book value of loans to other banks	676,000,000.00	888,000,000.00

(III) a a j a j a q a a

I	F a j a a	F a j a a
Transactional financial assets	201,804,166.47	
Of which: Debt instrument investment		
Equity instrument investment		
Others	201,804,166.47	
Fair Value through Profit and Loss		
Of which: debt instrument investment		
Hybrid instrument investment		
Others		
Total	201,804,166.47	

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)
(In addition to the special note, the unit of amount is CNY)

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(I) * a

1. *Notes receivable shown as classification*

	C a s e s			Opening balance		
	Ca r r y i n g A m o u n t	B a d d e b t P r o v i s i o n	B o o k v a l u e	Ca r r y i n g A m o u n t	B a d d e b t P r o v i s i o n	B o o k v a l u e
Bank acceptance	3,017,537,527.45	1,000,000.00	3,016,537,527.45	2,437,412,470.44	1,000,000.00	2,436,412,470.44
Business acceptance	433,199,291.08		433,199,291.08	865,541,265.19		865,541,265.19
Total	3,450,736,818.53	1,000,000.00	3,449,736,818.53	3,302,953,735.63	1,000,000.00	3,301,953,735.63

2. *The notes receivable that have been endorsed at the end of the period and have not yet expired at the balance sheet date*

	2020	2019
Bank acceptance	2,394,738,896.55	
Business acceptance	15,983,556.95	
Total	2,410,722,453.50	

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

() A _ _ _ a

The basis for the aging analysis and confirmation of the company's accounts receivable is: the aging of the accounts receivable is determined according to the project revenue recognition time confirmed in the contract order. Generally, the recovered receivables are first confirmed to the contract items. The receivables in a certain contract are first used to pay off the early claims, when the early claims are cleared, then, they are used to pay off the subsequent claims, that is, according to the chronological order, the old ones will be paid off first and then the new accounts will be repaid.

1. Net accounts receivable shown by age

A	C _ _ _ a a	Opening balance
Within one year	3,911,991,961.36	3,289,887,707.20
One to two years	1,227,320,012.10	1,470,175,674.50
Two to three years	632,624,065.73	697,048,252.06
Over three years	378,868,187.03	361,731,187.09
Total	6,150,804,226.22	5,818,842,820.85

Notes: The credit period given to customers is different, generally depending on the financial strength of individual customers. For the effective management of the credit risk associated with accounts receivable, the company regularly assesses the customer's credit.

2. Accounts receivable shown by classification

	C _ _ _ a a		B a _ _ _ a		Carrying Amount		Opening balance		Expected credit loss rate (%)	Book value
	C a _ _ A _ _ a	a (%)	B a _ _ _ a	** a (%)	Amount	Percentage (%)	Amount	Bad debt provision		
Accounts receivable with single item provision for bad debts	1,062,411,205.14	10.19	710,416,506.08	66.87	351,994,699.06	1,281,248,119.81	12.37	816,619,440.95	63.74	464,628,678.86
Accounts receivable with provision for bad debts by combination	9,367,324,992.77	89.81	3,568,515,465.61	38.10	5,798,809,527.16	9,075,673,935.26	87.63	3,721,459,793.27	41.00	5,354,214,141.99
Total	10,429,736,197.91		4,278,931,971.69	41.03	6,150,804,226.22	10,356,922,055.07		4,538,079,234.22	43.82	5,818,842,820.85

Q E O 2020 F I A C I A L A E E (C O I E D)

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

III. Q E O K E L E I C O L I D A E D F I A C I A L A E E (C O I E D)

() A a (C)

3. Accounts receivable with single item provision for bad debts (Continued)

D	A a	Ba	Ex	a a
				(%)
Inner Mongolia Hongyu Technology Co., Ltd.	17,510,000.00	17,510,000.00	100.00	E a
Shandong Electric Power Construction Third Engineering Co., Ltd. (Gudalor)	16,091,909.00	16,091,909.00	100.00	Ex i a
Datang Huayin Power Co., Ltd. Jinzhushan Thermal Power Generation Branch	15,064,000.00	15,064,000.00	100.00	E a
Sudan Dam Ministry Thermal Power Company	14,856,140.92	11,884,912.73	80.00	A i a
Beijing Guodian Lantian Energy-saving Technology Development Co., Ltd.	13,256,200.00	13,256,200.00	100.00	E a
Ordos Green Energy Optoelectronics Co., Ltd.	8,420,000.00	8,420,000.00	100.00	A i a
Zhejiang Datang Wushashan Power Generation Co., Ltd.	8,053,100.00	8,053,100.00	100.00	E a
Power China East China Survey, Design and Research Co., Ltd.	8,024,864.50	8,024,864.50	100.00	E a
BGR Energy Systems Co., Ltd.	7,447,795.68	7,447,795.68	100.00	E a
Binjiasheng Project	6,265,180.82	6,063,248.22	96.78	A i a
Sun Yumin	6,179,580.00	6,179,580.00	100.00	A i a
Maanshan Dangtu Power Generation Co., Ltd.	5,900,000.00	5,900,000.00	100.00	E a
China Datang Group Technology Engineering Co., Ltd.	4,584,549.00	4,584,549.00	100.00	E a

Q E _ O 2020 FI A CIAL _ A E E _ (CO _ I ED)
(In addition to the special note, the unit of amount is CNY)

III. Q E _ O KE LE I CO OLIDA ED FI A CIAL _ A E E _ (CO _ I ED)

() A _ + _ a (C _)

3. Accounts receivable with single item provision for bad debts (Continued)

D	A _ + _ a	Ba _ i	Ex _ a _ a (%)
Hebei Datang International Wangtan Power Generation Co., Ltd.	3,590,000.00	3,590,000.00	100.00 E+ _ a _ i
Datang Huayin Zhuzhou Power Generation Co., Ltd.	3,016,000.00	3,016,000.00	100.00 E+ _ a _ i
Jubia Ilya Transformation	2,823,324.61		A _ i _ a _ i
Harbin Honghao Power Station Equipment Technology Co., Ltd.	1,849,200.00	1,849,200.00	100.00 E+ _ a _ i
Yu Zhigang	1,717,632.48	1,717,632.48	100.00 A _ i _ a _ i
Henan Jindadi Chemical Co., Ltd.	1,589,726.50	1,589,726.50	100.00 A _ i _ a _ i
Guo Shuyi	1,492,312.00	1,193,849.60	80.00 A _ i _ a _ i
Sichuan Chuanguo Ketaida Energy Technology Co., Ltd.	1,238,461.00	1,238,461.00	100.00 A _ i _ a _ i
Heilongjiang Longmei Hegang Mining Co., Ltd.	1,090,063.60	920,619.70	84.46 A _ i _ a _ i
Pakistan Guddu Power Plant	1,048,392.22	524,196.11	50.00 A _ i _ a _ i
Changchun Thermal Power Development Co., Ltd.	991,000.00	991,000.00	100.00 E+ _ a _ i
Tianjin Binhai Energy Co., Ltd.	939,000.00	939,000.00	100.00 A _ i _ a _ i
Hubei Sanning Chemical Co., Ltd.	763,000.00	763,000.00	100.00 A _ i _ a _ i
Others	13,723,522.28	13,216,061.84	96.30 A _ i _ a _ i
Total	1,062,411,205.14	710,416,506.08	

Note 1: The company has signed Export buyer's credit insurance No. MSEC010056, No. LSA2004026 and No. LSA2005045 with the China Import & Export Credit Insurance Company on 15 June 2001, 21 September 2004 and 27 December 2005 for Merowe, Sudan, Geely Phase I Project and Geely Phase II Project, avoiding part of the collection risk through guarantee. At the end of 31 December 2020, the total balance of accounts receivable of the three projects was USD47,339,736.83, which was equivalent to the standard currency of CNY308,887,048.84. The Company has made a provision for bad debts of USD47,339,736.83 for overdue part of accounts receivable, which was equivalent to the standard currency of CNY308,887,048.84.

Q E _ O 2020 FI A CIAL _ A E E _ (CO _ I ED)

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

III. Q E _ O KE LE I CO OLIDA ED FI A CIAL _ A E E _ (CO _ I ED)

() A _ _ _ _ _ (C _ _ _)

4. *Accounts receivable accruing bad debt provision in credit risk characteristic portfolio*

(1) *Accounts receivables accruing bad debt provision by applying aging analysis*

A	C _ _ _ a a			Opening balance		
	Ca _ i A _ a	a (%)	Ba _ i	Carrying Amount	Percentage	Bad debt Provision
	A _ a			Amount	(%)	
Within one year	3,932,434,365.59	41.98	191,293,494.09	3,136,897,488.08	34.56	156,837,525.43
One to two years	1,499,582,420.45	16.01	365,896,165.14	1,817,407,456.93	20.03	446,861,895.03
Two to three years	1,159,300,828.72	12.38	541,949,359.81	1,264,621,045.26	13.93	578,277,403.97
Over three years	2,776,007,378.01	29.64	2,469,376,446.57	2,856,747,944.99	31.48	2,539,482,968.84
Total	9,367,324,992.77		3,568,515,465.61	9,075,673,935.26		3,721,459,793.27

5. *The situation of provision, return or withdraw the bad debt provision*

The bad debt provision of this year was CNY1,251,412,966.53, Return or recover bad debts for CNY1,142,128,237.55.

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

() A _ _ _ _ _ (C _ _ _ _)

6. The important write-off of accounts receivable in this period

D	a. a _ _ _ _ _	i - a _ _ _ _ _	a a _ _ _ _ _	E i i i a i	I _ i _ a a
Angang Group Henan Fengbao Special Steel Co., Ltd.	Payment	1,240,000.00	Money cannot be recovered	board resolution、 Write off approval form	No
Heilongjiang Longdian Development Co., Ltd.	Payment	3,354,589.00	Money cannot be recovered	board resolution、 Write off approval form	No
Northeast Special Steel Group Co., Ltd.	Payment	893,255.82	Money cannot be recovered	board resolution、 Write off approval form	No
Siping Modern Steel Co., Ltd.	Payment	592,800.00	Corporate bankruptcy	board resolution、 Write off approval form	No
Others	Payment	592,190.48	Money cannot be recovered	board resolution、 Write off approval form	No
Total		6,672,835.30			

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

() A _ _ _ _ _ (C _ _ _)

7. The top five debtors of accounts receivable at the end of the year

D	C a _ i _ A _ _		B a _ i _
	A _ _	(%)	
Linyi Huashengjiangquan Energy Co., Ltd.	338,820,000.00	3.36	16,941,000.00
Jiangxi Ganneng Co., Ltd. Fengcheng Phase III Power Plant	269,169,035.60	2.67	14,536,167.20
Sudan state power company	257,993,937.81	2.55	257,993,937.81
Xilin Gol Thermal Power Co., Ltd.	246,167,297.44	2.44	61,969,324.36
703 Institute	245,125,524.56	2.43	19,964,123.75
Total	1,357,275,795.41	13.44	371,404,553.12

(I) _ _ _ _ _

A	C _ _ _ _		Opening balance		
	C a _ i _ A _ _	B a _ i _	Carrying Amount	Percentage	Bad debt provision
	A _ _	(%)	Amount	(%)	
Less than a year	1,722,957,041.16	58.36	2,017,713,106.66	69.35	
One to two years	747,152,303.60	25.31	415,797,814.57	14.29	
Two to three years	319,577,286.93	10.83	216,128,777.00	7.43	
Over three years	162,359,117.74	5.50	8,137,394.68	8.93	8,127,844.53
Total	2,952,045,749.43	100.00	2,909,353,835.14	100.00	8,127,844.53

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(I) _ a _ (C _)

1. Significant advance payment over 1 year

C _ i _ a	D _ a	C _ i _ a a	A	_ a _ a
Harbin Turbine Company Limited	Japan Mitsubishi, Ltd.	174,320,540.00	3 to 4 years	The contract has not been completed
Harbin Electric International Company Limited	Northern Heavy Industry Group Co., Ltd.	47,327,444.91	2 to 3 years; 3 to 4 years	The contract has not been completed
Harbin Boiler Company Limited	TOSS Engineering Corporation	45,591,341.17	Within 1 year; 1 to 2 years	The contract has not been completed
Harbin Electric Power Equipment Co., Ltd.	Mitsubishi Hitachi Power Systems, Lt	41,412,608.03	1 to 4 years	The contract has not been completed
Harbin Electric Corporation (QHD) Heavy Equipment Company Limited	VALINOX NUCLEAIRE	39,398,157.16	4 to 5 years; Over 5 years	The contract has not been completed
Harbin Electric Power Equipment Co., Ltd.	HOLTEC INTERNATIONAL	37,882,218.20	3 to 4 years	The contract has not been completed
Harbin Boiler Company Limited	China State Construction Engineering Group Co., Ltd.	27,432,151.00	Within 1 year; 1 to 2 years	The contract has not been completed
Harbin Turbine Company Limited	Toshiba Corporation	26,184,566.61	2 to 3 years	The contract has not been completed
Harbin Electric Corporation (QHD) Heavy Equipment Company Limited	Doosan Heavy Industries	23,780,250.00	2 to 3 years	The contract has not been completed
Harbin Electric Corporation (QHD) Heavy Equipment Company Limited	Sweden S.M.T	20,723,113.73	1 to 2 years	The contract has not been completed
Harbin Boiler Company Limited	RONO(H.K.) International Co.,Ltd	15,300,947.82	Within 1 year; 1 to 2 years	The contract has not been completed

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

II. Q E _ O K E L E I C O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

() _ a _ (C _)

1. Significant advance payment over 1 year (Continued)

C _ i _ a	D _ a	C _ i _ a a	A	_ a _ a
Harbin Electric Corporation (QHD) Heavy Equipment Company Limited	Vallourec Nuclear Power Pipe (Guangzhou) Co., Ltd.	13,149,741.64	2 to 3 years	The contract has not been completed
Harbin Turbine Company Limited	Shanghai Westinghouse (Automatic Control)	13,053,633.87	1 to 2 years	The contract has not been completed
Harbin Electric Machinery Co.,Ltd.	ANDRITZ (China) Co., Ltd.	12,792,974.14	1 to 2 years	The contract has not been completed
Harbin Steam Turbine Factory Auxiliary Machinery Engineering Co., Ltd.	Mitsubishi Heavy Industries Co., Ltd.	12,256,742.40	Over 3 years	The contract has not been completed
Harbin Electric Machinery Co.,Ltd.	Heilongjiang Construction Installation Group Co., Ltd.	11,643,609.98	1 to 2 years; 2 to 3 years	The contract has not been completed
Harbin Electric International Company Limited	Shanghai Electric Carrier Energy Engineering Co., Ltd.	8,629,600.11	1 to 2 years	The contract has not been completed
Harbin Boiler Company Limited	Jiangsu Golden Horse Engineering Co., Ltd.	8,547,640.92	Within 1 year; 1 to 2 years	The contract has not been completed
Harbin Electric Machinery Co.,Ltd.	Shenyang Baosteel Northeast Trading Co., Ltd.	8,367,152.98	1 to 2 years	The contract has not been completed
Harbin Electric International Company Limited	Northern Heavy Industry Group Co., Ltd.	7,373,700.00	3 to 4 years	The contract has not been completed
Harbin Electric Machinery Co.,Ltd.	Jiangsu Daquan Enclosed Bus Co., Ltd.	6,884,054.80	1 to 2 years	The contract has not been completed
Harbin Electric Machinery Co.,Ltd.	Beijing Beiyi Machine Tool Co., Ltd.	5,828,590.09	1 to 2 years	The contract has not been completed
Harbin Turbine Company Limited	French TPMa company	5,499,952.80	Over 5 years	The contract has not been completed

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

II. Q E _ O K E L E I C O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

() _ a _ (C _)

1. Significant advance payment over 1 year (Continued)

C _ i _ a	D _ a	C _ _ a a	A	_ a _ a
Harbin Turbine Company Limited	Baoji Titanium Industry Co., Ltd.	4,682,654.80	1 to 2 years	The contract has not been completed
Harbin Electric International Company Limited	Wuxi Power Station Auxiliary Equipment Co., Ltd.	4,658,182.60	1 to 2 years	The contract has not been completed
Harbin Electric International Company Limited	Clyde Bergemann Energy Environmental Technology (Beijing) Co., Ltd.	4,083,024.51	1 to 2 years	The contract has not been completed
Harbin Electric Power Equipment Co., Ltd.	Yantai Taihai Manuer Nuclear Power Equipment Co., Ltd.	4,060,000.00	2 to 5 years	The contract has not been completed
Harbin Electric International Company Limited	AGCO Air Treatment Technology (Suzhou) Co., Ltd.	3,918,247.86	1 to 2 years	The contract has not been completed
Harbin Electric Machinery Co.,Ltd.	Toshiba Hydropower Equipment (Hangzhou) Co., Ltd.	3,640,469.02	1 to 2 years	The contract has not been completed
Harbin Electric Machinery Co.,Ltd.	American MSD Company	3,617,287.71	1 to 2 years; 2 to 3 years	The contract has not been completed
Harbin Electric Machinery Co.,Ltd.	Wuhan WISCO Industrial Mechanical and Electrical Materials Engineering Co., Ltd.	3,429,733.77	1 to 2 years	The contract has not been completed
HE Harbin Power Plant Valve Company Limited	Shandong Saikong Automation Equipment Co., Ltd.	3,425,727.68	1 to 2 years	The contract has not been completed
Harbin Electric Machinery Co.,Ltd.	Nari Group Co., Ltd.	3,098,885.47	2 to 3 years	The contract has not been completed
Total		651,994,945.78		

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(I) j a + (C _)

2. The top five debtors of Prepayments at the end of the year

D	Ca _ i A _	j _ a _ + A _ (%)
Japan Mitsubishi, Ltd.	174,320,540.00	5.91
Andritz AG	118,788,641.19	4.02
Taiyuan Iron and Steel (Group) Spot Sales Co., Ltd.	70,558,468.19	2.39
Beijing Guodian Hydropower Engineering Co., Ltd.	65,368,476.90	2.21
Huaye Steel Structure Co., Ltd.	61,291,496.00	2.08
Total	490,327,622.28	16.61

(II) O _ j a +

I _	C _ j _ a _	Opening balance
Interest receivable	14,562,658.39	10,325,008.20
Dividend receivable		3,134,827.61
Other receivables	1,107,126,914.72	841,248,438.70
Total	1,121,689,573.11	854,708,274.51

Note: Other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

1. Classification of Interest receivable

I _	C _ j _ a _	Opening balance
Term deposits	5,754,822.78	7,025,008.20
Bond investment	3,300,000.00	3,300,000.00
Others	5,507,835.61	
Total	14,562,658.39	10,325,008.20

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(II) O i a (C)

2. Details of Dividend receivable

I	C	a	a	a	a
i	a		a	a	a
Opening balance			3,134,827.61		
i i a :					
1. Harbin Xin Run embellish precision casting industry co., Ltd			42,360.76	Unsettled	No
2. Harbin electric gas station Co., Ltd			70,000.00	Unsettled	No
3. Harbin Huitong Power Engineering Company Limited			3,022,466.85	Unsettled	No
a :					
Total			3,134,827.61		

3. Details of other receivables

I	C		a		Opening balance			
	Ca	A	Ba	A	Carrying Amount		Bad debt provision	
	A	(%)	A	(%)	Amount	Proportion (%)	Amount	Expected credit loss rate (%)
Other accounts receivable with single item provision for bad debts	1,396,544,287.13	79.73	392,866,832.26	28.13	848,472,613.68	70.21	103,320,011.05	44.68
Other accounts receivable with provision for bad debts based on a combination of credit risk characteristics	355,016,674.41	20.27	251,567,214.56	70.86	359,968,469.95	29.79	263,872,633.88	73.30
Total	1,751,560,961.54		644,434,046.82		1,208,441,083.63		367,192,644.93	

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(II) O _ a _ (C _)

3. Details of other receivables (Continued)

(1) Other receivables with individual significance and individually accruing bad debt provision:

D	O		i	i	a
	a	Ba			
					(%)
Harbin Electric Group Co., Ltd.	162,095,125.59				Related parties don't accrue
Guizhou Huadian Tangzhai Power Generation Co., Ltd.	151,500,000.00	151,500,000.00	100.00		Based on recoverability
Export tax rebate receivable	105,889,608.06				Based on recoverability
Ecuador State Power Holding Company	103,624,434.70	3,569,834.71	3.44		Based on recoverability
Yunnan Huadian Zhenxiong Power Generation Co., Ltd.	86,522,750.00	86,522,750.00	100.00		Based on recoverability
Dubai Haxiang Project Investment Company	59,783,647.65				Based on recoverability
Jam Shoruo Tariff Advance Payment	52,183,873.63				Based on recoverability
Jamshoro Power Co., Ltd.	48,874,729.41				Based on recoverability
Other taxes receivable	37,524,586.84				Based on recoverability
National Power Parks Management Company (pvt.) Limited, Owner of Bailukai Project	22,270,431.44				Based on recoverability
Henan No. 1 Thermal Power Construction Company	16,130,218.05	16,130,218.05	100.00		Based on recoverability
Jilin Power Transmission and Transformation Engineering Company	15,366,383.21				Based on recoverability
PT THE SECOND CONSTRUCTION ENGINEERING T	14,854,454.35				Based on recoverability
China Water Resources and Hydropower Eighth Engineering Bureau Co., Ltd.	14,317,464.49				Based on recoverability
Daqing Ruihao Energy Technology Co., Ltd.	13,995,000.00	13,995,000.00	100.00		Based on recoverability
Harbin Electric Machinery Factory Electromechanical Industry Company	10,515,676.92	10,515,676.92	100.00		Based on recoverability

Q E _ O 2020 FI A CIAL _ A E E _ (CO _ I ED)

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

III. Q E _ O KE LE I CO OLIDA ED FI A CIAL _ A E E _ (CO _ I ED)

(II) O _ a * (C _)

3. Details of other receivables (Continued)

(1) Other receivables with individual significance and individually accruing bad debt provision: (Continued)

D	O		Ba		a*
	i ^a	*	r	i	
					(%)
Clearing Exchange	6,630,725.23				Based on recoverability
Jilin Dehui Economic Development Zone Construction Bureau	4,141,950.00				Based on recoverability
Daqing Longjiang Wind Power Co., Ltd.	3,920,000.00	3,920,000.00	100.00		According to the future recyclability of judgment
Bid bond	129,097,201.27	58,164.00	0.05		Based on recoverability
Reserve fund	68,794,562.82	1,230,736.72	1.79		Based on recoverability
Valve shareholder capital increase	40,923,300.00				Related parties don't accrue
Harbin Harbin Industrial Development Co., Ltd.	29,009,103.46				Based on recoverability
Yunnan Huadian Zhenxiang Power Generation Co., Ltd.	11,000,000.00	11,000,000.00	100.00		Based on recoverability
Xinhua Control Engineering Company	9,238,960.00	9,238,960.00	100.00		Based on recoverability
Great Leader Thermal Power (Private) Co., Ltd.	8,616,623.67				Based on recoverability
China National Electrical Equipment Corporation	7,250,000.00	7,250,000.00	100.00		Based on recoverability
Zhejiang People's Electrical Appliance Factory	6,725,154.00	6,725,154.00	100.00		Based on recoverability
Great Electric Research Institute	6,004,682.16				Based on recoverability
BUT BEIJING ELECTRIC POWER CONSTRUCTION COMPANY	4,903,843.51				Based on recoverability
China Energy Construction Group Heilongjiang Energy Construction Co., Ltd.	4,900,000.00				Based on recoverability
Harbin Sanlian Business Service Co., Ltd.	4,870,000.00				Related parties don't accrue

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(II) O _ a _ (C _)

3. Details of other receivables (Continued)

(1) Other receivables with individual significance and individually accruing bad debt provision: (Continued)

D	O		Ba		Based on recoverability
	a			(%)	
Wuhu Shipyard	4,813,328.00	4,813,328.00	100.00	Based on recoverability	
Qingdao Jieneng Bills Receivable	4,500,000.00	4,500,000.00	100.00	Based on recoverability	
Beijing Yihuaze Control System Co., Ltd.	4,444,235.00	4,444,235.00	100.00	Based on recoverability	
Kolin Company, Owner of Turkey Super Horse Project	4,174,202.53			Based on recoverability	
Bangladesh Electric Power Agency	3,791,309.06	3,157,472.58	83.28	Based on recoverability	
HABIB BANK LTD	3,462,824.48			Based on recoverability	
Northeast Electric Power Design Institute of China Power Engineering Consulting Group	3,387,435.55	2,650,000.00	78.23	Based on recoverability	
Wangkui project pays migrant workers' security fund	3,323,730.00			Based on recoverability	
Heilongjiang Technology Import and Export Corporation	3,265,770.17	3,265,770.17	100.00	Based on recoverability	
Harbin Import and Export Trade Transportation Co., Ltd.	2,700,000.00	2,700,000.00	100.00	Based on recoverability	
Yangtze River Water Conservancy Commission	2,697,988.60			Based on recoverability	
HABIB RAFIQ(PVT)LTD	2,144,112.93			Based on recoverability	
Benxi Iron and Steel (Group) Special Steel Co., Ltd.	1,807,781.73	1,807,781.73	100.00	Based on recoverability	
Loan for Vietnam's gold dredger project	1,711,798.72	1,711,798.72	100.00	Based on recoverability	
Qinhuangdao TEDA Gas Co., Ltd.	1,277,443.70			Based on recoverability	
Harbin Power District Steam Turbine Equipment Fittings Factory	1,223,712.04	1,223,712.04	100.00	Based on recoverability	
Others	86,344,124.16	40,936,239.62	47.41	According to the future recyclability of judgment	
Total	1,396,544,287.13	392,866,832.26			

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

III. Q E _ O K E L E I C O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(II) O _ i a _ (C _)

3. *Details of other receivables (Continued)*

(2) *Accounts other receivables accruing bad debt provision in credit risk characteristic portfolio*

Accounts other receivables accruing bad debt provision by applying aging analysis:

A	C _ i _ a a		Opening balance			
	Ca _ i _ A _	Ba	Carrying Amount	proportion	Bad debt provision	
	A _	(%)	Amount	(%)	provision	
Within one year	70,844,498.73	19.96	3,487,923.27	70,137,610.86	19.48	3,552,624.14
One to two years	13,971,690.57	3.94	3,492,922.64	5,649,662.75	1.57	1,693,827.48
Two to three years	4,540,189.75	1.28	3,182,237.68	4,539,335.50	1.26	2,269,667.76
Three to four years	51,607,239.85	14.54	39,790,391.68	82,616,190.31	22.95	66,048,178.56
Four to five years	69,673,582.24	19.63	57,234,266.02	33,589,872.93	9.33	26,872,538.34
Over five years	144,379,473.27	40.67	144,379,473.27	163,435,797.60	45.40	163,435,797.60
Total	355,016,674.41		251,567,214.56	359,968,469.95		263,872,633.88

Note: At the end of the period, the balance between the 3rd and 4th year of the account balance are not correlated with the balance of the previous balance. The main reason is that the partial long-age advance payment was reclassified to other receivables.

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E I E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(II) O _ a _ (C _)

3. Details of other receivables (Continued)

(3) Provision for bad debts of other receivables accrued, recovered or reversed in the current period

The bad debt provision of this year was CNY77,508,508.59, the bad debt provision was reversed or recovered in the current period of CNY37,104,751.13.

(4) The important write-off of accounts other receivables in this period

D	a.	i - a v.	a a + j i	E j i a i	I + j v a a
Sichuan Chuantou Great Wall Special Steel Co., Ltd. Caisi Steel Plant	Payment for materials	26,958.11	Money cannot be recovered	board resolution, Write off approval form	No
Harbin North Hydropower Equipment Factory	Payment for materials	80,000.00	Money cannot be recovered	board resolution, Write off approval form	No
Floor Material Management Station, Economic and Trade Commission, Longgang District, Huludao, Jinxi City	Payment for materials	38,980.00	Money cannot be recovered	board resolution, Write off approval form	No
Fushun Vacuum Equipment Sales Service Center	Payment for spare parts	22,500.00	Money cannot be recovered	board resolution, Write off approval form	No
Shenyang Water Pump Co., Ltd. Cast Steel Plant	Payment for materials	78,000.00	Money cannot be recovered	board resolution, Write off approval form	No
China Insurance Property Insurance Co., Ltd. Harbin Power Branch	Payment for materials	11,094.00	Money cannot be recovered	board resolution, Write off approval form	No
Changchun Institute of Experimental Machinery Industry	Payment for materials	9,310.00	Money cannot be recovered	board resolution, Write off approval form	No
Zhuzhou Vehicle Factory Jiacheng Industrial Development Company	Payment for materials	116,000.00	Money cannot be recovered	board resolution, Write off approval form	No
Total		382,842.11			

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)
(In addition to the special note, the unit of amount is CNY)

III. Q E _ O K E L E I C O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(II) O _ i a _ (C _)

3. *Details of other receivables (Continued)*

(5) *The top five other receivables by year-end balance of arrears*

D	a.	Ca A .	A	Ba	
				i (%)	i
Harbin Electric Group Co., Ltd.	current account	162,095,125.59	3-4years	9.25	
Ecuador state owned power holding company	Owner's withholding	103,624,434.70	within 1year; 1-2 years; 2-3years; 3-4years	5.92	3,569,834.71
China Power Construction Group Beijing Survey, Design and Research Institute Co., Ltd.	Construction cost	63,128,482.67	4-5years;Over 5 years	3.60	15,496,373.14
Dubai Haxiang Project Investment Company	Advanced project funds	59,783,647.65	1-4years	3.41	
Export tax refund	Tax refund	105,889,608.06	Within 1 year	6.05	
Total		494,521,298.67		28.23	19,066,207.85

(III) a C a _ a

I	C _ i _ a a	Opening balance
Securities		
Notes		
Loan		
Others	1,500,000,000.00	
Less: Bad debt provision		
Total	1,500,000,000.00	

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(I) I _ i

1. Classification of inventory

I _ i	C _ i _ a a			Opening balance		
	C a _ i _ A _	i _ i _ a _ i	B _ a _	Carrying Amount	Inventory impairment provision	Book value
Raw materials	3,117,224,391.69	240,660,827.41	2,876,563,564.28	3,396,309,096.99	228,558,172.77	3,167,750,924.22
Goods in process	5,139,376,657.42	238,849,137.20	4,900,527,520.22	5,991,715,822.26	275,427,293.36	5,716,288,528.90
Finished Goods	452,767,434.36	113,127,370.17	339,640,064.19	360,700,814.79	74,336,175.95	286,364,638.84
Turnover materials (packages, low-value consumables, etc.)	20,696,320.21		20,696,320.21	18,302,950.35		18,302,950.35
Contract performance cost	106,536,926.77		106,536,926.77	90,975,126.41		90,975,126.41
Goods sold	2,030,852.19		2,030,852.19	7,986,527.75		7,986,527.75
Total	8,838,632,582.64	592,637,334.78	8,245,995,247.86	9,865,990,338.55	578,321,642.08	9,287,668,696.47

Note: 1. At the end of the accounting period, the company has performed an impairment test on the inventory that shows signs of impairment, and has accrued provisions for falling inventory prices in accordance with the requirements of the accounting standards.

2. At the end of 31 December 2020, Provision for inventory impairment was CNY592,637,334.78, which represented 6.71% of the original inventory value of CNY8,838,632,582.64.

Q E _ O 2020 FI A CIAL _ A E E _ (CO _ I ED)
(In addition to the special note, the unit of amount is CNY)

III. Q E _ O KE LE I CO OLIDA ED FI A CIAL _ A E E _ (CO _ I ED)

(I) I _ i (C _)

2. *Provision for inventory impairment*

I _	Opening balance	I a		D a		C _ i a a
		i	i			
Raw materials	228,558,172.77	33,131,464.59		2,887,465.36	18,141,344.59	240,660,827.41
Goods in process	275,427,293.36	12,201,095.52		15,972,704.02	32,806,547.65	238,849,137.21
Finished Goods	74,336,175.95	57,868,227.13			19,077,032.92	113,127,370.16
Total	578,321,642.08	103,200,787.24		18,860,169.38	70,024,925.16	592,637,334.78

Reason for provision for inventory impairment: At the end of the accounting period, if the inventory shows signs of impairment, the company will conduct an impairment test on the inventory and make provision for falling prices based on the amount of the inventory's book value exceeding its realizable value;

Reasons for the reversal of inventory depreciation reserve: When the factors affecting inventory depreciation have disappeared and the value of inventory has rebounded, it will be transferred back within the original provision for impairment;

Reasons for the write-off of inventory depreciation provision: refer to the derecognition of the provision for depreciation provision, while at the same time carrying forward the provision for impairment.

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

() C a _ a a + + +

1. Details of contractual assets

	C a _ a a + + +
Opening balance	11,778,305,262.52
Increase	3,490,739,144.61
Converted in to accounts receivable in this period	2,541,869,825.14
Closing balance	12,727,174,581.99
Contract asset impairment provision	1,497,031,261.51
Net closing balance	11,230,143,320.48
Including: listed as contract assets	11,230,143,320.48
listed as other non-current assets	

2. Provision for impairment of assets in the current period

I +	Opening balance	I a +	D a +	C + _ i a a
Contract asset impairment provision	1,453,393,649.73	397,748,831.85	492,532,246.15	1,358,826,335.43
Contract assets originally included in inventory	57,622,115.68	87,726,910.40	6,928,000.00	138,421,026.08
Total	1,511,015,765.41	485,475,742.25	499,460,246.15	1,497,031,261.51

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)
(In addition to the special note, the unit of amount is CNY)

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(I) O _ _ a _ _

I _	C _ , _ a a	Opening balance
Bank financial products	396,885,400.00	1,979,629,800.00
Entrust loans	150,000,000.00	150,000,000.00
Deductible input tax and prepay VAT	362,589,072.09	204,181,411.04
Others	46,383.64	
Total	909,520,855.73	2,333,811,211.04

(II) L a _ a _ a _ _

1. *Loans and advance distributed by individual and business*

I _	C _ , _ a a	Opening balance
(1) Individual loan and advance		
–credit card		
–housing-mortgage		
–others		
(2) Business loan and advance	25,224,200.00	34,963,313.89
–loan	25,000,000.00	30,000,000.00
–discount	224,200.00	4,963,313.89
–others		
(3) Total loan and advance	25,224,200.00	34,963,313.89
Less: Loans impairment reserve	630,605.00	874,082.85
Including: individual provision amount		
Combination provision	630,605.00	874,082.85
(4) Book value of loans and advance	24,593,595.00	34,089,231.04

Q E _ O 2020 FI A CIAL _ A E E _ (CO _ I ED)
(In addition to the special note, the unit of amount is CNY)

III. Q E _ O KE LE I CO OLIDA ED FI A CIAL _ A E E _ (CO _ I ED)

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4. *Loan and advance distributed by guarantee*

I	C	Opening balance
Credit loan	25,224,200.00	34,963,313.89
Guarantee loan		
Collateral loan		
Among: mortgage loans		
Pledge loan		
Total loan and advance	25,224,200.00	34,963,313.89
less: loan impairment reserves	630,605.00	874,082.85
among: individual provision		
Combination provision	630,605.00	874,082.85
Book value of loan and advance	24,593,595.00	34,089,231.04

5. *loan loss reserves*

I	C		Last period	
	I	C	Individual	Combination
Opening balance	874,082.85			
Provision this year	-243,477.85			874,082.85
Turn out in this year				
Cancel after verification in this year				
Switch back this year				
– To recover the original written off loans and advances to turn it back				
– Loans and advances for return discount value rising				
– Other factors lead to return				
Closing balance	630,605.00			874,082.85

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E I E I C O O L I D A _ E D F I A C I A L _ A E E _ (C O _ I _ E D)

(III) O _ i _

1. Details of other debt investment

I _	C _ i _ a a	Opening balance
National debt of 2019 (No. 11)	299,978,100.00	300,623,400.00
Total	299,978,100.00	300,623,400.00

2. The important other debt investment at the end of the period

I _	B a.	A _	F a _ a.	C a _ i _ a _ a _ a _ i _ a _
National debt of 2019 (No. 11)	300,000,000.00	299,978,100.00	299,978,100.00	-21,900.00
Total	300,000,000.00	299,978,100.00	299,978,100.00	-21,900.00

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)
(In addition to the special note, the unit of amount is CNY)

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(I) L

I	C		Opening balance		discount rate range at the end of the period (%)
	Ca	Ba	Carrying Amount	Bad debt provision	
Financing lease payment	294,242,908.47	294,242,908.47	1,540,730.47	1,540,730.47	5.94-8
Among: unrealized financing income	22,097,735.74	22,097,735.74	114,042.98	114,042.98	5.94-8
Instalment for sale goods					
Instalment for offer labor service					
Others					
Total	294,242,908.47	294,242,908.47	1,540,730.47	1,540,730.47	

() L

1. *Classification of long-term equity investment*

I	Opening balance	I	D	C
Investment in subsidiaries	3,000,000.00			3,000,000.00
Investment in cooperative enterprise	41,901,021.78	2,375,000.00	9,685,628.54	34,590,393.24
Investment in associated enterprise	172,922,109.86	201,851,425.17	14,694,454.16	360,079,080.87
Subtotal	217,823,131.64	204,226,425.17	24,380,082.70	397,669,474.11
Less: impairment for long term equity investments	3,000,000.00			3,000,000.00
Total	214,823,131.64	204,226,425.17	24,380,082.70	394,669,474.11

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

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2. Details of long-term equity investment

I +	C a + i + j + k + l + m + n + o + p + q + r + s + t + u + v + w + x + y + z + aa + ab + ac + ad + ae + af + ag + ah + ai + aj + ak + al + am + an + ao + ap + aq + ar + as + at + au + av + aw + ax + ay + az + ba + bb + bc + bd + be + bf + bg + bh + bi + bj + bk + bl + bm + bn + bo + bp + bq + br + bs + bt + bu + bv + bw + bx + by + bz + ca + cb + cc + cd + ce + cf + cg + ch + ci + cj + ck + cl + cm + cn + co + cp + cq + cr + cs + ct + cu + cv + cw + cx + cy + cz + da + db + dc + dd + de + df + dg + dh + di + dj + dk + dl + dm + dn + do + dp + dq + dr + ds + dt + du + dv + dw + dx + dy + dz + ea + eb + ec + ed + ee + ef + eg + eh + ei + ej + ek + el + em + en + eo + ep + eq + er + es + et + eu + ev + ew + ex + ey + ez + fa + fb + fc + fd + fe + ff + fg + fh + fi + fj + fk + fl + fm + fn + fo + fp + fq + fr + fs + ft + fu + fv + fw + fx + fy + fz + ga + gb + gc + gd + ge + gf + gg + gh + gi + gj + gk + gl + gm + gn + go + gp + gq + gr + gs + gt + gu + gv + gw + gx + gy + gz + ha + hb + hc + hd + he + hf + hg + hh + hi + hj + hk + hl + hm + hn + ho + hp + hq + hr + hs + ht + hu + hv + hw + hx + hy + hz + ia + ib + ic + id + ie + if + ig + ih + ii + ij + ik + il + im + in + io + ip + iq + ir + is + it + iu + iv + iw + ix + iy + iz + ja + jb + jc + jd + je + jf + jg + jh + ji + jj + jk + jl + jm + jn + jo + jp + jq + jr + js + jt + ju + jv + jw + jx + jy + jz + ka + kb + kc + kd + ke + kf + kg + kh + ki + kj + kl + km + kn + ko + kp + kq + kr + ks + kt + ku + kv + kw + kx + ky + kz + la + lb + lc + ld + le + lf + lg + lh + li + lj + lk + ll + lm + ln + lo + lp + lq + lr + ls + lt + lu + lv + lw + lx + ly + lz + ma + mb + mc + md + me + mf + mg + mh + mi + mj + mk + ml + mm + mn + mo + mp + mq + mr + ms + mt + mu + mv + mw + mx + my + mz + na + nb + nc + nd + ne + nf + ng + nh + ni + nj + nk + nl + nm + no + np + nq + nr + ns + nt + nu + nv + nw + nx + ny + nz + oa + ob + oc + od + oe + of + og + oh + oi + oj + ok + ol + om + on + oo + op + oq + or + os + ot + ou + ov + ow + ox + oy + oz + pa + pb + pc + pd + pe + pf + pg + ph + pi + pj + pk + pl + pm + pn + po + pp + pq + pr + ps + pt + pu + pv + pw + px + py + pz + qa + qb + qc + qd + qe + qf + qg + qh + qi + qj + qk + ql + qm + qn + qo + qp + qq + qr + qs + qt + qu + qv + qw + qx + qy + qz + ra + rb + rc + rd + re + rf + rg + rh + ri + rj + rk + rl + rm + rn + ro + rp + rq + rr + rs + rt + ru + rv + rw + rx + ry + rz + sa + sb + sc + sd + se + sf + sg + sh + si + sj + sk + sl + sm + sn + so + sp + sq + sr + ss + st + su + sv + sw + sx + sy + sz + ta + tb + tc + td + te + tf + tg + th + ti + tj + tk + tl + tm + tn + to + tp + tq + tr + ts + tt + tu + tv + tw + tx + ty + tz + ua + ub + uc + ud + ue + uf + ug + uh + ui + uj + uk + ul + um + un + uo + up + uq + ur + us + ut + uu + uv + uw + ux + uy + uz + va + vb + vc + vd + ve + vf + vg + vh + vi + vj + vk + vl + vm + vn + vo + vp + vq + vr + vs + vt + vu + vv + vw + vx + vy + vz + wa + wb + wc + wd + we + wf + wg + wh + wi + wj + wk + wl + wm + wn + wo + wp + wq + wr + ws + wt + wu + wv + ww + wx + wy + wz + xa + xb + xc + xd + xe + xf + xg + xh + xi + xj + xk + xl + xm + xn + xo + xp + xq + xr + xs + xt + xu + xv + xw + xx + xy + xz + ya + yb + yc + yd + ye + yf + yg + yh + yi + yj + yk + yl + ym + yn + yo + yp + yq + yr + ys + yt + yu + yv + yw + yx + yy + yz + za + zb + zc + zd + ze + zf + zg + zh + zi + zj + zk + zl + zm + zn + zo + zp + zq + zr + zs + zt + zu + zv + zw + zx + zy + zz						Opening balance	I a*	D a*	j i a**	k a**	O a**	D a a i a*	O +	C + i a a	i i a i i a
	1 Investment in subsidiaries															
Shenzhen Harbin Power Huihua Trading Company Limited	3,000,000.00								3,000,000.00	3,000,000.00						
Subtotal	3,000,000.00								3,000,000.00	3,000,000.00						
2 cooperative enterprise																
Harbin electric general gas turbine (Qinhuangdao) Co., Ltd	41,901,021.78			-9,371,911.96					32,529,109.82							
Russia-China Power Equipment Co., Ltd.		2,375,000.00		-313,716.58					2,061,283.42							
Subtotal	41,901,021.78	2,375,000.00		-9,685,628.54					34,590,393.24							
3 Associates																
General Electric — Harbin Power Services (Qinhuangdao) Company	137,591,656.86			13,920,971.11		10,967,354.45			140,545,273.52							
Harbin HE Liling Hydropower Equipment New Technology Development Co., Ltd.	7,296,949.97			54,231.42					7,351,181.39							
Harbin Huitong Power Engineering Company Limited Development Co., Ltd.	6,266,357.32			1,265,114.47		2,730,396.41			4,801,075.38							
Harbin electric gas station Co., Ltd	2,017,145.71			-152,227.05		-1,864,918.66										
Harbin Rui Feng New Energy Co., Ltd.	19,750,000.00	9,050,000.00		1,112,893.70					29,912,893.70							
Shenyang Dewat Steam Turbine Power Co., Ltd.		60,000,000.00		-2,298,000.00					57,702,000.00							
Liaocheng Xiangguang Power Generation Co., Ltd.		110,000,000.00							110,000,000.00							
Harbin Electric (Dalian) Electric Power Design Co., Ltd.			1,310,419.88	1,609,383.23				9,467,693.53	9,766,656.88							
Subtotal	172,922,109.86	179,050,000.00	1,310,419.88	15,512,366.88		13,697,750.86	7,602,774.87		360,079,080.87							
Total	217,823,131.64	181,425,000.00	1,310,419.88	5,826,738.34		13,697,750.86	7,602,774.87		397,669,474.11	3,000,000.00						

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E I E I C O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(I) O

1. Details of other equity instruments

I	C	Opening balance
Huaneng International Power Co., Ltd.	341,984,728.96	425,954,193.66
China United Heavy Gas Turbine Technology Co., Ltd.	132,000,000.00	132,000,000.00
Jiangsu Fenghai New Energy Desalination Seawater Co., Ltd.	30,000,000.00	30,000,000.00
Heilongjiang Xintian Harbin Electric New Energy Investment Co., Ltd.	2,000,000.00	2,000,000.00
Beijing All Three-dimensional Power Engineering Co., Ltd.	400,000.00	400,000.00
Harbin Xinrun Industry Co., Ltd.	695,000.00	695,000.00
Beijing Huaqing Gas Turbine and Coal Gasification Combined Cycle Engineering Technology Co., Ltd.		5,500,000.00
Harbin Power Equipment Logistics Co., Ltd.	1,000,000.00	1,000,000.00
Jinhui Zhaofeng Energy Co., Ltd.	41,518,824.18	
Tianjin Binhai Industry Fund Management	20,000,000.00	
Tianjin Bogang 14 Enterprise Management (Limited Partnership)	1,718,984.80	
Total	571,317,537.94	597,549,193.66

2. The important other equity instruments investments at the end of year

I	C a	F a
Huaneng International Power Co., Ltd.	425,954,193.66	341,984,728.96
China United Heavy Gas Turbine Technology Co., Ltd.	132,000,000.00	132,000,000.00
Jiangsu Fenghai New Energy Desalination Seawater Co., Ltd.	30,000,000.00	30,000,000.00
Total	587,954,193.66	503,984,728.96

Q E _ O 2020 FI A CIAL _ A E E _ (CO _ I ED)
(In addition to the special note, the unit of amount is CNY)

III. Q E _ O KE LE I CO OLIDA ED FI A CIAL _ A E E _ (CO _ I ED)

(III) I * (C)

2. Investment real estate by the region and the years are as follows:

I *	C * j a a	Opening balance
In China	150,320,063.60	142,307,937.45
Medium-term (10 to 50 years)	129,234,026.89	22,651,010.56
Short-term (10 years)	21,086,036.71	119,656,926.89
In Dubai	52,005,871.17	53,935,764.93
Medium-term (10 to 50 years)	52,005,871.17	53,935,764.93
Short-term (10 years)		
Total	202,325,934.77	196,243,702.38

(I) F x a * *

I *	C * j a a	Opening balance
Fixed assets	5,645,998,218.56	5,917,633,439.86
Fixed assets cleanup		
Total	5,645,998,218.56	5,917,633,439.86

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I E D)

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

III. Q E _ O K E L E I C O L I D A E D F I A C I A L _ A E E _ (C O _ I E D)

(I) F x a a (C)

1. Details of fixed assets

	2020	2019	2020	2019	2020	2019	2020	2019
	12.31	12.31	12.31	12.31	12.31	12.31	12.31	12.31
1. Original carrying value								
(1) Opening balance	4,933,668,422.50	8,118,840,256.16	369,388,308.31	659,084,167.22	307,227,788.60	44,554,243.64	14,432,763,186.43	
(2) Increase in the period	138,825,846.79	225,282,531.93	5,230,215.38	34,169,600.66	13,103,333.21	196,193.14	416,807,721.11	
- acquired	509,174.31	2,797,315.95	546,797.67	14,117,614.42	6,899,806.98		24,870,709.33	
- transfer from construction in progress or other else	138,201,759.93	217,195,416.40	4,663,567.71	18,966,998.05	6,203,526.23	196,193.14	385,427,461.46	
- transfer from development expenditures	79,914.55	5,312,349.85					5,392,264.40	
- transfer from R&D expenditures								
- business combination								
- others	34,998.00	-22,550.27	19,850.00	1,084,988.19			1,117,285.92	
(3) Decrease in the period	33,431,983.35	121,808,651.88	14,313,681.60	29,504,439.00	7,312,433.01	16,777.00	206,387,965.84	
- disposal or retired	1,265,963.00	115,463,001.50	9,210,840.81	29,504,439.00	7,195,554.06	16,777.00	162,656,575.37	
- Roll out	17,352,912.35	6,345,650.38	5,102,840.79				28,801,403.52	
- Other decrease	14,813,108.00				116,878.95		14,929,986.95	
(4) Closing balance	5,039,062,285.94	8,222,314,136.21	360,304,842.09	663,749,328.88	313,018,688.80	44,733,659.78	14,643,182,941.70	
2. Accumulated depreciation								
(1) Opening balance	1,705,206,506.89	5,692,886,289.02	327,696,478.22	522,664,148.47	210,438,183.73	8,621,508.30	8,467,513,114.63	
(2) Increase in the period	159,021,401.24	414,085,336.01	10,911,189.66	47,418,131.26	12,456,096.60	4,885,621.76	648,777,776.53	
- provision	159,021,401.24	414,085,336.01	10,911,189.66	47,411,812.78	12,456,096.60	4,885,621.76	648,771,458.05	
- others				6,318.48			6,318.48	
(3) Decrease in the period	14,922,538.76	102,273,834.14	13,443,648.05	28,365,260.33	7,134,709.97	15,499.32	166,155,490.57	
- disposal or retired	1,190,030.02	96,280,813.56	13,443,648.05	28,365,260.33	7,049,937.34	15,499.32	146,345,188.62	
- roll out	5,473,730.94	5,993,020.58					11,466,751.52	
- Others	8,258,777.80				84,772.63		8,343,550.43	
(4) Closing balance	1,849,305,369.37	6,004,697,790.89	325,164,019.83	541,717,019.40	215,759,570.36	13,491,630.74	8,950,135,400.59	
3. Provision for impairment								
(1) Opening balance	12,079,006.54	34,364,736.47	1,170,051.56	2,837.37			47,616,631.94	
(2) Increase in the period								
- provision								
- construction in progress								
- others								
(3) Decrease in the period		547,375.67	19,242.86	690.86			567,309.39	
- disposal or retired		547,375.67	19,242.86	690.86			567,309.39	
- others								
(4) Closing balance	12,079,006.54	33,817,360.80	1,150,808.70	2,146.51			47,049,322.55	
4. Carrying value								
(1) Carrying value at the end of the year	3,177,677,910.03	2,183,798,984.52	33,990,013.56	122,030,162.97	97,259,118.44	31,242,029.04	5,645,998,218.56	
(2) Carrying value in the beginning of the year	3,216,382,909.07	2,391,589,230.67	40,521,778.53	136,417,181.38	96,789,604.87	35,932,735.34	5,917,633,439.86	

Q E _ O 2020 FI A CIAL _ A E E _ (CO _ I ED)
(In addition to the special note, the unit of amount is CNY)

III. Q E _ O KE LE I CO OLIDA ED FI A CIAL _ A E E _ (CO _ I ED)

(1) Fixed assets (CNY)

2. Fixed assets without property certificates

Item	Balance	Description
Housing and buildings	357,673,772.08	Part of land use rights and property ownership of the Company were dealt separately. The properties were not registered with property certificates

3. Buildings according to the area and year of analysis is as follows:

Item	Current year	Opening balance
In China	3,056,312,243.23	3,091,386,129.13
Medium-term (10 to 50 years)	3,056,312,243.23	3,091,386,129.13
Short-term (10 years)		
In Dubai	121,365,666.80	124,996,779.94
Medium-term (10 to 50 years)	121,365,666.80	124,996,779.94
Short-term (10 years)		
Total	3,177,677,910.03	3,216,382,909.07

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

() C _ _ i _ i _ _

Items	C _ _ a a			Opening balance		
	a _ i _ a _	i _ i _	C a _ i _ a _	Remaining carrying amount	Provision for impairment	Carrying value
Nuclear power capacity building Construction project	6,735,500.61		6,735,500.61	123,696,794.14		123,696,794.14
Key Project Four Projects	23,723,750.25		23,723,750.25	15,841,946.27		15,841,946.27
Research and Development Support Project				10,900,234.61		10,900,234.61
General upgrading	5,663,857.75		5,663,857.75			
Dehui 1 x 40MW Biological Resources Cogeneration Project	4,080,670.11		4,080,670.11	6,961,263.92		6,961,263.92
Wangkui 1 x 40MW Biological Resources Cogeneration Project	2,310,963.43		2,310,963.43			
Nuclear power base project	1,437,705.19		1,437,705.19			
Industrial boiler company office building	6,822,729.35		6,822,729.35	9,926,901.80		9,926,901.80
Equipment technical improvement measures and equipment update (No. 1813)						
[FX-030]CAP1400 the relief valve experiment system (infrastructure)	3,520,251.17		3,520,251.17	5,363,351.70		5,363,351.70
17-42302 two-feed automatic protection device				5,225,334.94		5,225,334.94
Electrical engineering	458,970.00		458,970.00	1,904,584.43		1,904,584.43
Others	23,453,617.65	569,610.88	22,884,006.77	45,280,224.32	569,610.88	44,710,613.44
Construction materials	36,669,908.01		36,669,908.01	22,877,937.60		22,877,937.60
Total	114,877,923.52	569,610.88	114,308,312.64	247,978,573.73	569,610.88	247,408,962.85

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

() C * - i i i (C * -)

1. Significant changes in construction in progress

Project	R (wan yuan)	A * - O * -				C * - a a	I * - C * - I * - C * -		
		Opening balance	I * -	X * -	O * -		%	%	%
Construction project	45,700.00	15,841,946.27	7,881,803.98		23,723,750.25	87.00	92.00	Group funding	
Nuclear power base project	110,000.00	9,926,901.80		3,104,172.45	6,822,729.35	100.00	99.00	Group funding	
Nuclear power capacity building	91,380.00	123,696,794.14	49,565,254.20	166,526,547.73	6,735,500.61	98.03	97.01	State appropriation	
Research and Development Support Project	2,228.70		5,663,857.75		5,663,857.75	28.66	28.66	Self-raises	
General upgrading	1,270.00	6,961,263.92	39,267,253.29	42,147,847.10	4,080,670.11	80.00	80.00	Self-raises	
Equipment technical improvement measures and equipment update (No. 1813)	1,919.98	5,363,351.70	8,562,638.50	10,405,739.03	3,520,251.17	79.96	79.96	Self-raises	
Dehui 1 x 40MW Biological Resources Cogeneration Project	47,433.00		2,310,963.43		2,310,963.43	0.49	0.49	Group funding and Self-raises	
Wangkui 1 x 40MW Biological Resources Cogeneration Project	45,682.00		1,437,705.19		1,437,705.19	0.31	0.31	Group funding and Self-raises	
Total	345,613.68	161,790,257.83	114,689,476.34	222,184,306.31	54,295,427.86				

2. Construction materials

I * -	C * - a a	Opening balance
Engineering machinery and equipment	36,669,908.01	22,877,937.60
Total	36,669,908.01	22,877,937.60

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(I) I a ; a + + +

	La		Fa		O		
	a	+	a	+	+	+	- a
1. Original carrying value							
(1) Opening balance	103,354,827.80	738,209,025.80	3,464,929.43	230,941,824.15	624,445,532.53	5,956,814.11	1,706,372,953.82
(2) Increase in the period	25,551,076.47	50,030,030.58			0.02	3,602,860.63	79,183,967.70
- acquired	19,815,740.26	50,030,030.58			0.02	3,602,860.63	73,448,631.49
internal research and development	5,735,336.21						5,735,336.21
- Transfer from others							
(3) Decrease in the period	4,334,013.77			157,919.96			4,491,933.73
- disposal							
- others	4,334,013.77			157,919.96			4,491,933.73
(4) closing balance	124,571,890.50	788,239,056.38	3,464,929.43	230,783,904.19	624,445,532.55	9,559,674.74	1,781,064,987.79
2. accumulated amortization							
(1) Opening balance	56,566,602.41	275,643,350.66	3,454,922.88	195,301,279.62	177,426,494.19	5,304,751.41	713,697,401.17
(2) Increase in the period	8,800,450.94	15,057,844.83	1,992.47	22,298,900.69	43,322,508.80	240,832.34	89,722,530.07
- Provision	8,800,450.94	15,057,844.83	1,992.47	22,298,900.69	43,322,508.80	240,832.34	89,722,530.07
- others							
(3) Decrease in the period	1,357,073.20	77,117.63					1,434,190.83
- disposal							
- others	1,357,073.20	77,117.63					1,434,190.83
(4) Closing balance	64,009,980.15	290,624,077.86	3,456,915.35	217,600,180.31	220,749,002.99	5,545,583.75	801,985,740.41
3. Provision for impairment							
(1) Opening balance	2,137,376.41			8,402,511.71		90,863.26	10,630,751.38
(2) Increase in the period							
- provision							
- others							
(3) Decrease in the period							
- disposal							
- others							
(4) Closing balance	2,137,376.41			8,402,511.71		90,863.26	10,630,751.38
4. Carrying value							
(1) Carrying value at the end of the period	58,424,533.94	497,614,978.52	8,014.08	4,781,212.17	403,696,529.56	3,923,227.73	968,448,496.00
(2) Carrying value in the beginning of the year	44,650,848.98	462,565,675.14	10,006.55	27,238,032.82	447,019,038.34	561,199.44	982,044,801.27

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(II) D

I	Opening balance	I a		D a		C a a
Capitalization Expenditure-Major Special Project-						
CPA1400 Canned Motor Pump (Motor) Rotor						
Shaft Alternative Material Development	275,731,354.27	121,847,084.82		375,003,209.78	15,916.54	22,559,312.77
State-owned capital project		11,716,757.50				11,716,757.50
ERP Phase I Project	5,170,754.73	5,170,754.73				10,341,509.46
ERP Phase II Project		4,746,226.42				4,746,226.42
Data Sharing Exchange Platform V1.0 (2019-KJGLB-15)		416,150.44				416,150.44
Harbin Electric Group Customer Relationship Management System Phase I		250,992.65				250,992.65
Human resources system project	1,174,620.42					1,174,620.42
Development of petrochemical shut-off valves	573,275.86		573,275.86			311,946.92
LNG low-temperature tap	311,946.92					311,946.92
Typical high-energy-consuming technology application demonstration flue gas sampling gun		43,320.75				43,320.75
Archives and electronic business document information platform construction project	171,180.01					171,180.01
18-32001 Development of data acquisition terminal for power generation equipment	566,037.16	377,358.11			943,395.27	
18-8201 New mode of intelligent remote operation and maintenance of hydropower equipment	2,086,433.42	1,567,298.96	3,653,732.38			
19-3201 Research and application of operation and maintenance key technology of intelligent power generation equipment based on "digital Avatar" HECA19026	466,981.15	1,089,622.68	1,556,603.83			
630 Research on the key technology of the second reheat Ultra Supercritical	155,963.30					155,963.30
Chengdu Nuclear Power Institute Project	174,653.16	1,854,140.52			2,028,793.68	
others	2,218,639.37	19,540,946.46	525,000.00	13,944,353.80	5,717,263.31	1,572,968.72
Total	288,801,839.77	168,620,654.04	6,308,612.07	388,947,563.58	8,705,368.80	53,460,949.36

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(III) L - xj

I	Opening balance	I a	A O a	C O a
Jiangbei office building decoration	14,285,922.82		7,628,500.85	6,657,421.97
Improvement of the rented fixed assets	415,782.16		404,802.97	10,979.19
Start-up fee	46,962.39		46,962.39	
Improvement of fixed assets		1,083,659.02	18,060.96	1,065,598.06
Total	14,748,667.37	1,083,659.02	8,098,327.17	7,733,999.22

(I) D ax a

1. Deferred income tax assets without offsetting

I	C a a		Opening balance	
	D ax a	D a	Deferred income tax assets	Deductible temporary differences
Deferred income tax assets	538,049,449.57	3,466,237,297.70	515,639,833.88	3,239,069,634.99
Impairment of assets	418,033,643.45	2,666,146,523.55	417,630,401.00	2,585,257,815.81
Changes in fair value of hedging instruments included in other comprehensive interests	5,475.00	21,900.00	-155,850.00	-623,400.00
Deductible loss	44,439.45	296,262.97	1,082,397.73	7,215,984.83
Changes in fair value of hedging instruments	-25,135,068.91	-167,567,126.04	-6,826,596.25	-45,510,641.64
Estimate liabilities	130,309,099.32	868,727,328.84	89,395,650.97	595,971,006.52
Dismission welfare	14,791,861.26	98,612,408.38	14,513,830.43	96,758,869.47
Deferred income tax liabilities				

Q E _ O 2020 FI A CIAL _ A E E _ (CO _ I ED)

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

III. Q E _ O KE LE I CO OLIDA ED FI A CIAL _ A E E _ (CO _ I ED)

(I) D ax a** (C)

2. Breakdown of unrecognized deferred income tax

I *	C * , a a	Opening balance
Deductible temporary difference	2,981,247,949.49	4,683,847,740.09
Deductible loss	2,247,953,799.35	2,519,242,039.61
Total	5,229,201,748.84	7,203,089,779.70

() - i *

I *	C * , a a	Opening balance
Pledged loan		
Mortgage loan	15,600,000.00	15,600,000.00
Guaranteed loan	360,000,000.00	361,643,296.20
Credit loan	4,765,006,340.72	4,957,032,872.50
Total	5,140,606,340.72	5,334,276,168.70

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(I) ❶ a a

❶	C ❶ a a	Opening balance
Bank acceptance	4,810,756,352.03	4,207,196,531.27
Business acceptance	1,464,703,073.40	1,364,278,219.00
Total	6,275,459,425.43	5,571,474,750.27

(II) A ❷ ❸ a a

I ❶	C ❶ a a	Opening balance
Within 1 year	9,459,879,114.35	8,589,643,182.01
1-2 years	2,318,199,262.55	2,407,899,286.84
2-3 years	524,058,113.93	447,468,888.11
Over 3 years	677,248,469.96	410,182,020.00
Total	12,979,384,960.79	11,855,193,376.96

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E I E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(II) A _ _ _ a a (C _ _)

1. Significant accounts payable aging for more than a year:

I _	C _ _ a a	a _ _ a i
China First Heavy Machinery Co., Ltd.	158,849,018.81	The contract has not been completed
Hangzhou Boiler Group Co., Ltd.	97,763,999.98	The contract has not been completed
Dalian Huarui Heavy Industry International Trade Co., Ltd.	96,781,894.19	The contract has not been completed
China Construction Third Bureau Second Construction Engineering Co., Ltd.	79,825,657.53	The contract has not been completed
Erzhong (Deyang) Heavy Equipment Co., Ltd.	55,583,164.01	The contract has not been completed
Northeast Electric Power Design Institute of China Power Engineering Consulting Group	54,933,400.00	The contract has not been completed
CCCC Second Navigation Engineering Survey and Design Institute Co., Ltd.	53,730,581.63	The contract has not been completed
SAUDI ARABIAN AMIANTIT COMPANY	51,622,963.11	The contract has not been completed
Jingdezhen Mingxing Aviation Forging Co., Ltd.	41,863,851.22	Not settled yet
Shenyang Kejin Special Materials Co., Ltd.	35,806,514.87	Not settled yet
Dalian Huarui Heavy Industry Casting Co., Ltd.	32,095,023.83	Not settled yet
Wuxi Turbine Blade Co., Ltd.	30,985,457.07	Not settled yet
Shanghai Blower Works Co., Ltd.	30,050,974.00	The contract has not been completed
Beijing Electric Power Equipment General Factory Co., Ltd.	29,773,307.72	The contract has not been completed
Zhejiang Jiuli	27,829,552.74	The contract has not been completed
China Power Engineering Consulting Group Zhongnan Electric Power Design Institute Co., Ltd.	27,287,500.00	The contract has not been completed
FUTURE PIPE INDUSTRIES LLC	25,885,597.24	The contract has not been completed
Jiangsu Jianghai Runye Equipment Co., Ltd.	25,339,524.54	Not settled yet
Liaoning Fuan Heavy Industry Co., Ltd.	24,326,330.82	Not settled yet
Nanjing Daji Tower Manufacturing Co., Ltd.	21,422,167.13	The contract has not been completed
China Huadian Science and Industry Group Co., Ltd.	20,499,456.95	The contract has not been completed
Wuxi Chuxin Steel Structure Engineering Co., Ltd.	20,347,158.10	The contract has not been completed
Total	1,042,603,095.49	

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(III) C a _ a a _ i i i _

I _	C a _ a a _ i i i _
Opening balance	12,251,816,737.12
Increase	6,626,578,173.66
Interest adjustment	53,875,771.61
The income confirmed in the current period includes the income in the balance at the beginning of the year	6,806,965,811.22
Closing balance	12,017,553,327.95
Including: listed as contractual liabilities	12,017,553,327.95
listed as other non-current liabilities	

(I) D _ i _ a _ a _ i _ a _ i _ i _ i _

I _	C _ i _ a a	Opening balance
Current deposit	320,169,303.83	389,387,122.21
Fixed time deposit	558,165.49	1,146,685.10
Call deposits	147,264,275.35	181,764,275.35
L/G (letter of guarantee)		252.36
Total	467,991,744.67	572,298,335.02

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

() E _ r _ i _ a _ a

1. Listed salary payable

I _ *	Opening balance	I _ a *	D _ a *	C _ * _ i _ a _ a
1. Short term compensation	483,524,633.09	2,307,031,797.24	2,305,235,420.26	485,321,010.07
2. Retirement benefit- Established Withdrawal and Deposit Scheme	343,753.63	222,013,505.81	221,937,898.18	419,361.26
3. Termination benefits	55,221,625.91	43,660,379.44	46,290,223.60	52,591,781.75
4. Other benefits due within one year				
5. Others		23,254,783.30	23,254,783.30	
Total	539,090,012.63	2,595,960,465.79	2,596,718,325.34	538,332,153.08

2. Short-term Remuneration

I _ *	Opening balance	I _ a *	D _ a *	C _ * _ i _ a _ a
1. Salary, inducement, allowance, and subsidies	261,228,346.84	1,657,291,610.19	1,674,680,686.59	243,839,270.44
2. Employee benefits fee		187,271,370.54	187,254,402.36	16,968.18
3. Social insurance fee	1,043.72	123,299,570.15	123,291,495.59	9,118.28
Of which: medical insurance fee	963.15	110,190,609.77	110,184,369.56	7,203.36
Work injury insurance fee		9,326,801.97	9,326,801.97	
Maternity insurance fee	80.57	2,615,478.31	2,613,618.07	1,940.81
others		1,166,680.10	1,166,705.99	-25.89
4. Housing provident fund	128,897.00	171,988,504.75	171,988,680.75	128,721.00
5. Staff Union fee and Staff training cost	222,128,532.53	60,897,409.62	41,699,082.98	241,326,859.17
6. Short-term paid leave				
7. Short-term profit-sharing plan				
8. Other short-term Remuneration	37,813.00	106,283,331.99	106,321,071.99	73.00
Total	483,524,633.09	2,307,031,797.24	2,305,235,420.26	485,321,010.07

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

() E _ I _ a a (C _ I _)

3. Established Withdrawal and Deposit Scheme

I _ I _	Opening balance	I _ a a	D _ a a	C _ I _ a a
1. Basic retirement Insurance	2,841.00	154,277,224.75	154,255,758.55	24,307.20
2. Unemployment insurance fee	367,454.39	4,875,444.98	5,110,788.51	132,110.86
3. Corporate annuity	-26,541.76	62,860,836.08	62,571,351.12	262,943.20
Total	343,753.63	222,013,505.81	221,937,898.18	419,361.26

(I) _ a x _ a a _ a a _ a a

I _ I _	Opening balance	a a	a _ I _	C _ I _ a a
VAT	229,679,039.95	757,366,248.31	667,429,279.01	319,616,009.25
Enterprise income tax	14,270,021.59	110,257,451.86	99,030,870.80	25,496,602.65
Urban maintenance and construction tax	15,373,998.91	46,825,601.29	43,506,317.93	18,693,282.27
Property Tax	3,125,581.61	46,191,543.21	46,043,452.56	3,273,672.26
Land use tax	2,088,043.78	26,453,810.73	26,453,639.24	2,088,215.27
Individual income tax	11,655,100.73	34,096,933.61	33,831,742.00	11,920,292.34
Educational Surtax	10,992,719.66	33,620,710.30	31,235,585.86	13,377,844.10
Others	43,200,235.77	137,371,352.03	124,956,220.82	55,615,366.98
Total	330,384,742.00	1,192,183,651.34	1,072,487,108.22	450,081,285.12

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(II) O _ j a a _

I _	C _ j a a	Opening balance
Interest payable	16,176,773.08	9,959,180.41
Dividend payable	3,482,873.50	3,512,873.50
Other payables	410,098,299.15	130,697,625.55
Total	429,757,945.73	144,169,679.46

1. Interest payable

I _	C _ j a a	Opening balance
Interest for long-term borrowings		
Interest of corporate bond		
Interest payable of short-term borrowings	6,887,399.23	3,001,814.27
others	9,289,373.85	6,957,366.14
Total	16,176,773.08	9,959,180.41

2. Dividends payable

I _	C _ j a a	Opening balance
Common stock dividends	3,482,873.50	3,512,873.50
Total	3,482,873.50	3,512,873.50

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(II) O _ j a a _ (C _ j _)

3. Other payables

(1) Other payable shown as age

I _ j _	C _ j _ a a	Opening balance
Within one year	324,850,495.11	32,173,040.10
1-2 years	22,099,385.00	29,802,197.68
2-3 years	11,623,799.00	9,738,450.11
Over 3 years	51,524,620.04	58,983,937.66
Total	410,098,299.15	130,697,625.55

(2) Significant other payables aged over 1 year

C _ j _	C _ j _ a a	Reasons for
Northern Heavy Industry Group Co., Ltd.	50,532,000.00	Not settled yet
China Energy Construction Group Tianjin Electric Power Construction Co., Ltd.	6,871,669.09	Not settled yet
Sudan National Power Company	5,205,200.00	Not settled yet
Hubei Electric Power Construction First Engineering Co., Ltd.	4,540,449.84	Not settled yet
Guilin Construction Engineering Company	2,213,397.13	Not settled yet
Total	69,362,716.06	

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)
(In addition to the special note, the unit of amount is CNY)

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(III) C r e d i t l o a n a n d b o r r o w i n g s

I t e m	C u r r e n t	Opening balance
Long-term borrowings due within one year	300,000,000.00	300,000,000.00
Total	300,000,000.00	300,000,000.00

(I) O t h e r a c c o u n t s p a y a b l e

I t e m	C u r r e n t	Opening balance
Financing lease accounts payable	428,655.00	495,272.00
Total	428,655.00	495,272.00

() L o n g - t e r m b o r r o w i n g s

I t e m	C u r r e n t	Opening balance	rate range (%)
Credit loan	1,884,779,453.00	565,600,000.00	
Total	1,884,779,453.00	565,600,000.00	

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

() L - j a a

I *	Opening balance	I a* j j j i	D a* j j j i	C * j a a
Long term payable	1,000,000.00			1,000,000.00
Special payable	509,862,094.29	16,120,000.00	484,100,900.00	41,881,194.29
Total	510,862,094.29	16,120,000.00	484,100,900.00	42,881,194.29

1. The top five items of Long-term payables at the end of the year

I *	C * j a a	Opening balance
Total	1,000,000.00	1,000,000.00
including: 1. Harbin Electric Corporation	1,000,000.00	1,000,000.00

2. The top five items of Special payable at the end of the year

I *	Opening balance	I a* j j j i	D a* j j j i	C * j a a
Total	34,445,241.79			34,445,241.79
1. Special fund for the project "Localized production measures for the introduction of large-scale pumped storage units"	22,420,000.00			22,420,000.00
2. Research Institute Project	4,552,892.77			4,552,892.77
3. Funds for the development of high-tech industries	3,000,000.00			3,000,000.00
4. Development of 200MW-class high-power gas turbines, etc.	2,500,000.00			2,500,000.00
5. Three expenses of science and technology	1,972,349.02			1,972,349.02

Q U A R T E R L Y F I N A N C I A L P E R F O R M A N C E (C O N T I N U I N G)
(In addition to the special note, the unit of amount is CNY)

III. Q U A R T E R L Y F I N A N C I A L P E R F O R M A N C E (C O N T I N U I N G)

(II) L I A B I L I T I E S

I t e m	Opening balance	I n c r e a s e	D e c r e a s e	C l o s i n g b a l a n c e
Post-employment benefits				
Termination benefits	176,288,338.42	48,718,316.23	72,572,675.54	152,433,979.11
Other long-term employee benefits				
Total	176,288,338.42	48,718,316.23	72,572,675.54	152,433,979.11

(III) P R O V I D E N C E

I t e m	C l o s i n g b a l a n c e	Opening balance
Product quality assurance (note 1)	181,576,051.47	110,089,152.16
Loss contract to be executed (note 2)	827,498,417.00	803,313,492.45
Refund payable others		27,000,000.00
Total	1,009,074,468.47	940,402,644.61

Note 1: The product quality assurance is the quality assurance fee of 0.3% – 0.5% of the Company's sales revenue.

Note 2: The loss contract to be executed is the estimated loss incurred by the Company in respect of the estimated total cost of the contract which has not yet been executed.

(I) D E B T S

I t e m	Opening balance	I n c r e a s e	D e c r e a s e	C l o s i n g b a l a n c e
Government grants	134,150,192.62	190,497,628.32	58,831,818.38	265,816,002.56
Total	134,150,192.62	190,497,628.32	58,831,818.38	265,816,002.56

Q E O 2020 F I A C I A L A E E (C O I E D)

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

III. Q E O K E L E I C O L I D A E D F I A C I A L A E E (C O I E D)

(I) D i (C)

Items involved in government grants:

I *	Opening balance	I * i			C * i a a	A ** a i a ** / a i *
		a i i	a **	O a *		
Subsidy for supporting funds of Jiangbei scientific research base project	36,376,905.57		2,514,999.98		33,861,905.59	Related to assets
Construction of manufacturing base for nuclear power main pump motor	18,492,217.90	148,774.32			18,640,992.22	Related to income
Complete equipment for welding rotor of large steam turbine	8,346,800.00				8,346,800.00	Related to income
Giant all air cooling unit in Sanxia 820-00-1104	11,250,000.00		5,625,000.00		5,625,000.00	Related to assets
Land subsidy for power station valve technical transformation project	3,515,499.99	939,299.98	212,133.34		4,242,666.63	Related to income
600MW Development of power flow generator 820-00-1308	5,708,336.30		1,580,214.67		4,128,121.63	Related to income
New mode of intelligent manufacturing 820-00-1705	3,932,789.74		131,327.65		3,801,462.09	Related to income
Appropriation for key technology research project of variable speed unit of sea water pumped storage power station	2,501,429.20	4,260,000.00	3,460,669.94		3,300,759.26	Related to income
Made in China 2025 project fund 820-00-1702	2,000,000.00		22,831.75		1,977,168.25	Related to income
18-8201-G State-funded project for a new model of intelligent remote operation and maintenance of hydropower equipment	2,000,000.00		166,666.69		1,833,333.31	Related to income
Research and application of distributed photovoltaic and cascade small hydropower complementary combined generation technology 820-00-1801	2,606,187.48	706,000.00	1,630,594.60		1,681,592.88	Related to income
863 fund of the Ministry of science and technology	1,000,000.00				1,000,000.00	Related to income
Old brand standard subsidy 820-00-1901	994,550.47		40,580.10		953,970.37	Related to income
Energy management system and transformation of energy management system	7,400,000.00		7,400,000.00			Related to income
National international science and technology cooperation project (Ministry of Finance)	5,290,000.00			5,290,000.00		Related to income
Others	22,735,475.97	184,443,554.02	27,506,799.66	3,250,000.00	176,422,230.33	Related to income
Total	134,150,192.62	190,497,628.32	50,291,818.38	8,540,000.00	265,816,002.56	

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(L) a a j a

a a j a	Q j a a		Increase during the period	Decrease during the period	Closing balance	
	l a a	l a a (%)			Investment amount	proportion (%)
Harbin Electric Corporation	1,030,952,000.00	60.41			1,030,952,000.00	60.41
Overseas-listed shares	675,571,000.00	39.59			675,571,000.00	39.59
Total	1,706,523,000.00	100.00			1,706,523,000.00	100.00

(LI) C a j a

l a a	Opening balance	l a a	D a a	C a a
1. Capital surplus (share premium)	3,687,612,494.12	76,999,860.00		3,764,612,354.12
2. Other capital surplus	561,531,711.54	15,268,395.65		576,800,107.19
Total	4,249,144,205.66	92,268,255.65		4,341,412,461.31
Of which: State-owned exclusive capital reserve				

Note: In 2020, the company purchased 2.13% in equity of Harbin Turbine Company Limited which is a subsidiary of Great Wall Asset The management company. The capital reserve was decreased by CNY2,666,533.36 in the current period is the difference between the newly acquired long-term equity investment due to the purchase of the minority equity mentioned above and the share of net assets that the subsidiary should continue to calculate from the date of purchase based on the newly held share ratio.

In 2020, Power Plant Valve Company Limited (hereinafter referred as HE Valve Company), a subsidiary of the Harbin Electric Corporation, introduced mixed ownership reform. The company transferred its 55% equity of HE Valve Company to 8 strategic investors and employee's share platform including the newly introduced Guoxin Shuangbaiyihao (Hangzhou) Equity Investment Partnership Company (Limited Partnership) After the equity transfer, the company's shareholding ratio was decreased from 100% to 45%. The capital reserve increased by CNY17,934,929.01 is the difference between the newly acquired long-term equity investment and the share of net assets that the subsidiary should continue to calculate from the date of purchase based on the newly held share ratio. At the same time, the share premium was increased by CNY76,999,860.00 according to the new shareholding ratio.

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(LII) 产 安 费

项 目	Opening balance	1 2 月 31 日	1 2 月 31 日	变 化 率
Production safety charges	41,541,755.49	29,623,559.25	29,421,789.08	41,743,525.66
Total	41,541,755.49	29,623,559.25	29,421,789.08	41,743,525.66

(LIII) 盈 余 公 积 金

项 目	Opening balance	1 2 月 31 日	1 2 月 31 日	变 化 率
Statutory surplus reserve	809,136,649.47			809,136,649.47
Total	809,136,649.47			809,136,649.47

(LI) 未 分 配 利 润

项 目	本 期 末	上 期 末
Balance before adjustment at the end of preceding period	8,804,199,937.94	8,698,026,738.58
Add: Increase due to adjustment (or less: decrease)		
Opening balance after adjustment	8,804,199,937.94	8,698,026,738.58
Add: Net profit attributable to owners of the parent company	-7,280,537.53	106,173,199.36
Less: Appropriation of statutory surplus reserve		
Appropriation of discretionary surplus reserve		
Appropriation of general risk reserve		
Dividend payable on ordinary shares		
Dividend on ordinary share converted to share capital		
Others		
add: Surplus reserve to cover losses		
Other comprehensive income carried forward to retained earnings	2,408,100.00	
Owner's equity other internal carry - over		
Closing balance	8,799,327,500.41	8,804,199,937.94

Q E _ O 2020 FI A CIAL _ A E E _ (CO _ I ED)

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

III. Q E _ O KE LE I CO OLIDA ED FI A CIAL _ A E E _ (CO _ I ED)

(L) O r a j a a j a j

1. Details of Operating revenue and Operating cost

I	C r i		Last period	
	C	C	Revenue	Cost
1. Main operating revenue	23,542,747,407.90	20,914,073,705.44	22,300,932,077.66	19,059,306,377.16
Main thermal power equipment	8,710,409,710.23	7,425,598,798.85	8,348,147,240.57	6,867,496,086.14
Main hydro power equipment	2,454,051,184.86	2,041,988,701.75	2,682,222,212.05	2,268,554,063.11
Engineering services for power stations	6,405,089,211.40	6,603,555,068.58	5,453,117,695.87	5,358,200,917.36
Power station auxiliary equipment and ancillary products	931,421,749.11	829,776,657.72	1,188,632,850.05	1,026,233,644.64
AC and DC motors and other	3,574,165,852.13	2,920,480,958.08	3,339,730,731.68	2,555,023,671.97
Nuclear power	1,467,609,700.17	1,092,673,520.46	1,289,081,347.44	983,797,993.94
2. Other operating revenue	217,652,300.72	142,834,883.44	214,659,390.98	132,005,644.52
Selling materials	100,204,625.66	83,658,990.23	111,996,108.39	86,668,661.75
Technical service fees	4,929,857.80	2,703,207.92	1,388,194.76	8,536.12
Others	112,517,817.26	56,472,685.29	101,275,087.83	45,328,446.65
Total	23,760,399,708.62	21,056,908,588.88	22,515,591,468.64	19,191,312,021.68

Q E _ O 2020 FI A CIAL _ A E E _ (CO _ I ED)

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

III. Q E _ O KE LE I CO OLIDA ED FI A CIAL _ A E E _ (CO _ I ED)

(L I) I * i a i * x i *

I *	C i i	Last period
(I) I * i	239,303,784.86	385,867,676.82
1. Deposits in other banks	174,207,957.68	339,419,282.33
2. Deposit in central bank	9,226,265.72	9,391,230.38
3. Loans to other banks	42,543,333.34	30,064,722.30
4. Loans and advances paid	7,794,676.77	6,839,700.45
Including: Individual loans and advances		
Company loans and advances	1,231,001.06	994,268.35
Discounted notes	6,563,675.71	5,845,432.10
5. Buy in and return to and sell the financial assets	5,507,835.61	
6. Bond investments		
7. Others	23,715.74	152,741.36
Including: Impaired financial asset interest income		
(II) I * x i *	9,600,470.13	14,427,750.90
1. Deposits from other banks		
2. Borrowings from central bank	832,061.35	
3. Borrowings from other banks		324,236.11
4. Deposits taking	7,660,834.71	14,087,810.61
5. Proceeds of REPO financial assets	1,104,124.38	9,543.88
6. Issue of bonds		
7. Others	3,449.69	6,160.30
(III) i * i	229,703,314.73	371,439,925.92

Q E _ O 2020 FI A CIAL _ A E E _ (CO _ I ED)
(In addition to the special note, the unit of amount is CNY)

III. Q E _ O KE LE I CO OLIDA ED FI A CIAL _ A E E _ (CO _ I ED)

(LI) 1 x1 • •

I •	C	Last period
Salary cost	262,979,795.12	264,343,048.65
Quality warranty expenses	250,734,328.61	107,079,308.40
Traveling expenses	64,524,973.56	89,723,124.20
Transportation expenses	17,088,016.91	51,970,249.72
Activity fee	11,694,056.37	13,622,432.80
Overseas funds consulting cost	10,176,953.46	18,412,209.90
Insurance fees	13,074,113.36	13,603,158.84
Business expenses	58,842.90	509,982.54
Office fee	121,199.77	7,430,118.63
Promotion expenses	1,728,291.48	2,322,012.72
Advertising fee	42,616.66	285,017.66
Others	2,165,664.28	413,297.17
	41,470,463.18	34,277,950.83
Total	675,859,315.66	603,991,912.06

Q E _ O 2020 FI A CIAL _ A E E _ (CO _ I ED)

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

III. Q E _ O KE LE I CO OLIDA ED FI A CIAL _ A E E _ (CO _ I ED)

(L) A i i a i x i i i

I i	C i i	Last period
Salary expenses	655,217,349.80	933,093,863.12
Party construction activities	828,728.19	15,984,240.13
Depreciation and amortization expenses	129,697,223.44	133,217,012.48
Maintenance expenses	99,763,775.98	109,031,986.92
Travelling expenses for conferences	29,362,023.54	35,524,948.75
Service contract fees	60,778,198.65	33,477,074.08
Office fees	23,412,304.58	23,977,447.21
Oversea fund	9,699,630.82	20,866,329.91
Material consumption	8,816,646.06	9,036,917.72
Utility charges	11,230,634.92	12,299,390.97
Heating fee	14,956,158.75	15,028,620.58
Freight expenses	7,359,861.77	8,618,733.73
Entertainment expenses	13,624,823.62	15,569,366.06
Disabled employment security fund	11,896,878.29	15,282,756.86
Agency costs	16,362,634.79	15,151,066.64
Amortization of low cost and short- lived goods	3,765,136.77	677,773.11
Consulting fee	4,910,732.00	5,183,832.50
Verification fee	980,714.97	769,127.39
Insurance fee	39,179,915.07	18,567,586.66
Litigation costs	1,270,145.35	2,374,969.02
Technology transfer fee	26,113.86	1,845,571.26
Board fees	284,360.96	375,275.32
Sewage charges	4,785,699.32	3,471,678.32
Others	156,498,247.11	240,419,930.44
Total	1,304,707,938.61	1,669,845,499.18

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(LI) a a x

I	C	Last period
Research and development expenses	976,707,037.96	687,524,568.89
Total	976,707,037.96	687,524,568.89

(LII) F a q x

Ca	C	Last period
Interest expense	233,562,605.22	121,186,584.99
Less: interest income	47,077,675.59	62,031,288.50
Exchange gains and losses	-21,696,224.40	-433,735.71
Handling fee	18,373,882.93	9,838,664.62
Others	3,758,273.92	5,626,468.90
Total	186,920,862.08	74,186,694.30

(LIII) O i

I	C	Last period
Government subsidy	477,041,547.59	102,526,412.72
Total	477,041,547.59	102,526,412.72

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(LIII) O _ i _ (C _ t _)

Government subsidies included in current profits and losses

I _	C _ a _	Previous amount	a _ _ _
Concluded-CAP1400 canned motor main pump development project	174,095,395.00		Related to income
Concluded-AP1000 canned motor pump manufacturing technology project	133,296,989.01		Related to income
Harbin Electric Group Co., Ltd. special hardship fund allocation	48,000,000.00		Related to income
Transfer of deferred income to other income	16,656,791.26	2,873,668.19	Related to income
Funds for Innovation and Development of Service Trade	8,325,200.00		Related to income
Job stabilization subsidy	7,321,815.38	4,209,058.67	Related to income
Low-noise manufacturing research project for key parts of main steam turbine	6,164,427.69		Related to income
Central Foreign Economic and Trade Development Special Fund	5,703,100.00	14,551,000.00	Related to income
Three Gorges giant air-cooled unit 820-00-1104	5,625,000.00	5,625,000.00	Related to assets
The first set of innovative product awards in key areas of the Ministry of Finance in 2018	5,000,000.00		Related to income
Conclusion AP/CAP shielding sleeve flywheel ZX1820-15-01	4,908,600.00		Related to income
Concluded-AP/CAP thrust plate ZX1820-15-02	4,657,760.00		Related to income
The first special fund for innovative products in key areas	4,000,000.00	2,000,000.00	Related to income
Received Heilongjiang Province support enterprise technological transformation award funds	3,580,000.00		Related to income
Touyan team special funds	6,347,862.85	4,137,039.90	Related to income
Harbin Municipal Financial Treasury Payment Center Special Fund (Harbin Municipal Bureau of Commerce supports foreign trade in 2020)	2,955,400.00		Related to income

Q E _ O 2020 FI A CIAL _ A E E _ (CO _ I ED)

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

II. Q E _ O KE LE I CO OLIDA ED FI A CIAL _ A E E _ (CO _ I ED)

(LIII) O i (C r)

Government subsidies included in current profits and losses (Continued)

I *	C a .	Previous amount	a a ** *
Value-added tax refund	2,481,235.31		Related to income
Export credit insurance premium support funds	2,000,000.00	2,000,000.00	Related to income
Finance Bureau of Xiangfang District, Harbin City	2,000,000.00		Related to income
Received the first (set) innovative product award in key areas of Heilongjiang Province	2,000,000.00		Related to income
Tax refund	1,732,081.61	366173.66	Related to income
Research and Application of Distributed Photovoltaic and Cascade Small Hydropower Complementary Combined Power Generation Technology	1,630,594.60	470,212.46	Related to income
Development of 600MW tidal current generator 820-00-1308	1,580,214.67	11,199,460.02	Related to income
Research and engineering application of the core technology of the key components of the high temperature gas-cooled reactor evaporator	1,541,168.28	1,541,168.28	Related to income
Shouxiangfang District Industrial Information Technology Bureau's 2018 provincial technology-based enterprise R&D expenses post-subsidy funds	1,500,000.00		Related to income
Awarded by Industrial Information Technology Bureau of Xiangfang District, Harbin	1,500,000.00		Related to income
Conclusion – Development of a large inertia heavy metal flywheel for AP1000 nuclear main pump motor	1,500,000.00		Related to income
Harbin Xiangfang District Industrial Information Technology Bureau subsidizes municipal supporting funds after the R&D expenses of provincial science and technology enterprises in 2018	1,500,000.00		Related to income
2018 Provincial Science and Technology Enterprise Research and Development Expenses Subsidy Fund	1,500,000.00		Related to income

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

II. Q E _ O K E I E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(LIII) O _ i _ (C _ t _)

Government subsidies included in current profits and losses (Continued)

I _	C _ a _	Previous amount	a _ a _
Jiangbei Scientific Research Base Project Supporting Fund Subsidies	1,363,566.66	1,363,566.66	Related to assets
Development of ultra-high head and large capacity pumped storage unit 820-00-2001	1,172,637.70		Related to income
Subsidies for extremely poor enterprises	940,000.00		Related to income
Harbin Xiangfang District Finance Bureau Industrial and Information Industry Support Subsidy Fund	900,000.00		Related to income
Provincial-level industrial transformation and upgrading special funds	750,000.00		Related to income
Demonstration and application of 600 kW tidal current generating set	728,814.44		Related to income
Science and Technology Bureau R&D Grant	620,000.00	520,000.00	Related to income
Special funds for 10,000 plan	550,000.00		Related to income
2018 Science and Technology Innovation Base Award Fund (FY22.001 Heilongjiang Power Station Valve Engineering Technology Center Project)	500,000.00		Related to income
Conclusion-AP/CAP canned motor main pump shielding sleeve material and flywheel guard ring	500,000.00		Related to income
Municipal Service Outsourcing Development Special Fund		8,910,000.00	Related to income
Funds for international capacity cooperation matters		7,368,700.00	Related to income
Transfer to Harbin City Financial Treasury Payment Center		5,000,000.00	Related to income
Transfer to the total budget of Harbin Pingfang District Finance Bureau (industrial development funds)		4,500,000.00	Related to income
Special expenses for transferring nuclear power development		2,283,288.06	Related to income
Provincial-level military-civilian integration industry development special fund		2,190,000.00	Related to income

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

II. Q E _ O K E I E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(LIII) O _ i _ (C _ t _)

1. Government subsidies included in current profits and losses (Continued)

I _	C _ a _	Previous amount	a _ a _ a _
Subsidy for Academician Workstation of Harbin Human Resources and Social Security Bureau		2,000,000.00	Related to income
Harbin Science and Technology Bureau 2018 Enterprise Patent Award Supplementary Fund		2,000,000.00	Related to income
Contract number: HG-power station-junshengzi-2016001 tax refund		2,000,000.00	Related to income
Comprehensive utilization of resources 70% refund upon collection of value-added tax		1,500,000.00	Related to income
Hydropower Branch Technician Workshop 820-00-1601		1,500,000.00	Related to income
High Altitude Solar Thermal Turbine Generator 820-00-1908		1,355,000.00	Related to income
National standard setting subsidy fund 820-00-1604		1,355,000.00	Related to income
Harbin Municipal Science and Technology Bureau 2017 R&D Expense Subsidy for Science and Technology Enterprises		1,351,242.49	Related to income
Receive the first set of innovative product rewards		1,084,000.00	Related to income
R&D expense subsidy from the Finance Bureau		750,000.00	Related to income
Received the third prize of Heilongjiang Science and Technology Progress Award from Harbin Science and Technology Bureau		410,000.00	Related to income
Receive special funds from Harbin Financial Treasury Payment Center		363,600.00	Related to income
Receive funds from high-tech enterprises of Harbin Municipal Science and Technology		300,000.00	Related to income
Others	9,912,893.13	5,449,234.33	Related to income
Total	477,041,547.59	102,526,412.72	

Q E _ O 2020 FI A CIAL _ A E E _ (CO _ I ED)

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

III. Q E _ O KE LE I CO OLIDA ED FI A CIAL _ A E E _ (CO _ I ED)

(LI) I • i

	C	Last period
Long-term equity investment income calculated by equity method	5,826,738.34	20,512,794.76
Long term equity investment income calculated by cost method		
Investment income from the disposal of long-term equity investments	1,422,836.28	-6,508,003.42
Investment income of trading financial assets during the holding period		2,741,041.10
Investment income from disposal of trading financial assets	49,346,965.27	
Investment income from held-to-maturity investments during the holding period		
Investment income from disposal of held to maturity investment		
Investment income of available-for-sale financial assets during the holding period		
Investment income from disposal of available-for-sale financial assets		
Interest income earned during the holding of debt investment		
Interest income during holding period of other debt investment	8,620,200.00	2,604,315.07
Income from re-measurement of equity at fair value after obtaining control	-186,797.98	
Income from re-measurement of equity at fair value after the loss of control	1,193,537.36	
Dividend income earned during the period of investment in other equity instruments	10,410,343.40	7,855,948.45
Others		
Total	76,633,822.67	27,206,095.96

Q E _ O 2020 FI A CIAL _ A E E _ (CO _ I ED)
(In addition to the special note, the unit of amount is CNY)

III. Q E _ O KE LE I CO OLIDA ED FI A CIAL _ A E E _ (CO _ I ED)

(L) Ga _ a _ a. a

I	C	Last period
Transactional financial assets	217,411.27	
Total	217,411.27	

(L I) C _ _ a _

I	C	Last period
Bad debt loss	-149,688,486.44	-152,153,875.28
Loan impairment losses	78,243,477.85	-72,874,082.85
Total	-71,445,008.59	-225,027,958.13

(L II) I _ a _ a

I	C	Last period
Inventory price loss	-84,340,617.86	-233,020,005.52
impairment loss of contract assets	13,791,003.92	-62,483,408.96
Total	-70,549,613.94	-295,503,414.48

Q E _ O 2020 FI A CIAL _ A E E _ (CO _ I ED)

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

III. Q E _ O KE LE I CO OLIDA ED FI A CIAL _ A E E _ (CO _ I ED)

(L III) * a** **a

I *	C / i	Last period	A i i * a a **a
Disposal of fixed assets	5,871,648.66	4,538,162.95	5,871,648.66
Disposal of intangible assets	-80,802.33	761,400.00	-80,802.33
Total	5,790,846.33	5,299,562.95	5,790,846.33

(L I) - i a i i

I *	C / i	Last period	I i a * * a a **a
Total non-current assets retirement income	3,972,225.80	1,396,799.06	3,972,225.80
Government subsidies unrelated to the daily activities of the enterprise	5,596,779.91	12,300,901.34	5,596,779.91
Write off of non payment	14,900,219.00	61,481,358.86	14,900,219.00
Compensation for quality loss	32,485,217.18	9,109,296.00	32,485,217.18
Penalty Incomes		2,528,672.64	
Others	20,241,261.01	55,771,865.47	20,241,261.01
Total	77,195,702.90	142,588,893.37	77,195,702.90

1. Details of government grants

I *	C / i	Last period
Receive financial subsidy funds and others	5,596,779.91	12,300,901.34
Total	5,596,779.91	12,300,901.34

Q E _ O 2020 FI A CIAL _ A E E _ (CO _ I ED)
(In addition to the special note, the unit of amount is CNY)

III. Q E _ O KE LE I CO OLIDA ED FI A CIAL _ A E E _ (CO _ I ED)

(L) - r a i x i + +

I +	A	Amount for previous period	a i + a
Total non-current asset retirement loss	2,381,852.46	1,758,204.78	2,381,852.46
Losses from debt restructuring		6,385,839.28	
External donation	5,531,071.68	2,098.00	5,531,071.68
Contract dispute expenditure	27,487,067.52		27,487,067.52
Increase the estimated liability of procurement cost within the warranty period of the project		36,073,238.98	
Refund of key military engineering equipment	1,941,800.00	27,000,000.00	1,941,800.00
Others	2,499,147.26	2,666,996.57	2,499,147.26
Total	39,840,938.92	73,886,377.61	39,840,938.92

(L I) I ax

I +	A	Amount for previous period
Current income tax calculated according to tax law and related regulations	101,470,821.11	123,077,790.69
Deferred income tax adjustment	-40,568,029.06	-32,519,673.73
Other		9,369,244.71
Total	60,902,792.05	99,927,361.67

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(L I) I ax (C)

Accounting profit and income tax expense adjustment process:

I	A
Total profit	76,957,876.99
Income tax expense at legal or applicable tax rate	11,543,681.55
Subsidiaries apply different tax rates	28,804,645.73
Adjust the impact of income tax in previous periods	51,443,448.09
The impact of non-taxable income	-8,064,839.10
Non-deductible costs, expenses, and impact of loss	-29,880,658.71
Impact of the use of deductible losses on the use of unrecognized deferred income tax assets in the prior period	-31,622,590.73
The impact of deductible temporary differences or deductible losses on deferred income tax assets that have not been recognized in the current period	38,679,105.22
Others	
Income tax expense	60,902,792.05

OTHER COMPREHENSIVE INCOME AND LOSS (CONTINUED)

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

II. OTHER COMPREHENSIVE INCOME AND LOSS (CONTINUED)

(L III) Other comprehensive income and the impact of income tax and transferred to profit or loss (Continued)

- Items of other comprehensive income and the impact of income tax and transferred to profit or loss (Continued)

	2020	2019	2018
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			
5. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			
6. Other debt investment credit impairment provision			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			
7. Cash flow hedging reserve	167,567,126.04	25,135,068.91	142,432,057.13
less: other comprehensive income transferred to profit and loss in the current period at the previous period	26,703,096.35	4,005,464.45	22,697,631.90
Adjustment to the initial confirmation amount of the hedged item	18,807,545.29	2,821,131.80	15,986,413.49
Subtotal	122,056,484.40	18,308,472.66	103,748,011.74
8. Currency translation reserve	-9,439,514.62		-9,439,514.62
less: Net amount after tax included in other comprehensive income and transferred to profit or loss in the current period	-80,175.56		-80,175.56
Subtotal	-9,359,339.06		-9,359,339.06
9. Others			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			
(III) Total other comprehensive income	28,125,938.39	18,147,147.66	9,978,790.73

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E I E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(L II) O _ I _ I _ a _ a _ a _ a (C _)

1. *Items of other comprehensive income and the impact of income tax and transferred to profit or loss (Continued)*

I _	Amount for previous period		
	Pretax amount	income tax	Net after tax
(I) Other comprehensive income not to be reclassified as profit or loss	-137,404,578.60		-137,404,578.60
1. Remeasure the change in net liabilities or net assets of defined beneficiary plans			
2. Shares in other comprehensive income that the investee cannot reclassify into profit or loss under the equity method			
3. Changes in fair value of other equity instruments investment	-137,404,578.60		-137,404,578.60
4. Fair value changes in enterprise's own credit risk			
5. others			
(II) Other comprehensive income to be reclassified as profit or loss	47,446,144.26	6,993,696.25	40,452,448.01
1. Items of other comprehensive income attributable to investees under equity method that may be reclassified to profit or loss			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			
2. Changes in fair value of other debt investment	577,689.79	155,850.00	421,839.79
less: other comprehensive income transferred to profit and loss in the current period at the previous period	-45,000.00	-11,250.00	-33,750.00
Subtotal	622,689.79	167,100.00	455,589.79
3. Gain or loss from fair value changes of available-for-sale financial assets			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			

OTHER COMPREHENSIVE INCOME AND LOSS (CONTINUED)

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

II. OTHER COMPREHENSIVE INCOME AND LOSS (CONTINUED)

(L III) Other comprehensive income and the impact of income tax and transferred to profit or loss (Continued)

1. Items of other comprehensive income and the impact of income tax and transferred to profit or loss (Continued)

Item	Amount for previous period		
	Pretax amount	income tax	Net after tax
4. The amount of financial assets reclassified into other comprehensive income			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			
5. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			
6. Other debt investment credit impairment provision			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			
7. Cash flow hedging reserve	45,510,641.64	6,826,596.25	38,684,045.39
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Adjustment to the initial confirmation amount of the hedged item			
Subtotal	45,510,641.64	6,826,596.25	38,684,045.39
8. Currency translation reserve	1,312,812.83		1,312,812.83
less: Net amount after tax included in other comprehensive income and transferred to profit or loss in the current period			
Subtotal	1,312,812.83		1,312,812.83
9. others			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			
(III) Total other comprehensive income	-89,958,434.34	6,993,696.25	-96,952,130.59

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(L III) C * i a a * a

1. Adjust the Net Profit to the Cash Flow Information of Operating Activities by Indirect Method

I *	A * i r i	Amount for previous period
1. Regulate net profit as operating activity cash flow		
Net profits	16,055,084.94	117,215,405.85
Add: Impairment preparation of asset	70,549,613.94	295,503,414.48
Impairment losses on credit	71,445,008.59	225,027,958.13
Depreciation of fixed assets, loss of oil and gas assets, and depreciation of productive biological assets	671,150,864.26	789,909,612.67
Amortization of use right assets		
Amortization of intangible assets	89,722,530.07	93,617,330.97
Amortization of long-term deferred expenses	8,098,327.17	14,682,669.81
Disposal of fixed assets, intangible assets and other long-term assets (revenues are marked with "-")	-5,790,846.33	-2,231,815.25
Loss of scrapped fixed assets (earnings are marked with "-")	-1,584,187.35	682,969.73
Loss of change in fair value (income is marked with a "-" sign)	-217,411.27	
Financial expenses (revenues are marked with "-")	191,001,309.37	122,006,823.06
Loss of investment (earnings are marked with "-")	-76,633,822.67	-27,206,095.96
Deferred income tax assets decreased (increased by "-")	-40,539,420.52	-25,664,717.48
Deferred income tax liabilities increase (decrease by "-")		
Decrease of inventory (added with "-" sign)	1,041,673,448.61	1,654,616,600.61
Reduction of operational receivables (added with "-")	-1,746,074,951.60	-1,512,870,532.69
Increase in operating payables (decrease by "-")	1,692,030,065.33	-5,120,740,808.75
Others		-19,390,832.09
Net cash flow from operating activities	1,980,885,612.54	-3,394,842,016.91
2. Major investment and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Finance leased fixed assets		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	11,298,046,225.31	9,197,222,711.30
Less: Opening balance of cash	9,197,222,711.30	11,705,681,448.94
Plus: closing balance of cash equivalents		
Less: opening balance of cash equivalents		
Net increase in cash and cash equivalents	2,100,823,514.01	-2,508,458,737.64

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(L III) C + j a a + a (C +)

2. Net cash received from the acquisition of the subsidiaries and the disposal of the subsidiaries

I +	A -
1. Cash or cash equivalents paid for business combinations that occurred in the current period	279,129,780.00
Less: the cash and cash equivalents held by the company on the acquisition date	1,515,379.29
Plus: cash or cash equivalents paid in the current period for business combinations that occurred in the previous period	
Net cash paid to purchase subsidiary	277,614,400.71
2. Cash or cash equivalents received from the disposal of subsidiaries in the current period	
Less: cash and cash equivalents held by the company on the day when control is lost	32,588,063.55
Plus: cash or cash equivalents received in the current period from the disposal of the subsidiary in the previous period	
Net cash received from disposal of subsidiaries	-32,588,063.55

3. Composition of cash and cash equivalents

I +	C + j a a	Opening balance
(I) Cash	11,298,046,225.31	9,197,222,711.30
Including: Cash	3,314,137.20	4,701,674.25
Bank deposits that can be used for payment at any time	2,168,033,080.96	1,328,343,438.70
Other currency funds that can be used to pay at any time		
Central bank deposits available for payment	7,358,033.46	51,259,304.95
Deposits in other banks	9,119,340,973.69	7,812,918,293.40
Loans to other banks		
(II) Cash equivalents		
Including: Bond investment due within three months		
(III) Cash and cash equivalents at the end of the period	11,298,046,225.31	9,197,222,711.30

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

III. Q E _ O K E L E I C O L I D A E D F I A C I A L _ A E E _ (C O _ I _ E D)

(L I) F _ i _ C _ I _ **

I _ *	C _ * _ j _ a a	E x a a	C _ * _ j _ a a
Cash			933,913,388.84
Including: USD	131,901,776.30	6.5249	860,645,900.18
EUR	217,635.38	8.0250	1,746,523.92
Pakistan Rupee	1,570,148,688.84	0.0403	63,276,992.16
United Arab Emirates Dirham	1,001,998.34	1.7761	1,779,649.25
Sudanese pound	11,876,568.16	0.1183	1,404,998.01
Indonesian Rupiah	74,727,041.34	0.0005	37,363.52
Vietnamese Dong	2,690,134.00	0.0003	807.04
Indian rupee	4,174,829.99	0.0891	371,977.35
Turkish Lira	2,287,386.30	0.8837	2,021,363.27
Iranian rial	45,715.00	0.0002	9.14
Usumu	48,588,973.52	0.0006	29,153.38
Brazilian Rial	2,003,219.13	1.2557	2,515,442.26
HKD	98,835.68	0.8416	83,180.11
Tugrik	11,000.00	0.0023	25.30
Accounts receivable			420,747,369.02
Including: USD	61,513,270.28	6.5249	401,367,937.25
EUR	791,805.90	8.0250	6,354,242.35
Sudanese pound	1,285,856.05	0.1183	152,116.77
Brazilian Rial	10,251,710.32	1.2557	12,873,072.65
Short-term borrowings			473,476,704.68
Including: USD	48,816,684.69	6.5249	318,523,985.93
EUR	19,308,750.00	8.0250	154,952,718.75

Q E O 2020 F I A C I A L A E E (C O I E D)

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

I . E Q L I O H E F L I E

(I) E q i i s i a i s

1. The composition of enterprise groups

a	a i i a i	a i a i	a i s i s	a	a i i (%)	
					D i i	
Harbin Boiler Company Limited	Harbin	Harbin	China	Manufacturing	100	Shareholder investment
Harbin Electric Machinery Co., Ltd.	Harbin	Harbin	China	Manufacturing	100	Shareholder investment
Harbin Turbine Co., Ltd.	Harbin	Harbin	China	Manufacturing	100	Shareholder investment
Harbin Electric International Co., Ltd.	Harbin	Harbin	Pakistan, Ecuador, Turkey, etc	Manufacturing	100	Investment
Harbin Power Equipment National Engineering Research Centre Co., Ltd	Harbin	Harbin	China	Service industry	75	Investment
Harbin Power Technology & Trade Inc. (Note 1)	Harbin	Harbin	China	Export trade	55.55	44.32 Investment
Harbin Electric Group (Qinghuangdao) Heavy Equipment Co., Ltd. (Note 2)	QingHuangdao	QingHuangdao	China	Manufacturing	34.15	65.38 Investment
Harbin Electric Power Equipment Co., Ltd.	Harbin	Harbin	China	Manufacturing	100	Investment
HE Harbin Power Plant Valve Co., Ltd.	Harbin	Harbin	China	Manufacturing	100	Investment
Harbin Electric Corporation Finance Co., Ltd. (Note 3)	Harbin	Harbin	China	Finance	55	35.87 Business combination under the same control
Chengdu Sanliya Technology Co., Ltd. (Note 4)	Chengdu	Chengdu	China	Manufacturing	40.7	Liquidation
Shenzhen Ha Dynamic Huihua Industry & Trade Co., Ltd. (Note 5)	Shenzhen	Shenzhen	China	Trade	60	Investment
Harbin Electric (H.E) Corporation	Harbin	Harbin	China	Other machinery and electronics wholesale	100	Business combination under the same control
Harbin electric leasing (tianjin) co. LTD	Tianjin	Tianjin	China	Leasing	80	Investment

Q E O 2020 F I A C I A L A E E (C O I E D)

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

I . E Q L I O H E F E L I E (C O I E D)

(I) E q i j k l a j (C k)

1. The composition of enterprise groups (Continued)

a	a j a j	a j a j	a j a j	a j a j	a j a j	a j a j (%)	a j a j
Hadian Corporation Shanxi Environmental Protection Engineering Co., Ltd.	Yuncheng	Yuncheng	China	Water, environmental and public facilities management	51	49	Investment
Harbin Electric Group Biomass Power Generation (Wangkui) Co., Ltd.	Wangkui	Wangkui	China	Biomass power generation	100		Investment
Harbin Electric Group Biomass Power Generation (Dehui) Co., Ltd.	Dehui	Dehui	China	Biomass power generation	100		Investment

The list of directors of the company's major subsidiaries is as follows:

Fan Xianfeng, Yu Long, Xu Ying, Lang Hongliang, Zhao Xin, Zhang Wei, Wu Tong, Yang Yulong, Qiu Xiliang, Sun Zhongmin, Yu Haoyang, Li Changbao, Zhang Zhenjiang, Cheng Yue, Wang Gui, Tao Xingming, Liu Yuqiang, Che Dongguang, Sun Baohong, Guo Yu, Wang Xiaokun, Chi Ming, Liu Limin, Wang Xiaoqun, Zhang Hongtao, Wang Shouge, Sai Peng, Song Zhaoyuan, Gao Xuguang, Wang Qianzhuang, Zhong Weibin, Li Mengqi, Wang Xiaowen, Li Weidong, Zhang Jie, Qu Weimin, Wang Yue, Zhang Yanjun, Wu Jun, Xia Liangwei, Liu Zhiquan, Ding Yuda, Zhang Jingbin, Wang Yutian, Zhang Dejun, Liang Chunlin, Qiu Wen, Liang Chunlin, Lin Kuanhai, Liu Xuhua, Ai Lisong, Guan Yingjie, Zhang Liwei, Xie Jingdong, Xu Fuwu, Jiang Shengbin, Jia Lijun, Zhang Chongyang, Ye Xinyong, Song Xiaofang and others.

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I E D)

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

I . E Q L I O H E _ L I E (C O _ I E D)

(I) E q _ i _ i _ a _ i _ (C _)

1. The composition of enterprise groups (Continued)

The proportion of shares held by a subsidiary differs from the proportion of voting rights:

- (1) The shareholding structure of Harbin Power Technology Trade Co., Ltd. is 55.55% held by the company. Harbin Electric International Engineering Co., Ltd., a subsidiary of the company, holds 27.77% of the shares. Harbin Electric Machinery Co., Ltd., Harbin Boiler Factory Co., Ltd. and Harbin Steam Turbine Factory Co., Ltd. holds 5.56% each, and the company holds 99.87%.
- (2) The shareholding structure of Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd. is 34.15% held by the company. The subsidiaries of Harbin Electric Machinery Co., Ltd., Harbin Boiler Factory Co., Ltd. and Harbin Steam Turbine Factory Co., Ltd. each hold shares. 21.95%, 99.53% of the company's merger shares.
- (3) The shareholding structure of Harbin Electric Group Finance Co., Ltd. is 55.00% held by the company. Harbin Electric International Engineering Co., Ltd., a subsidiary of the Company, holds 18.00% of the shares. Harbin Electric Machinery Co., Ltd., Harbin Boiler Factory Co., Ltd. and Harbin Steam Turbine Factory Co., Ltd. holds 6.00% each, and the company holds 90.87% of the shares.

The basis for holding half or less of the voting rights but still controlling the investee, and holding more than half of the voting rights but not controlling the investee:

- (4) The equity structure of Chengdu Sanliya Technology Co., Ltd. is 40.70% of the shares held by the company and 40.70% of the shares are entitled to voting. As the company's directors are more than half of its board members, it controls the formation of the company.
- (5) The shareholding structure of Shenzhen Hadong Huihua Industry & Trade Co., Ltd. is 60% of the company's shareholding, which was not included in the consolidation scope due to the liquidation and rectification.

Q E O 2020 F I A C I A L A E E (C O I E D)

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

I . E Q L I O H E F E I E (C O I E D)

(I) E q i i a i (C)

2. Important non-wholly-owned subsidiaries

	Percentage (%)	Assets	Liabilities	Equity
HE Harbin Power Plant Valve Co., Ltd.	55.00	4,839,219.13		255,863,898.94
Harbin Electric Corporation Finance Company Limited	9.00	17,774,058.82	7,492,907.27	197,344,993.68

3. Major non-wholly-owned subsidiary's major financial information

Item	Harbin Electric Corporation Finance Company Limited	
	Assets	Liabilities
Current asset	1,158,498,785.70	12,616,806,538.62
Non-current asset	83,995,277.99	2,916,623,773.18
Total asset	1,242,494,063.69	15,533,430,311.80
Current liabilities	626,047,218.02	13,340,708,159.76
Non-current liabilities	151,239,756.68	
Total liabilities	777,286,974.70	13,340,708,159.76
Operating income	560,748,943.03	328,453,134.50
Net profit	8,798,580.24	197,489,542.50
Total comprehensive income	8,798,580.24	197,005,567.50
Cash flow from operating activities	55,123,009.94	3,350,017,235.26

Q E O 2020 F I A C I A L A E E (C O I E D)
(In addition to the special note, the unit of amount is CNY)

I . E Q L I O H E F L I E (C O I E D)

(I) E q i i s i a i (C i)

3. *Major non-wholly-owned subsidiary's major financial information (Continued)*

	<u>Opening balance/Amount for previous period</u>	
	Harbin Turbine Co., Ltd.	Harbin Electric Corporation Finance Company Limited
Current asset	8,771,041,362.11	9,392,925,305.45
Non-current asset	2,005,954,393.35	2,700,002,547.36
Total asset	10,776,995,755.46	12,092,927,852.81
Current liabilities	10,434,309,176.72	10,013,956,743.04
Non-current liabilities	281,485,234.91	
Total liabilities	10,715,794,411.63	10,013,956,743.04
Operating income	3,779,365,272.11	459,229,984.87
Net profit	25,281,975.91	186,219,918.12
Total comprehensive income	25,281,975.91	186,721,218.12
Cash flow from operating activities	540,222,885.97	-552,341,939.75

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I E D)

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

I . E Q L I O H E _ L I E (C O _ I E D)

(II) - a a i a i (C)

2. The impact of the transaction on the minority shareholders, equity and the equity attributable to the parent company's owners:

I	HE Ha a a C , L .	Ha i - C , L .
Cash	268,889,000.00	5,885,400.00
Fair value of non cash assets		
Total Purchase cost	268,889,000.00	5,885,400.00
Less: Subsidiary's net asset share calculated based on the proportion of equity acquired	250,954,070.99	8,551,933.36
Balance	17,934,929.01	-2,666,533.36
Including: Adjust capital reserve	17,934,929.01	-2,666,533.36
Adjust surplus reserve		
Adjust undistributed profit		

(III) Eq i i i a a a a a

1. Important joint ventures or associates

a	a i f a i a i	a i a i a	a i (%) D i l i	A i i i i i a a
GE-Ha Power Energy Services (Qinhuangdao) Co., Ltd.	Qinhuangdao	Qinhuangdao	Energy service	41 Equity method
Ha Electric General Gas Turbine (Qinhuangdao) Co., Ltd.	Qinhuangdao	Qinhuangdao	manufacturing	50 Equity method

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I . E Q U I T Y _ H E _ L I E _ (C O _ I _ E D)

(I) a a a a a i i a a a a a a a a a a

	C a a /A a	a a
	GE-Ha E (Q a a) C ., L .	Ha E G a (Q a a) C ., L .
I a		
Current assets	313,047,612.29	93,963,750.39
Non-current assets	104,483,836.79	4,771,043.27
a a a a	417,531,449.08	98,734,793.66
Current liabilities	74,738,099.03	33,676,574.03
Non-current liabilities		
a a i i i	74,738,099.03	33,676,574.03
Interest of minority shareholders		
Attributable to the equity of the parent company	202,248,076.53	32,529,109.81
Share of net assets by shareholding	140,545,273.52	32,529,109.82
Adjustment Items		
Book value of equity investment in joint ventures	140,545,273.52	32,529,109.82
The fair value of equity investment in joint ventures with open bids		
Operating income	270,105,833.68	170,207.55
Net profits	34,004,949.15	-18,448,455.13
Discontinued operating net profit		
Other comprehensive income		
Total comprehensive income	34,004,949.15	-18,448,455.13
Dividends from joint ventures received during the current year	10,967,354.45	

Q E O 2020 F I A C I A L A E E (C O I E D)

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

I . E Q L I O H E F E L I E (C O I E D)

() a a a i a i a a a a a a a a

	C a a / A	Opening balance/ Amount for previous period
Total investment book value	221,595,090.77	35,330,453.00
Total amount basis on the Proportion of share hold		
Net profit	1,429,906.24	8,199,925.49
Other comprehensive income		
Total comprehensive income	1,429,906.24	8,199,925.49

. F L A E D R I S K O F F I A C I A L I E

The company faces various financial risks during its operations: credit risk, market risk and liquidity risk. The board of directors of the company is fully responsible for the determination of risk management objectives and policies and bears ultimate responsibility for risk management objectives and policies. The company's internal auditors also audit the risk management policies and procedures and report the findings to the audit committee.

The overall goal of the company's risk management is to formulate a risk management policy that minimizes risks without excessively affecting the company's competitiveness and resilience.

(I) C r e d i t

Credit risk refers to the risk that one party to a financial instrument fails to perform its obligations and causes financial losses to the other. The company is mainly facing customer credit risk caused by credit sales. Before the signing of the new contract, the company will evaluate the credit risk of the new customer, including the external credit rating and, in some cases, the bank credit certificate (when this information is available). The company sets a credit limit for each customer, which is the maximum amount that does not require additional approval.

The company ensures that the company's overall credit risk is within control of the company through quarterly monitoring of existing customer credit ratings and monthly review of accounts receivable aging analysis. When monitoring the customer's credit risk, they are grouped according to their credit characteristics. Customers rated as "high-risk" will be placed on the list of restricted customers, and the company can only sell them on the premise of additional approval, otherwise they must be required to pay in advance.

Q E O 2020 F I A C I A L A E E (C O I E D)

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

II F L A E D R I S K O F F I A C I A L I N S T R U M E N T S (C O I E D)

(II) a Market Risk

The market risk of financial instruments refers to the risk that the fair value or future cash flow of financial instruments fluctuates due to changes in market prices, including foreign exchange risk, interest rate risk and other price risks.

1. Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in market interest rates. The interest rate risk faced by the company mainly comes from short-term bank borrowings. The bank borrowed CNY15,600,000 which was calculated by the company at the same national standard interest rate for the same period or a certain percentage of interest rate. Under the assumption that other variables are unchanged, when the rate of interest changes reasonably, it will not have a significant impact on the company's total profit and shareholders' equity.

2. Foreign exchange risk

Foreign exchange risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. The company's exposure to foreign exchange risk is mainly related to US Dollars, Euros, Hong Kong Dollars, and British Pounds, with the exception of Harbin Electric International Engineering Co., Ltd., a subsidiary of the Company, which purchases and sells US Dollars, Euros, Hong Kong Dollars, British Pounds, and other major business activities

(III) Liquidity Risk

Liquidity risk refers to the risk of shortage of funds when an enterprise fulfills its obligations to settle cash or other financial assets. The company's policy is to ensure that it has sufficient cash to repay the debts due. Liquidity risk is centrally controlled by the company's financial department. The financial department ensures that the company has sufficient funds to repay the debt under all reasonably predicted circumstances by monitoring the cash balance, the securities that can be realised at any time, and rolling forecasts of the cash flow for the next 12 months.

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I. F A I _ A L _ E D I C L O _ (C O _ I _ E D)

(II) F a i _ a _ a _ a _ i _ i

1. Continuing fair value measurement

I _	F a i _ a _ a		i _ i	
	L 1	L 2	L 3	a
Subtotal of Financial assets at fair value through profit and loss				
Debt instrument investment				
Equity instrument investment				
derivative financial assets				
others				
derivative financial assets				
Transactional financial assets	201,804,166.47			201,804,166.47
Other debt investment	299,978,100.00			299,978,100.00
Other equity instrument investment	383,204,728.96		188,112,808.98	571,317,537.94
Other non current financial assets	167,567,126.04			167,567,126.04
Total assets	1,052,554,121.47		188,112,808.98	1,240,666,930.45

II. F L A _ E D _ A _ A _ D _ A _ C _ I _ O

(I) a _ i _ a _ i _ a _ i

a	i	a	a	i	a	i	a	i
				(ten thousand yuan)	(%)	(%)		
Harbin Electric Corporation	Harbin	Power station equipment manufacturing and sales	198,818.10	60.41	60.41			

(II) For the details of the company's subsidiaries and associates or joint ventures, please refer to Note Interests in Subsidiaries of () and Interests in joint arrangements or joint ventures of ().

Q E O 2020 F I A C I A L A E E (C O I E D)

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

II. F L A E D A A D A C I O (C O I E D)

(III) I a i a i a i

a	a i a i
Harbin Electric Industrial Development Corporation	Subsidiary controlled by the same parent company
Harbin Haguo Industrial Development Corporation	Subsidiary controlled by the same parent company
Harbin Haqi Industry Development Corporation	Subsidiary controlled by the same parent company
Harbin Sanlian Industrial Development Corporation	Subsidiary controlled by the same parent company
Harbin Electric Corporation ACHENG Relay limited liability company	Subsidiary controlled by the same parent company
Jiamusi Motor Factory Co., Ltd	Subsidiary controlled by the same parent company
Harbin Power Group biomass power generation (Fuyuan) Co., Ltd	Subsidiary controlled by the same parent company
Harbin Electric Group International Trade Co., Ltd.	Subsidiary controlled by the same parent company
Harbin Enterprise Management Service Co., Ltd. of Harbin Electric Group	Subsidiary controlled by the same parent company
Harbin Electric Group Marine Intelligent Equipment Co., Ltd.	Subsidiary controlled by the same parent company

(I) - a a i i a i a i a

The transaction price of the transaction between the company and the related party is the price agreed between the parties and is consistent with the transaction price of the non-related party.

1. For subsidiaries that have a control relationship and have been included in the scope of the company's consolidated financial statements, their mutual transactions and parent-subsidiary transactions have been offset.
2. *Continuing Connected Transaction*

The company renewed the "Management entrustment agreement" on 23 July 2019 and the "Continuing Connected Transaction – Financial Services Framework Agreement" and the "Continuing Connected Transaction – Product and Services Framework Agreement" on 24 December 2019. The Company and Harbin Electric Group Co., Ltd. signed the "Management entrustment agreement", "Product and Services Framework Agreement", "Financial Services Framework Agreement" and its supplementary agreement, the validity of the above agreements respective from 23 March 2019 to 22 March 2022, 31 December 2019 to 30 December 2022, 1 January 2020 to 31 December 2022.

The company issued "Continuing Connected Transaction – EPC Framework Agreement" on 14 February 2020. And the company signed the "EPC Framework Agreement" with Harbin Electric Group Co., Ltd. The validity period of the agreement is from 9 April 2020 to 31 December 2022.

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)
(In addition to the special note, the unit of amount is CNY)

II. F L A E D A A D A C I O (C O _ I _ E D)

(I) _ a a i i a i a i a (C _)

2. *Continuing Connected Transaction (Continued)*

The company issued “Continuing Connected Transaction – Technology Development Framework Agreement” on 24 April 2020. And the company signed the “Technology Development Framework Agreement” with Harbin Electric Power Generation Equipment National Engineering Research Center Co., Ltd. The validity period of the agreement is from 27 April 2020 to 31 February 2022.

(1) *Transaction information for products and services*

a a	A	Amount for previous period
Sales of goods		
– Company under the same control		
– Associates		
Purchase		
– Company under the same control	1,509,679.26	10,538,684.33
– Associates		
Service revenue		
– Company under the same control	371,037.34	111,892.34
Service expense		
– Company under the same control	57,661,754.75	43,308,371.01

The above transaction (1) is a transaction under the “Continuing Connected Transaction – Product and Services Framework Agreement” and is a continuing connected transaction under the requirements of Chapter 14A of the Listing Rules.

(2) *Interest paid on deposits*

a a	A	Amount for previous period
Holding company	6,220,663.37	12,613,636.24
Company under the same control	1,440,425.77	1,428,113.36
Associates		
Total	7,661,089.14	14,044,759.55

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I E D)

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

II. F L A E D A A D _ A C I O (C O _ I E D)

(I) _ a a i i a i a i a (C _)

2. Continuing Connected Transaction (Continued)

(3) Interest income from discounted Notes

Account	Amount	Amount for previous period
Company under the same control		27,143.71
Total		27,143.71

(4) Entrusted loan interest income

Account	Amount	Amount for previous period
Company under the same control	5,647,353.40	7,021,043.63
Total	5,647,353.40	7,021,043.63

The above transactions (2) to (4) are transactions under the "Continuing Connected Transactions – Financial Services Framework Agreement" and are continuing connected transactions under the requirements of Chapter 14A of the Listing Rules.

(5) Consignment management fees

Account	Account	Amount	Amount for previous period
Harbin Electric Group Co., Ltd.	Commissioned agency fees	3,280,000.00	3,280,000.00
Total		3,280,000.00	3,280,000.00

The above transaction (5) is a transaction under the Continuing Connected Transactions – Entrusted Management Contracts and is a continuing connected transaction under Chapter 14A of the Listing Rules. The "Entrusted Management Contract" renewed on 23 July 2019 is a continuing connected transaction waived under Rule 14A.33 of the Listing Rules.

Q E O 2020 F I A C I A L A E E (C O I E D)
(In addition to the special note, the unit of amount is CNY)

II. P L A E D A A D A C I O (C O I E D)

(I) - a a i i a i a i a (C i)

2. Continuing Connected Transaction (Continued)

(6) Directors, Supervisors and Senior Management Compensation

The remuneration of each director, supervisor and senior management staff in 2020 is as follows:

a	a a	i i	a
I. Director			
(I) executive director			
Mr. Si zefu			
Mr. Wu Weizhang	568,100.00	2,320.80	570,420.80
Mr. Zhang Yingjian	504,400.00	2,320.80	506,720.80
Executive Director Subtotal	1,072,500.00	4,641.60	1,077,141.60
(II) Non-Executive Director			
None			
(III) Independent Non-executive Director			
Mr. Zhu Hongjie	60,000.00		60,000.00
Mr. Hu Jianmin	60,000.00		60,000.00
Mr. Yu Wenxing	60,000.00		60,000.00
Mr. Tian Min	60,000.00		60,000.00
Subtotal of independent non-executive directors	240,000.00		240,000.00
II. Supervisors			
Mr. Feng Yongqiang			
Mr. Chen Guang	648,636.00	22,047.60	670,683.60
Mr. Zhang Junquan	379,361.89	22,047.60	401,409.49
Mr. Zhang Wenming	549,212.00	2,320.80	551,532.80
Mr. Zhu Pengtao	229,056.00	2,320.80	231,376.80
Subtotals of supervisors	1,806,265.89	48,736.80	1,855,002.69

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I E D)

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

II. F L A E D A A D A C I O (C O _ I E D)

(I) _ a a i i a i a i a (C)

2. Continuing Connected Transaction (Continued)

(6) Directors, Supervisors and Senior Management Compensation (Continued)

a	a a i	i i a	a
III. Senior management			
Mr. Liu Zhiqian	504,400.00	2,320.80	506,720.80
Mr. Xie Weijiang (Resigned on 28 October 2020)	503,400.00	3,770.40	507,170.40
Mr. Lv Zhiqiang	503,400.00	2,320.80	505,720.80
Mr. Zhang Haiquan	672,000.00	2,320.80	674,320.80
Mr. Qu Zhe (Resigned on 31 December 2020)	672,000.00	2,320.80	674,320.80
Mr. Ai Lisong (Company Secretary)	566,615.00	2,320.80	568,935.80
Subtotals of senior managers	3,421,815.00	15,374.40	3,437,189.40
Total	6,540,580.89	68,752.80	6,609,333.69

Q E O 2020 F I A C I A L A E E (C O I E D)
(In addition to the special note, the unit of amount is CNY)

II. P L A E D A A D A C I O (C O I E D)

(I) - a a i i a i a i a (C i)

2. *Continuing Connected Transaction (Continued)*

(6) *Directors, Supervisors and Senior Management Compensation (Continued)*

Among the five highest paid including, zero (year 2019: 2) was also a senior executive of the company and their remuneration was disclosed as above. The total remuneration of the remaining 5 (year 2019: 3) persons is as follows:

/	i i	a a i	i i a	- a
The first	Chairman and Secretary of the Party Committee of Harbin Boiler Factory Co., Ltd.	823,700.00	22,047.60	845,747.60
The second	Deputy Secretary of the Party Committee, Vice Chairman and General Manager of Harbin Boiler Factory Co., Ltd.	776,700.00	22,047.60	798,747.60
The third	Deputy Secretary of the Party Committee and Chairman of the Labor Union of Harbin Boiler Factory Co., Ltd.	766,900.00	22,047.60	788,947.60
The fourth	Deputy General Manager of Harbin Boiler Factory Co., Ltd.	764,000.00	22,047.60	786,047.60
The fifth	Deputy General Manager of Harbin Boiler Factory Co., Ltd.	763,100.00	22,047.60	785,147.60
Total		3,894,400.00	110,238.00	4,004,638.00

The above transaction (6) is a continuing connected transaction waived under Rule 14A.33 of the Listing Rules.

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

II. _ L A _ E D _ A _ A _ D _ A _ C _ I _ O _ (C O _ I _ E D)

(I) _ a _ a _ i _ i _ a _ i _ a _ i _ a _ (C _ i _)

2. Continuing Connected Transaction (Continued)

(7) EPC service transactions

_ a _ i _ a	A _ i _ i	Amount for previous period
Company under the same control	232,267,363.28	
Total	232,267,363.28	

The above transactions (7) are transactions under the "Continuing Connected Transactions - EPC Framework Agreement" and are continuing connected transactions under the requirements of Chapter 14A of the Listing Rules.

(8) Technology development service transactions

_ a _ i _ a	A _ i _ i	Amount for previous period
Harbin Electric Power Generation Equipment National Engineering Research Center Co., Ltd.	50,556,981.22	
Total	50,556,981.22	

The above transactions (8) are transactions under the "Continuing Connected Transactions – Technology Development Framework Agreement" and are continuing connected transactions under the requirements of Chapter 14A of the Listing Rules.

3. Accounts receivable and payable for related party

(1) Accounts receivable

I _ i _ a _ i _ a	C _ i _ a _ a		Opening balance	
	Ca _ i _ A _ i	Ba _ a _ a	Carrying Amount	Bad debt allowance
Account receivables				
Harbin Electric Corporation Jiamusi Electric Machine Co., Ltd	161,970.20		77,200.20	
Payment in advanced				
Harbin Electric Industrial Development Corporation			5,000,000.00	
Other receivables				
Harbin Electric Corporation	162,095,125.59		162,112,511.57	
Harbin Electric Industrial Development Corporation			20,000,000.00	
Harbin Sanlian Industrial Development Corporation	4,870,000.00		3,100,000.00	
Harbin Haguo Industrial Development Corporation	29,009,103.46		52,509.31	

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I E D)

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

II. F L A E D A A D A C I O (C O _ I E D)

(I) _ a a i i a i a i a (C i a)

3. Accounts receivable and payable for related party (Continued)

(2) Account payable Items

I	a a i a	C i a a	Opening balance
Deposit taking			
	Harbin Electric Corporation	382,259,942.58	454,272,039.38
	Harbin Electric Industrial Development Corporation	20,644,732.48	17,676,611.41
	Harbin Haguo Industrial Development Corporation	13,064,273.50	7,843,580.57
	Jiamusi Motor Factory Co., Ltd.	12,578,901.95	7,159,827.87
	Harbin Insulation Material Factory	3,712,984.41	
	Harbin Haqi Industrial Development Corporation	1,588,649.46	1,772,514.14
	Harbin Electric Corporation Jiamusi Electric Machine Co., Ltd	80,000.22	
	Harbin Sanlian Industrial Development Corporation	3,142,935.62	2,913,335.23
	Harbin Hadian Metal Component Co., Ltd.	373,702.77	73,642.13
	Harbin Electric Property Management Co., Ltd.	4,578,527.16	4,426,876.22
	Harbin Haqi Industrial Comprehensive Service Management Co., Ltd.	2,669,587.95	1,546,729.48
	Harbin Electric Factory Kindergarten	350,730.24	576,369.54
	Harbin Boiler Power Station Spare Parts Co., Ltd.	1,192,330.36	4,180,385.98
	Harbin Industrial Development Co., Ltd. Kindergarten	660,977.43	124,354.31
	Harbin Electric Material Distribution Corporation	76.38	76.10
	Harbin Electric Group Biomass Power Generation (Fuyuan) Co., Ltd.	21,077,194.20	

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I E D)

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

II. F L A E D A A D _ A C I O (C O _ I E D)

(I) _ a a i i a i a i a (C _)

3. Accounts receivable and payable for related party (Continued)

(2) Account payable Items (Continued)

I	a	C	Opening balance
Account payables			
	Harbin Electric Metal Components Co., Ltd.	6,179,175.06	12,558,715.45
	Harbin Electric Material Distribution Corporation	3,401,052.16	3,601,065.16
	Harbin Electric Property Management Co., Ltd.	311,440.85	1,081,362.94
	Harbin Haqi Industrial Development Corporation		210,981.30
	Harbin Industrial Development Co., Ltd.	5,158.50	5,158.50
	Harbin Pengbo Economic and Trade Co., Ltd.	698,754.56	1,178,425.87
	Harbin Electric Group Jiamusi Electric Co., Ltd.	715,365.75	504,596.24
Contract liabilities			
	Jiamusi Motor Co., Ltd.		300,000.00
Notes payable			
	Harbin Haqi Industrial Development Corporation		70,000.00
	Harbin Electric Metal Components Co., Ltd.		700,000.00
Other Payables			
	Harbin Electric Corporation	478,000.00	3,978,000.00
	Harbin Haqi Industrial Development Corporation	3,721,598.00	2,595,900.00

III. CO I G E C I E

(I) C i a i i i

1. Contingent liabilities formed by providing debt guarantee for other companies

As of 31 December 2020, the companies provided loan guarantee are as follows :

Q a a	f a	Q a a		Ca	A i a a	A	I a i i a i	O i i	* a i	* a i
		a	a.							
	Total					2,538,851,846.69	226,700,055.00			
1	Harbin Electric Factory Co., Ltd.	Harbin Steam Turbine Factory Co., Ltd.	State-controlled	joint responsibility	Performance guarantee	No counter guarantee	690,000,000.00	Normal operation	None	None
2	Harbin Electric Factory Co., Ltd.	Harbin Electric Factory (Zhenjiang) Co., Ltd.	State-controlled	joint responsibility	Performance guarantee	No counter guarantee	190,000,000.00	Normal operation	None	None
3	Harbin Electric Factory Co., Ltd.	Harbin National Hydropower Equipment Engineering Technology Research Center Co., Ltd.	State-controlled	joint responsibility	Performance guarantee	No counter guarantee	10,000,000.00	Normal operation	None	None
4	Harbin Steam Turbine Factory Co., Ltd.	Harbin Boiler Factory Co., Ltd.	State-controlled	joint responsibility	Performance guarantee	No counter guarantee	1,490,000.00	Normal operation	None	None
5	Harbin Boiler Factory Co., Ltd.	Harbin Electric Group Shanxi Environmental Engineering Co., Ltd.	State-controlled	joint responsibility	Loan guarantee	No counter guarantee	89,180,000.00	Normal operation	None	None
6	Harbin Electric Co., Ltd.	Harbin Electric International Engineering Co., Ltd.	State-controlled	joint responsibility	Performance guarantee	No counter guarantee	153,680,000.00	Normal operation	None	None
7	Harbin Electric Co., Ltd.	Harbin Electric International Engineering Co., Ltd.	State-controlled	joint responsibility	Performance guarantee	No counter guarantee	173,139,180.08	Normal operation	None	None
8	Harbin Electric Co., Ltd.	Harbin Electric International Engineering Co., Ltd.	State-controlled	joint responsibility	Other guarantee	No counter guarantee	20,776,701.64	Normal operation	None	None
9	Harbin Electric Co., Ltd.	Harbin Electric International Engineering Co., Ltd.	State-controlled	joint responsibility	Other guarantee	No counter guarantee	20,793,947.53	Normal operation	None	None
10	Harbin Electric Co., Ltd.	Harbin Electric International Engineering Co., Ltd.	State-controlled	joint responsibility	Other guarantee	No counter guarantee	24,559,362.32	Normal operation	None	None
11	Harbin Electric Co., Ltd.	Harbin Electric International Engineering Co., Ltd.	State-controlled	joint responsibility	Performance guarantee	No counter guarantee	553,285,844.15	Normal operation	None	None
12	Harbin Electric Co., Ltd.	Harbin Electric International Engineering Co., Ltd.	State-controlled	joint responsibility	Performance guarantee	No counter guarantee	10,064,033.93	Normal operation	None	None
13	Harbin Electric Co., Ltd.	Harbin Electric International Engineering Co., Ltd.	State-controlled	joint responsibility	Performance guarantee	No counter guarantee	7,486,250.36	Normal operation	None	None
14	Harbin Electric Co., Ltd.	Harbin Electric International Engineering Co., Ltd.	State-controlled	joint responsibility	Other guarantee	No counter guarantee	322,530,528.68	Normal operation	None	None
15	Harbin Electric Co., Ltd.	Harbin Electric International Engineering Co., Ltd.	State-controlled	joint responsibility	Loan guarantee	No counter guarantee	226,700,055.00	Normal operation	None	None
16	Harbin Electric Co., Ltd.	Harbin Electric Group Shanxi Environmental Engineering Co., Ltd.	State-controlled	joint responsibility	Loan guarantee	No counter guarantee	34,927,350.00	Normal operation	None	None
17	Harbin Power Station Valve Co., Ltd. of Harbin Electric Group	Harbin Electric Power Equipment Co., Ltd.	State-controlled	joint responsibility	Performance guarantee	No counter guarantee	4,290,000.00	Normal operation	None	None
18	Harbin Power Station Valve Co., Ltd. of Harbin Electric Group	Harbin Electric Power Equipment Co., Ltd.	State-controlled	joint responsibility	Performance guarantee	No counter guarantee	5,220,852.00	Normal operation	None	None
19	Harbin Power Station Valve Co., Ltd. of Harbin Electric Group	Harbin Electric Power Equipment Co., Ltd.	State-controlled	joint responsibility	Performance guarantee	No counter guarantee	727,741.00	Normal operation	None	None

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I E D)

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

III. C O _ I G E C I E (C O _ I E D)

(I) C i q i i i * (C t)

2. Contracts that have been signed but no commitment to purchase or build assets

As of 31 December 2020, the company has signed contracts but has not yet incurred large contract expenditures totaling 64,815,401.79 yuan for the purchase and construction of assets. The details are as follows:

a	C a a .	E i a
	i a i i *	i i
Harbin Electric Co., Ltd. (Headquarters)	32,223,229.11	2021
Harbin Steam Turbine Factory Co., Ltd.	22,646,036.93	2021
Harbin Electric Power Equipment Co., Ltd.	9,946,135.75	2021
Total	64,815,401.79	

(II) C i a **

The company has no contingent assets that need to be stated at the end of year.

I . E E _ A E E H E B A L A C E H E E D A A

(I) i i i a - a * i *

After the 2nd meeting of the 9th Board of Directors reviewed and approved the 2020 profit distribution plan, the board of directors does not recommend to pay the company's final dividend of 2020. The board of directors recommended a special dividend of RMB0.011 per share (including tax).

(II) O * a * a a * a

The company has no other event that need to be stated at the end of year.

. O H E _ O A _ E E _

(I) i a i

1. *The determination basis and accounting policy of the report segment*

According to the company's internal organizational structure, management requirements, and internal reporting system, six reporting divisions were identified: thermal power equipment and equipment divisions, hydropower equipment and equipment divisions, power station engineering service divisions, power plant auxiliary equipment and auxiliary products. Divisions, nuclear power product divisions, and AC & DC motors and other divisions. Each of the company's reporting divisions provides different products or services or operates in different regions. Since each segment requires different technologies or marketing strategies, the management of the company separately manages the operating activities of the various reporting segments and regularly evaluates the operating results of these reporting segments in order to decide to allocate resources to them and evaluate their performance.

Inter-segment transfer prices are determined on the basis of actual transaction prices, and expenses indirectly attributable to each segment are allocated among segments based on the proportion of income. Assets are allocated based on the operation of the segment and the location of the assets. Segment liabilities include liabilities that are attributable to the segment formed by the segment's operating activities. If the expenses related to liabilities shared by multiple operating segments are allocated to these operating segments, the shared liabilities are also allocated to these operating segments.

Q E O 2020 F I A C I A L A E E (C O I E D)

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

Q H E O A E E (C O I E D)

(I) i a i (C)

2. Report Division Financial Information

(1) Segment assets, liabilities and income

	2020	2019	2018	2017	2016	2015	2014
Q 31 D 2020							
Reportable segment assets	34,113,369,738.82	6,720,545,053.66	8,017,840,757.43	2,333,693,744.35	5,635,409,069.49	10,821,647,967.39	67,642,506,331.14
Including: increase in amount of construction in progress in the current period	85,563,049.91	65,895,154.40		6,683,130.57	29,990,804.45	46,354,608.96	234,486,748.29
Purchased fixed assets and intangible assets	24,693,267.22	3,514,056.76	6,412,214.87	2,427,455.63	2,946,560.55	58,325,785.76	98,319,340.79
Reportable segment liabilities	30,029,661,562.54	3,978,405,220.96	7,724,304,472.24	1,652,492,888.77	3,812,446,254.89	7,461,914,481.08	54,659,224,880.48
I 2020							
Segment revenue							
Income form external customers	8,710,409,710.23	2,454,051,184.86	6,405,089,211.40	931,421,749.11	1,467,609,700.17	3,791,818,152.85	23,760,399,708.62
Income between segment	5,545,608,315.63					23,723,518.72	5,569,331,834.35
Reportable segment profits	14,256,018,025.86	2,454,051,184.86	6,405,089,211.40	931,421,749.11	1,467,609,700.17	3,815,541,671.57	29,329,731,542.97
Reportable segment gross profit	1,289,146,170.40	412,062,483.11	-198,465,857.18	101,645,091.39	374,936,179.71	744,359,880.79	2,723,683,948.22

Q E O 2020 F I A C I A L A E E (C O I E D)

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

. Q H E A O A E E (C O I E D)

(I) i a i (C)

2. Report Division Financial Information (Continued)

(1) Segment assets, liabilities and income (Continued)

I *	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
Q 31 D 2019							
Reportable segment assets	31,358,808,053.07	7,808,856,434.46	6,793,551,768.38	2,824,191,297.17	5,684,045,055.07	9,614,667,379.77	64,084,119,987.92
Including: increase in amount of construction							
in progress in the current period	243,505,116.36	67,505,164.81	188,279.09	43,140,760.95	29,009,516.81	204,710,812.33	588,059,650.35
Purchased fixed assets and intangible assets	36,334,558.22	4,667,982.81	6,105,496.94	7,464,322.82	132,098,283.12	318,376,782.60	505,047,426.51
Reportable segment liabilities	27,506,084,273.07	4,373,987,492.35	6,146,541,709.58	1,903,458,884.35	3,953,037,581.90	7,274,868,826.59	51,157,978,767.84
I 2019							
Segment revenue							
Income from external customer	8,348,147,240.57	2,682,222,212.05	5,453,117,695.87	1,188,632,850.05	1,289,081,347.44	3,554,390,122.66	22,515,591,468.64
Income between segment	3,687,988,049.45					17,631,214.95	3,705,619,264.40
Reportable segment revenue	12,036,135,290.02	2,682,222,212.05	5,453,117,695.87	1,188,632,850.05	1,289,081,347.44	3,572,021,337.61	26,221,210,733.04
Reportable segment gross profit	1,497,641,426.18	413,668,148.94	94,916,778.51	162,399,205.41	305,283,353.50	877,673,630.41	3,351,582,542.95

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

. O H E _ O _ A _ E E _ (C O _ I _ E D)

(I) i a i (C _)

2. Report Division Financial Information (Continued)

(2) Segment assets, liabilities and income

I	C	Opening balance
A		
Reportable segment assets	67,642,506,331.14	64,084,119,987.92
Offset relevant contacts between divisions	-24,085,995,845.81	-20,159,484,964.02
Reportable segment net assets	43,556,510,485.33	43,924,635,023.90
Deferred tax assets	538,049,449.57	515,639,833.88
Other non-current assets		
Financial assets at fair value through profit or loss	201,804,166.47	
Restricted and pledged bank loans		
Bank deposit	9,119,340,973.69	7,812,918,293.40
Central bank deposit	701,491,386.38	497,983,048.37
Cash and cash equivalents	7,358,706.92	51,260,451.60
Unallocated headquarters and company assets	3,836,701,317.47	2,280,229,877.62
Total assets	57,961,256,485.83	55,082,666,528.77
L		
Reportable segment liabilities	54,659,224,880.48	51,157,978,767.84
Offset relevant contacts between divisions	-13,926,199,847.85	-12,837,672,374.26
Net reportable segment liabilities	40,733,025,032.63	38,320,306,393.58
Taxes payable	450,081,285.12	330,384,742.00
Deferred income tax liabilities		
Unallocated headquarters and corporate liabilities	578,099,653.17	575,811,208.52
Total liabilities	41,761,205,970.92	39,226,502,344.10

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I E D)

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

. O H E A O A _ E E _ (C O _ I E D)

(1) i a i (C)

2. Report Division Financial Information (Continued)

(2) Segment assets, liabilities and income (Continued)

I	A	Amount for previous period
Income from external customers	23,760,399,708.62	22,515,591,468.64
Inter-segment revenue	5,569,331,834.35	3,705,619,264.40
Reportable segment revenue	29,329,731,542.97	26,221,210,733.04
Reportable segment gross profit	2,723,683,948.22	3,351,582,542.95
Offset segment losses	20,192,828.48	27,303,095.99
Reportable segment gross profit from customers outside the group	2,703,491,119.74	3,324,279,446.96
Long-term equity investment income accounted for by the equity method	5,826,738.34	20,512,794.76
Interest income	286,381,460.45	447,844,950.49
Chinese government grant	482,638,327.50	114,827,314.06
Financial assets at fair value through profit or loss for the current period	217,411.27	
Financial liabilities measured at fair value and whose changes are charged to profit or loss for the current period – cash flow hedges		
Interest expenses	243,163,075.35	133,684,660.89
Impairment losses for long-term assets such as fixed assets and intangible assets		
Unallocated other income and net income	148,202,548.44	142,279,453.02
Unallocated headquarters and corporate expenses	3,306,636,653.40	3,698,916,530.88
Total profit	76,957,876.99	217,142,767.52

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

. Q H E _ O _ A _ E E _ (C O _ I _ E D)

(I) i a i (C _)

2. Report Division Financial Information (Continued)

(3) Regional information

	2020	2019
1. Domestic (China)	17,604,151,922.66	17,057,967,494.47
2. Overseas :		
– Pakistan Islamic Community	2,591,760,519.00	394,242,772.71
– Republic of Turkey	78,299,698.97	45,352,307.63
– The United Arab Emirates	2,395,497,262.37	4,330,026,595.62
– Republic of Ecuador	296,682,438.31	223,988,213.93
– Republic of Iraq	682,407,954.44	86,454,636.79
– Other countries	111,599,912.87	377,559,447.49
Overseas subtotals	6,156,247,785.96	5,457,623,974.17
Total	23,760,399,708.62	22,515,591,468.64

Q E O 2020 F I A C I A L A E E (C O I E D)
(In addition to the special note, the unit of amount is CNY)

I. A E C O A F I A C I A L A E E A I Q J E C O E

(I) A A a

	C a a				Opening balance			
	Ca A	A (%)	Ba A	A (%)	Carrying Amount	Rate (%)	Bad debt provision Amount	Provision rate (%)
Accounts receivable with provision for bad debts based on the combination of credit risk characteristics	2,385,151,084.53	99.82	447,641,199.18	18.77	1,542,524,697.67	100.00	377,247,903.82	24.46
Accounts receivable with single item provision for bad debts	4,322,000.00	0.18			45,000.00			
Total	2,389,473,084.53		447,641,199.18	18.73	1,542,569,697.67		377,247,903.82	24.46

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I. A _ C O _ A _ F I A C I A L _ A E E _ A I _ Q J E C _ Q E (C O _ I _ E D)

(I) A _ _ _ _ _ (C _ _ _ _)

1. Accounts receivable accruing bad debt provision in credit risk characteristic portfolio

(1) Accounts receivables accruing bad debt provision by applying aging analysis :

A	C _ _ _ _ a a		Opening balance			
	Ca _ i A _ A _ _ _ _ (%)	Ba _ _ _ _ _ (%)	Carrying Amount Amount	proportion (%)	Bad debt provision	
Within 1 year	1,643,173,091.80	68.89	82,158,654.59	821,259,844.01	53.24	41,062,992.20
1-2 years	305,273,111.74	12.80	76,318,277.94	381,644,851.82	24.74	95,411,212.96
2-3 years	257,715,857.03	10.81	128,857,928.52	175,238,276.54	11.36	87,619,138.26
3-4 years	59,432,958.66	2.49	47,546,366.93	33,980,470.52	2.20	27,184,376.42
4-5 years	33,980,470.52	1.42	27,184,376.42	22,155,353.96	1.44	17,724,283.16
Over 5 years	85,575,594.78	3.59	85,575,594.78	108,245,900.82	7.02	108,245,900.82
Total	2,385,151,084.53		447,641,199.18	1,542,524,697.67		377,247,903.82

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I. A E _ C O A F I A C I A L _ A E E _ A I Q J E C _ O E (C O _ I _ E D)

(I) A _ a (C _)

2. Current provision, reversal or recovery of bad debts

D	A _ a	A _ a	a	A _ a	a
Sateri (China) Fiber Co., Ltd.	131,405.21	270,609.27	a		
Northwest Electric Engineering Contracting Co., Ltd.	148,376.06	747,179.48	a		
China Power Construction Group Shandong Electric Power Construction First Engineering Co., Ltd.	241,183.38	370,306.40	a		
China National Machinery Engineering Corporation	3,450.00	3,450.00	a		
Angang Group Energy Conservation Technology Service Co., Ltd.	941,155.07	941,155.10	a		
Shanghai Shujin Technology Environmental Protection Co., Ltd.	14,500.00	14,500.00	a		
China Resources Power (Jinzhou) Co., Ltd.	27,525,119.74	27,905,879.39	a		
Shandong Nuclear Power Co., Ltd.	10,000.00	10,000.00	a		
Daqing Oilfield Power Group	23,720.50	23,720.50	a		
Foshan Shunde Wusha Thermal Power Co., Ltd.	5,489.50	5,489.50	a		
Fujian Jinjiang Natural Gas Power Generation Co., Ltd.	31,974.35	31,974.35	a		
Fuxin Power Generation Co., Ltd.	26,825.00	26,825.00	a		
Guodian Northeast Electric Power Co., Ltd. Shenxi Thermal Power Plant	16,638.65	23,950.00	a		
Guodian Ledong Power Generation Co., Ltd.	5,450.00	5,450.00	a		
Hebei Hengfeng Power Generation Co., Ltd.	19,950.00	39,900.00	a		
Nuclear Power Qinshan Joint Venture Co., Ltd.	28,800.00	28,800.00	a		
Heilongjiang Huadian Qiqihar Thermal Power Co., Ltd.	3,476.25	4,421.25	a		
Huaneng Beijing Thermal Power Co., Ltd.	103,140.00	103,140.00	a		
Huaneng Daqing Thermal Power Co., Ltd.	2,516.00	11,700.00	a		
Huaneng Wuhan Power Generation Co., Ltd.	7,124.25	7,842.30	a		
Huaibei Huancheng Power Generation Co., Ltd.	27,500.00	27,500.00	a		
Jiangsu South Thermal Power Generation Co., Ltd.	225,000.00	225,000.00	a		
Liaoning Diaobingshan Coal Gangue Power Generation Co., Ltd.	347,500.00	347,500.00	a		

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I. A E _ C O _ A _ F I A C I A L _ A E E _ A I _ Q J E C _ O _ E (C O _ I _ E D)

(I) A _ _ _ _ _ (C _ _ _ _)

2. Current provision, reversal or recovery of bad debts (Continued)

D	A _ _ _ _		A _ _ _ _		A _ _ _ _	
	A _ _	a	a	a	a	a
Shanxi Zhangxi Tonghua Power Generation Co., Ltd.	42,862.07		42,862.07		a	
Shenyang China Resources Thermal Power Co., Ltd.	122,500.00		122,500.00		a	
Tianjin Guodian Jinneng Thermal Power Co., Ltd.	89,500.00		89,500.00		a	
Yangcheng International Power Generation Co., Ltd.	756,151.72		1,096,151.72		a	
China Power Construction Group Gansu Energy Investment Co., Ltd.	12,274.00		19,061.50		a	
China Power Investment Corporation Zhuhai Hengqin Thermal Power Co., Ltd.	11,964,250.00		11,964,250.00		a	
Datang Power Generation Co., Ltd. Beijing Gaojing Thermal Power Plant	4,680,000.00		12,680,000.00		a	
Zhejiang Datang International Jiangshan Xincheng Thermal Power Co., Ltd.	743,000.00		33,467,814.58		a	
Huaneng Lingang (Tianjin) Gas Thermal Power Co., Ltd.	31,498,651.51		31,707,227.23		a	
Huadian Shandong Materials Co., Ltd.	64,928,882.00		65,118,530.00		a	
Jiangsu Kanshan Power Generation Co., Ltd.	4,930.00		4,930.00		a	
Hainan Nuclear Power Co., Ltd.	8,153,685.19		8,153,685.19		a	
China Zhongyuan Foreign Engineering Co., Ltd.	1,176,057.97		1,176,057.97		a	
Total	154,063,038.42		196,818,862.80			

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)
(In addition to the special note, the unit of amount is CNY)

I. A _ C O A F I A C I A L _ A E E _ A I Q J E C _ O E
(C O _ I _ E D)

(I) A _ (C)

3. *The top five receivables according to the closing balance of arrears*

D	Carrying Amount	Proportion (%)	Bad debt provision
Linyi Huashengjiangquan Energy Co., Ltd.	338,820,000.00	14.18	16,941,000.00
Jiangxi Ganneng Co., Ltd. Fengcheng Phase III Power Plant	269,169,035.60	11.26	14,536,167.20
Luoyang Wanzhong Geely Thermal Power Co., Ltd.	231,362,444.00	9.68	115,664,198.50
Huadian Global (Beijing) Trade Development Co., Ltd.	132,930,000.00	5.56	6,646,500.00
MCC Southern Metropolis Environmental Engineering Technology Co., Ltd.	91,480,373.48	3.83	13,647,293.37
Total	1,063,761,853.08	44.52	167,435,159.07

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I. A E _ C O _ A _ F I A C I A L _ A E E _ A I _ Q J E C _ Q E (C O _ I _ E D)

(II) O _ i a _

I _	C _ i _ a a	Opening balance
Interest receivable		
Dividend receivable	145,786,403.99	179,624,995.11
Other receivables	1,558,562,071.31	2,053,356,411.03
Total	1,704,348,475.30	2,232,981,406.14

1. Dividend receivable

I _	C _ i _ a a	Opening balance	non recovery reason	Impairment or not
Within 1 year		104,500,000.00		
1. Harbin Boiler Valve Co., Ltd		104,500,000.00		
Over 1 years		75,124,995.11		
1. Harbin Electric Machinery Co., Ltd	17,323,540.23	17,323,540.23	Unsettled	NO
2. Harbin Power Technology and Trade Co., Ltd.	1,050,000.00	1,050,000.00	Unsettled	NO
3. Chengdu Sanya China Ceramics Co., Ltd	2,912,863.76	2,912,863.76	Unsettled	NO
4. Harbin Power Group Harbin Power Station Valve Co., Ltd.	124,500,000.00	53,838,591.12	Unsettled	NO
Total	145,786,403.99	179,624,995.11		

Q E O 2020 F I A C I A L A E E (C O I E D)

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

I. A F C O A F I A C I A L A E E A I Q J E C O E (C O I E D)

(II) O i a (C i)

2. Other receivables

	C i a a		Opening balance			
	Ca i A i (%)	Ba i A i (%)	Carrying Amount	proportion (%)	Bad debt provision Amount	proportion (%)
Other accounts receivable with single item provision for bad debts	1,528,308,702.63	97.41	2,030,791,835.49	98.32	6,294,162.33	0.31
Other receivables with bad debt provision according to credit risk characteristics	40,675,720.02	2.59	10,422,351.34	1.68	5,836,884.02	16.82
Total	1,568,984,422.65	10,422,351.34	2,065,487,457.38	12,131,046.35	0.59	

(1) Other accounts receivable with single item provision for bad debts

D	Ca i A i	Ba i A i (%)	a*
Harbin Electric Machinery Co., Ltd.	213,000,000.00	Within 1 year; 4-5 years	Related parties are not accrued
Harbin Boiler Company Limited	200,000,000.00	Within 1 year	Related parties are not accrued
Harbin Power Technology and Trade Co., Ltd.	9,884,777.33	4-5 years	Related parties are not accrued
Harbin Steam Turbine Works Co., Ltd.	100,000,000.00	Within 1 year	Related parties are not accrued
Chengdu Sanliya Technology Company	16,386,473.85	Over 5 years	Related parties are not accrued
Harbin Electric Power Equipment Co., Ltd.	276,602,347.97	Over 2-5 years	Related parties are not accrued
Harbin Power Group Harbin Power Station Valve Co., Ltd.	16,331,934.47	Over 2-5 years	Related parties are not accrued
Harbin Electric Corporation (QHD) Heavy Equipment Company Limited (Qinhuangdao branch)	663,010,229.92	1-2years; 4-5 years	Related parties are not accrued
Harbin Electric Corporation (QHD) Heavy Equipment Company Limited	27,222,939.09	1-2years; Over 5 years	Related parties are not accrued
Harbin Sanlian Industrial Development Corporation	4,870,000.00	Within 1 year	Related parties are not accrued
Harbin Harguo Industrial Development Co., Ltd.	1,000,000.00	Within 1 year	Related parties are not accrued
Total	1,528,308,702.63		

OTHER RECEIVABLES (CONTINUED)

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

OTHER RECEIVABLES WITH BAD DEBT PROVISION ACCORDING TO CREDIT RISK CHARACTERISTICS

(II) OTHER RECEIVABLES (Continued)

2. Other receivables (Continued)

(2) Other receivables with bad debt provision according to credit risk characteristics

In the portfolio, other receivables with provision for bad debts based on aging analysis :

A	Closing balance		Opening balance		
	Carrying Amount	Proportion (%)	Carrying Amount	Proportion (%)	Bad debt provision
Within 1 year	29,795,438.75	73.25	1,489,771.94	27,761,645.00	1,388,082.25
1-2 years	2,441,988.00	6.00	610,497.00	172,592.00	43,148.00
2-3 years	3,040.00	0.01	1,520.00	4,531,215.87	2,265,607.94
3-4 years	131,131.87	0.32	104,905.50	442,322.49	353,857.99
4-5 years	442,322.49	1.09	353,857.99	8,293.45	6,634.76
Over 5 years	7,861,798.91	19.33	7,861,798.91	1,779,553.08	1,779,553.08
Total	40,675,720.02		10,422,351.34	34,695,621.89	5,836,884.02

(3) Current provision, reversal or recovery of bad debts

D	2020	2019	
Reserve fund	169,611.15	2,220,209.95	a
Sanhe City Public Resources Trading Center	800,000.00	800,000.00	a
Beijing Guodian Engineering Tendering Co., Ltd.	1,400,042.00	1,400,042.00	a
Harbin Water Supply Group Co., Ltd.	931.95	931.95	a
Settlement center software-Heping branch	13,338.00	16,672.50	a
Payable corporate annuity account payment	14,896.80	18,621.00	a
Total	2,398,819.90	4,456,477.40	

OTHER RECEIVABLES (CONTINUED)

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

OTHER RECEIVABLES BY YEAR-END BALANCE OF ARREARS

(II) Other receivables (Continued)

2. Other receivables (Continued)

(4) The top five other receivables by year-end balance of arrears

Debitors	Balance	Carrying amount	Age	Percentage (%)
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd.	Exchanged	663,010,229.90	Within 1 year; Over 4-5 years	42.26
Harbin Electric Power Equipment Co., Ltd.	Exchanged	276,630,783.80	Over 2-5 years	17.63
Harbin Electric Machinery Co., Ltd.	Exchanged	213,000,000.00	1-2 years, 4-5 years	13.58
Harbin Boiler Company Limited	Exchanged	200,000,000.00	1-2 years	12.75
Harbin Turbine Co., Ltd	Exchanged	100,000,000.00	1-2 years	6.37
Total		1,452,641,013.70		92.58

(III) Long term equity investment

1. Long term equity investment shown as classification

Classification	Opening balance	Additions	Disposals	Closing balance
Investment in subsidiaries	5,994,206,496.00	985,516,504.53		6,979,723,000.53
Investment in joint ventures	41,901,021.78	2,375,000.00	9,685,628.54	34,590,393.24
Investment in associates	157,341,656.86	134,083,864.81	10,967,354.45	280,458,167.22
Subtotal	6,193,449,174.64	1,121,975,369.34	20,652,982.99	7,294,771,560.99
less: impairment for long term equity investments	3,000,000.00			3,000,000.00
Total	6,190,449,174.64	1,121,975,369.34	20,652,982.99	7,291,771,560.99

Q E O 2020 F I A C I A L A E E (C O I E D)

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

I. A E C O A F I A C I A L A E E A I Q J E C O E (C O I E D)

(III) L i i (C)

2. Investment in Subsidiary

I	I		C	C	C	C	
	i	i				i	i
	Opening balance						
Harbin Electric Group Finance Co., Ltd.	833,787,946.00	837,122,531.11			837,122,531.11		
Harbin Boiler Factory Co., Ltd	679,203,892.28	949,841,367.00			949,841,367.00		
Harbin Turbine Co., Ltd	692,422,891.68	700,111,154.51	446,406,504.53		1,146,617,659.04		
Harbin Electric Power Equipment Co., Ltd.	87,206,900.00	1,022,652,962.04			1,022,652,962.04		
Harbin Electric Machinery Co., Ltd.	678,546,878.74	951,874,434.97			951,874,434.97		
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd.	171,624,440.08	571,568,274.86			571,568,274.86		
Harbin Electric International Co., Ltd.	136,000,000.00	500,000,000.00			500,000,000.00		
Harbin Power Equipment National Engineering Research Centre Co., Ltd	30,000,000.00	120,004,550.35			120,004,550.35		
Harbin Power Group Harbin Power Station Valve Co., Ltd.	97,002,844.08	97,002,844.08			97,002,844.08		
Harbin Electric (H.E) Corporation	27,804,100.00	25,780,234.61			25,780,234.61		
Harbin Power Technology & Trade Inc.	15,000,000.00	15,000,000.00			15,000,000.00		
Chengdu Sanliya China Porcelain Co., Ltd.	14,268,142.47	14,268,142.47			14,268,142.47		
Shenzhen Hadong Huihua Industry and Trade Co., Ltd.	3,000,000.00	3,000,000.00			3,000,000.00		3,000,000.00
Hadian Group Shanxi Environmental Protection Engineering Co., Ltd.	49,980,000.00	49,980,000.00			49,980,000.00		
Harbin Electric leasing (Tianjin) Co., Ltd	136,000,000.00	136,000,000.00	264,000,000.00		400,000,000.00		
Harbin Electric Group Biomass Power Generation (Wangkui) Co., Ltd.			136,100,000.00		136,100,000.00		
Harbin Electric Group Biomass Power Generation (Dehui) Co., Ltd.			138,910,000.00		138,910,000.00		
Total	3,651,848,035.33	5,994,206,496.00	985,416,504.53		7,381,685,006.53		3,000,000.00

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I E D)

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

I. A E _ C O A F I A C I A L _ A E E _ A I Q J E C _ O E (C O _ I E D)

(III) L (C)

3. Investment in associates and joint ventures

I	Opening balance	A	C	D	C	C
Total	201,535,600.00	199,242,678.64	121,425,000.00	5,348,236.27	10,967,354.45	315,048,560.46
1. Joint venture	44,985,800.00	41,901,021.78	2,375,000.00	-9,685,628.54		34,590,393.24
Harbin electric general gas turbine (Qinhuangdao) Co., Ltd	42,620,800.00	41,901,021.78		-9,371,911.96		32,529,109.82
Russia-China Power Equipment Co., Ltd.	2,375,000.00		2,375,000.00	-313,716.58		2,061,283.42
2. Associates	156,539,800.00	157,341,656.86	119,050,000.00	15,033,864.81	10,967,354.45	280,458,167.22
GE-Ha Power Energy Services (Qinhuangdao) Co., Ltd.	17,739,800.00	137,591,656.86		13,920,971.11	10,967,354.45	140,545,273.52
Harbin Ruiheng New Energy Co., Ltd.	28,800,000.00	19,750,000.00	9,050,000.00	1,112,893.70		29,912,893.70
Liaocheng Xiangguang Power Generation Co., Ltd.	110,000,000.00		110,000,000.00			110,000,000.00

(I) O a i i a

I	C		The amount of the previous period	
	I	C	Income	Cost
1. a i i	5,335,394,851.65	5,328,644,195.23	3,767,781,748.76	3,621,500,527.00
Thermal power equipment	4,818,609,309.50	4,828,206,451.07	3,261,614,025.97	3,115,465,084.41
Nuclear Power Project	516,785,542.15	500,437,744.16	506,167,722.79	506,035,442.59
2. O i i	18,540,574.39	6,125,403.01	13,834,602.30	5,241,825.45
Other	18,540,574.39	6,125,403.01	13,834,602.30	5,241,825.45
Total	5,353,935,426.04	5,334,769,598.24	3,781,616,351.06	3,626,742,352.45

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

I. A E _ C O _ A _ F I A C I A L _ A E E _ A I _ Q J E C _ Q E (C O _ I _ E D)

() I _ + _ j

1. Details of investment income

I _ +	C _ j _ a _ j	The amount of the previous period
Long-term equity investment income accounted for by the equity method	5,348,236.27	17,109,039.28
Long-term equity investment income calculated by cost method	311,319,872.20	131,234,304.45
Total amount	316,668,108.47	148,343,343.73

II. A D D I T I O N A L _ A E _ A L






(I) C _ - _ j _ j _ a _ + _ + _ + _

I _ +	A _	Ex _ a _ j
Profit of non-current asset disposal	7,297,666.04	
Tax refunds, deductions for unauthorized or non-approved documents		
The government subsidies included in the current profit and loss (except for government subsidies that are closely related to the business of the company and are rationed or quantified according to national uniform standards)	182,775,480.98	
Including funds occupation fees charged to non-financial enterprises included in current profits and losses		
The investment costs of the subsidiaries, joint ventures and joint ventures obtained by the enterprise are less than the gains from the fair value of the identifiable net assets of the investee when the investment is obtained.		
Non-monetary assets exchange gains and losses		
Gains or losses from entrusting others to invest in or manage assets		
Due to irresistible factors, such as the provision for the impairment of assets that are subject to natural disasters		
Debt restructuring gains and losses		
Corporate restructuring costs, such as expenditures for resettlement of employees, integration costs, etc.		
The fair value of the transaction price exceeds the fair value gain or loss from the fair value of the transaction.		

Q E _ O 2020 F I A C I A L _ A E E _ (C O _ I _ E D)

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

II. ADDI T I O N A L A E I A L (C O _ I _ E D)

(II)     

i	a a a a a (%)	E a i i a (yuan)	
		B a i a i i a	D i a i i a
Net profit attributable to common shareholders of the company	-0.05	-0.004	-0.004
Net profit attributable to common shareholders of the company after deducting non-recurring gains and losses	-2.26	-0.206	-0.206

H a i E i C . L
24 April 2021

OD C IO A DO E IO E E

In January 2020, “Yangtze River Three Gorges Project”, which was constructed with the participation of the Electric Machinery Company won the 2019 National Special Award for Science and Technology Progress.

In January 2020, six 850t/d waste-to-energy boiler units with the largest scale and highest standard in the world at Shenneng Environmental Protection Waste-to-Energy Power Plant (深能環保垃圾發電廠), developed and manufactured by the Company, successfully passed the 168-hour test run, with excellent data indicators and 100% automatic input rate of thermal power.

In January 2020, the China’s largest tidal power generation unit project, developed and manufactured by the Company with complete independent intellectual property rights – “600kW underwater tidal power generating complete units” passed the expert group’s inspection and acceptance.

In April 2020, the first hydroelectric turbine generating unit of the Guangxi Dateng Gorge Water Conservancy Project, the largest axial-flow propeller-type hydroelectric turbine generating unit in China, which was principally engaged by the Electric Machinery Company, successfully completed the 72-hour trial operation.

In May 2020, Unit 1 of the Dubai Hassyan 4 × 600MW clean coal-fired power station project, the first clean coal-fired power station in the Middle East undertaken by Harbin Electric International, was successfully connected to the grid, with normal system parameters, stable equipment and high quality of operation.

In July 2020, the invention patent of the Processing Technology for Guide Vanes of Nuclear Pumps in Nuclear Power Plant conducted by Power Equipment Company was awarded the 21st China Patent Excellence Award.

In September 2020, Unit 1 of the 4 × 1000MW Gansu Electric Power Investment Changle Power Plant Thermal Power Peak Shifting Project, the largest thermal power peak shifting project in Northwest China provided by the Company with three main equipment, successfully passed the 168-hour full-load trial operation. The performance indicators of each parameter are at or better than the designed value.

In November 2020, Harbin Electric International was awarded the ENR International Top 250 Contractors for 2020 (ranked the 95th), and was awarded the A Graded Corporation Certification in the Foreign Contracted Engineering Industry in 2020.

OTHER E

On 14 February 2020, the Company entered into an EPC Framework Agreement with Harbin Electric Corporation, pursuant to which, it was agreed that Harbin Electric International, a wholly-owned subsidiary of the Company, would provide EPC service to Harbin Electric Corporation and its subsidiaries pursuant to the terms and conditions set out in the EPC Framework Agreement, and the annual cap of the EPC service fee was RMB1,000 million.

On 9 April 2020, the Company convened an extraordinary general meeting, a general meeting for holders of H Shares and a general meeting for holders of domestic Shares to approve the amendments to the Articles of Association.

On 27 April 2020, the Company entered into the Technological Development Framework Agreement with the engineering research center of a connected subsidiary of the Company, pursuant to which the Company entrusted the engineering research center to carry out the technology development in accordance with the terms and conditions set out in the Technological Development Framework Agreement. The annual cap of the technological development fee was RMB100 million.

On 31 August 2020, the Company made a voluntary announcement, and the Electric Machinery Company, a wholly-owned subsidiary of the Company, proposed to introduce strategic investors by way of capital increase, share expansion and other means through public solicitation by listing on the assets and equity exchange and other forms. The Proposed Introduction of Strategic Investors by Electric Machinery Company can diversify the shareholder structure of Electric Machinery Company, optimize corporate governance, expand capital strength, accelerate business development, promote transformation and upgrade, realise the complementary advantages of Electric Machinery Company and strategic investors, and enhance the development vitality of Electric Machinery Company.

On 30 November 2020, the Company issued an announcement in relation to the proposed adoption of the share appreciation rights incentive plan and grant scheme, and planned to grant not more than 50.94 million share appreciation rights to not more than 294 participants. On 29 January 2021, the share appreciation rights incentive plan and grant scheme was approved by the general meeting of the Company. On the same day, the Board of Directors announced that the conditions for granting the share appreciation rights incentive plan and grant scheme had been fulfilled, and 48.32 million share appreciation rights were formally granted to 281 participants.

On 14 December 2020, the Board of Directors of the Company announced that the Company intends to dispose of 51% equity interest in Harbin Electric Power Equipment Company Limited, a wholly-owned subsidiary of the Company, to Jiamusi Electric Machine Company Limited for cash consideration. If the proposed equity transfer is satisfied, Power Equipment Company will cease to be a subsidiary of the Company. The proposed equity transfer is still in the preparatory stage, and the specific proposal is still subject to further negotiation and confirmation by the Company and Jiamusi Electric.

On 21 December 2020, the Company entered into the Valve Company Capital Injection Agreement with the Valve Company, the Investors and the Employees' Shareholding Platform, pursuant to which the Investors and Employees' Shareholding Platform would invest RMB220,000,000 and RMB24,444,200 respectively in the Valve Company by way of cash contribution. After the signing of the Valve Company Capital Injection Agreement, the Company holds 45% equity interests in the Valve Company, the Investors hold 45% equity interests in the Valve Company, and the Employees' Shareholding Platform holds 10% equity interests in the Valve Company.

On 31 December 2020, the Board of Directors convened a meeting to propose the re-elections of Mr. Si Ze-fu and Mr. Wu Wei-zhang as executive Directors, appointment of Mr. Sun Zhi-yong as executive Director, re-election of Mr. Hu Jian-min as independent non-executive Director, and appointments of Mr. He Yu, Mr. Chen Guo-qing and Mr. Tang Zhi-hong as independent non-executive Directors; the Supervisory Committee convened a meeting to propose the appointments of Mr. Qu Zhe, Mr. Liu Wei-min and Mr. Zhang Jun as Shareholder representative Supervisors. On 29 January 2021, with the approval of the extraordinary general meeting, Mr. Si Ze-fu, Mr. Wu Wei-zhang, Mr. Sun Zhi-yong, Mr. He Yu, Mr. Hu Jian-min, Mr. Chen Guo-qing and Mr. Tang Zhi-hong were appointed as Directors of the Company; Mr. Qu Zhe, Mr. Liu Wei-min and Mr. Zhang Jun were appointed as the Shareholder representative Supervisors of the Company. At the same time, Mr. Yang Yu-long and Mr. Zhao Xin were elected as employee representative Supervisors of the ninth session of the Supervisory Committee of the Company through democratic election of the employees of the Company.

INFORMATION ON THE COMPANY (CONTINUED)

LISTING INFORMATION

H Shares
The Stock Exchange of Hong Kong Limited
Stock Code: 1133

DEPOSITARY

The Bank of New York
American Depositary Receipts
22nd Floor West
110 Barclay Street
New York, NY 10286 USA

HONG KONG REGISTERED OFFICE

Hong Kong Registrars Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

INFORMATION ON THE COMPANY

Address: Baodi
Harbin
1399 Chuangxinyi Road
Songbei District
Harbin
The PRC

HOLDERS' MEETING

On 8th, 18th, and 28th (the following day in case a holiday)
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 or 58590070
Fax: 86-451-82162088

DOCUMENTS AVAILABLE FOR REVIEW

1. The original copy of the 2020 Annual Report of the Company
2. The original copy of the Company's audited financial statements

