

ANNUAL REPORT 2018



电集团
HARBIN ELECTRIC CORPORATION

哈尔滨电气

HARBIN

Stock Code: 1133

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OVERVIEW OF THE COMPANY

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OVERVIEW OF THE COMPANY (CONTINUED)

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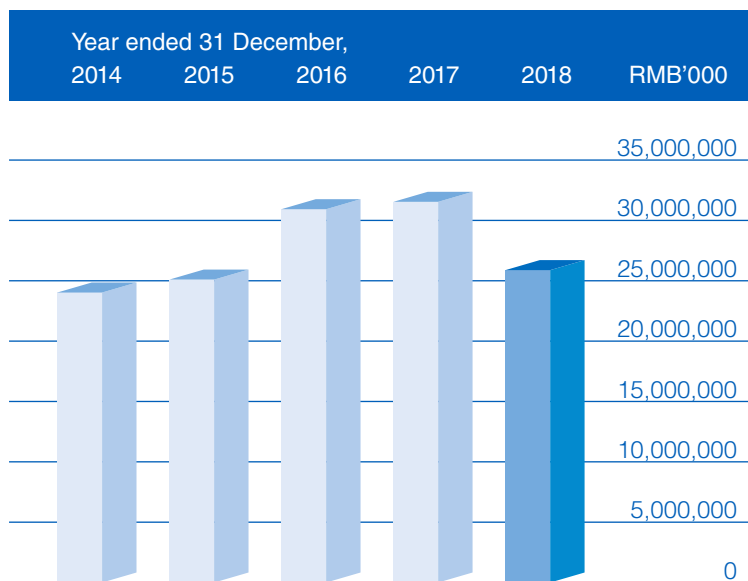
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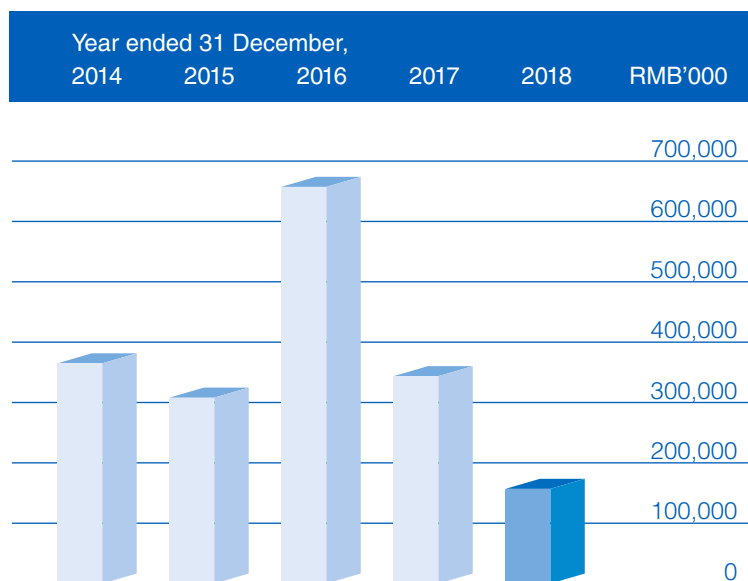
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OPERATING INCOME



TOTAL PROFITS



FINANCIAL HIGHLIGHTS (CONTINUED)

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

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

FINANCIAL HIGHLIGHTS (CONTINUED)



MANAGEMENT DISCUSSION AND ANALYSIS

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MACRO-ECONOMY AND INDUSTRY DEVELOPMENT

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MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Scientific research inputs and achievements

In 2018, Harbin Electric Company Limited's R&D expenditure was RMB1.08 billion, compared with RMB282 million in 2017. The R&D expenditure as a percentage of total operating income was 23.3% in 2018, compared with 17.5% in 2017. The R&D expenditure as a percentage of total operating income was 23.3% in 2018, compared with 17.5% in 2017. The R&D expenditure as a percentage of total operating income was 23.3% in 2018, compared with 17.5% in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Funding source and borrowing status

At 31 December 2018, the Group's total borrowings, including bank borrowings, trade payables, accounts payable, and other payables, were RMB12,543.25 million, of which bank borrowings were RMB3,621.99 million, trade payables were RMB676.00 million, accounts payable were RMB1,681.66 million, and other payables were RMB4,564.60 million. The Group's total borrowings at 31 December 2017 were RMB3,283.57 million, of which bank borrowings were RMB1,772.91 million, trade payables were RMB1,310.66 million, accounts payable were RMB300.00 million, and other payables were RMB200.00 million. The Group's total borrowings at 31 December 2018 increased by RMB959.68 million compared with 2017, mainly due to the increase in bank borrowings and other payables. The Group's total borrowings at 31 December 2018 were RMB12,543.25 million, of which bank borrowings were RMB3,621.99 million, trade payables were RMB676.00 million, accounts payable were RMB1,681.66 million, and other payables were RMB4,564.60 million. The Group's total borrowings at 31 December 2017 were RMB3,283.57 million, of which bank borrowings were RMB1,772.91 million, trade payables were RMB1,310.66 million, accounts payable were RMB300.00 million, and other payables were RMB200.00 million. The Group's total borrowings at 31 December 2018 increased by RMB959.68 million compared with 2017, mainly due to the increase in bank borrowings and other payables.

Monetary capital and cash flows

At 31 December 2018, the Group's cash and cash equivalents were RMB12,543.25 million, of which cash was RMB3,621.99 million, and cash equivalents were RMB8,921.26 million. The Group's cash and cash equivalents at 31 December 2017 were RMB6,776.00 million, of which cash was RMB676.00 million, and cash equivalents were RMB6,100.00 million. The Group's cash and cash equivalents at 31 December 2018 increased by RMB5,767.25 million compared with 2017, mainly due to the increase in cash and cash equivalents. The Group's cash and cash equivalents at 31 December 2018 were RMB12,543.25 million, of which cash was RMB3,621.99 million, and cash equivalents were RMB8,921.26 million. The Group's cash and cash equivalents at 31 December 2017 were RMB6,776.00 million, of which cash was RMB676.00 million, and cash equivalents were RMB6,100.00 million. The Group's cash and cash equivalents at 31 December 2018 increased by RMB5,767.25 million compared with 2017, mainly due to the increase in cash and cash equivalents.

Asset structure and movements

At 31 December 2018, the Group's total assets were RMB56,541.98 million, of which cash and cash equivalents were RMB8,296.11 million, accounts receivable were RMB12.80 million, and other assets were RMB48,233.07 million. The Group's total assets at 31 December 2017 were RMB47,312.69 million, of which cash and cash equivalents were RMB9,229.29 million, accounts receivable were RMB16.32 million, and other assets were RMB38,067.08 million. The Group's total assets at 31 December 2018 increased by RMB9,229.29 million compared with 2017, mainly due to the increase in cash and cash equivalents.

Liabilities

At 31 December 2018, the Group's total liabilities were RMB40,232.95 million, of which bank borrowings were RMB8,462.99 million, trade payables were RMB3.00 million, accounts payable were RMB38,375.69 million, and other liabilities were RMB4,391.27 million. The Group's total liabilities at 31 December 2017 were RMB38,375.69 million, of which bank borrowings were RMB1,857.26 million, trade payables were RMB4.62 million, accounts payable were RMB36,513.81 million, and other liabilities were RMB0.00 million. The Group's total liabilities at 31 December 2018 increased by RMB1,857.26 million compared with 2017, mainly due to the increase in bank borrowings and accounts payable.

Owners' interests

At 31 December 2018, the Group's total owners' interests were RMB15,026.28 million, of which equity attributable to the owners of the parent company was RMB155.53 million, and equity attributable to minority shareholders was RMB14,870.75 million. The Group's total owners' interests at 31 December 2017 were RMB8,810.10 million, of which equity attributable to the owners of the parent company was RMB0.10 million, and equity attributable to minority shareholders was RMB8,809.99 million. The Group's total owners' interests at 31 December 2018 increased by RMB6,216.18 million compared with 2017, mainly due to the increase in equity attributable to minority shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Gearing ratio

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

Contingent liabilities and pledges

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

Exposure to fluctuations in exchange rate

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

Use of fund-raising proceeds

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

Dividend

The Board does not intend to declare a dividend for 2018.

OUTLOOK

The Group's management has a positive outlook for the Group's business in 2019. The Group will continue to focus on its core business and expand its market share. The Group's management will continue to monitor the market and take appropriate measures to manage the risk.

In 2019, the Group's management will continue to focus on its core business and expand its market share. The Group's management will continue to monitor the market and take appropriate measures to manage the risk.

Harbin, PRC
7 March 2019

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Si Ze-fu, b. 1958, holds a MBA degree from Tsinghua University. He is currently a senior advisor to the Board of Directors of the Company. He has extensive experience in the power industry, having worked for the State Grid Corporation of China (SGCC) for over 20 years. He has held various positions, including Director of the Marketing Department, Director of the Customer Service Center, and Director of the Information Management Center. He has also served as a senior advisor to the Board of Directors of the Company since 2016.

Mr. Wu Wei-zhang, b. 1962, is a senior engineer and has worked for the State Grid Corporation of China (SGCC) for over 30 years. He has held various positions, including Director of the Marketing Department, Director of the Customer Service Center, and Director of the Information Management Center. He has also served as a senior advisor to the Board of Directors of the Company since 2016.

Mr. Zhang Ying-jian, b. 1964, is a senior engineer and has worked for the State Grid Corporation of China (SGCC) for over 30 years. He has held various positions, including Director of the Marketing Department, Director of the Customer Service Center, and Director of the Information Management Center. He has also served as a senior advisor to the Board of Directors of the Company since 2016.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Song Shi-qi, born in 1958, a Chinese citizen, holds a Bachelor's degree in Economics. Mr. Song has worked for Harbin Electric Company Limited since its establishment in 1980 and has held various positions, including Deputy General Manager, Director of Finance, and Director of Human Resources. He has also served as a member of the Board of Directors and as a senior manager in various departments. Mr. Song has been a member of the Harbin Electric Company Limited Board of Directors since 2013 and has been a member of the Harbin Electric Company Limited Board of Supervisors since 2019.

Independent non-executive directors

Mr. Zhu Hong-jie, born in 1954, is a Chinese citizen and holds a Bachelor's degree in Economics. Mr. Zhu has worked for Harbin Electric Company Limited since its establishment in 1978 and has held various positions, including Deputy General Manager, Director of Finance, and Director of Human Resources. He has also served as a member of the Board of Directors and as a senior manager in various departments. Mr. Zhu has been a member of the Harbin Electric Company Limited Board of Directors since 2016 and has been a member of the Harbin Electric Company Limited Board of Supervisors since 2017.

Mr. Yu Wen-xing, born in 1953, is a Chinese citizen and holds a Bachelor's degree in Economics. Mr. Yu has worked for Harbin Electric Company Limited since its establishment in 1980 and has held various positions, including Deputy General Manager, Director of Finance, and Director of Human Resources. He has also served as a member of the Board of Directors and as a senior manager in various departments. Mr. Yu has been a member of the Harbin Electric Company Limited Board of Directors since 2014 and has been a member of the Harbin Electric Company Limited Board of Supervisors since 2015.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

SENIOR MANAGEMENT

Mr. Liu Zhi-quan, born in July 1968, a Chinese citizen, holds a Bachelor's degree in Economics from Henan University. He has worked for Henan Power Generation Co., Ltd. since 1991, holding various positions including Deputy General Manager, Director of the Marketing Department, and Chairman of the Board of Directors. He has been a member of the Henan Provincial People's Congress and the Henan Provincial Federation of Labor Unions. He was awarded the title of "Advanced Worker" in 2006 and "Advanced Employee" in 2013. He has also been a member of the Henan Provincial Federation of Labor Unions and the Henan Provincial Federation of Labor Unions.

Mr. Xie Wei-jiang, born in January 1973, a Chinese citizen, holds a Bachelor's degree in Electrical Engineering from Tsinghua University. He has worked for Beijing State Engineering Consulting Co., Ltd. since 1997, holding various positions including Deputy General Manager, Director of the Marketing Department, and Chairman of the Board of Directors. He has been a member of the Beijing Municipal People's Congress and the Beijing Municipal Federation of Labor Unions. He was awarded the title of "Advanced Worker" in 2006 and "Advanced Employee" in 2013. He has also been a member of the Beijing Municipal Federation of Labor Unions and the Beijing Municipal Federation of Labor Unions.

Mr. Lu Zhi-qiang, born in September 1973, a Chinese citizen, holds a Bachelor's degree in Electrical Engineering from Tsinghua University. He has worked for Beijing State Engineering Consulting Co., Ltd. since 1995, holding various positions including Deputy General Manager, Director of the Marketing Department, and Chairman of the Board of Directors. He has been a member of the Beijing Municipal People's Congress and the Beijing Municipal Federation of Labor Unions. He was awarded the title of "Advanced Worker" in 2009 and "Advanced Employee" in 2013. He has also been a member of the Beijing Municipal Federation of Labor Unions and the Beijing Municipal Federation of Labor Unions.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Wang De-xing, born September 1959, a graduate of the Harbin Institute of Technology, received his M. Sc. degree in Materials Science and Engineering from Beijing University of Aeronautics and Astronautics (Beihang University) and his MBA degree from Harbin Institute of Technology. Mr. Wang joined HE in 1982 and has served as a senior manager in various positions, including Director of Harbin Electric Power Co., Ltd. He has been a member of the Board of Directors of Harbin Electric Power Co., Ltd. since 2016. He is also a member of the Board of Supervisors of Harbin Electric Power Co., Ltd. since 2016.

Mr. Zhang Hai-quan, born September 1961, a graduate of Harbin Institute of Technology, received his MBA degree from Harbin Institute of Technology. He has served as a senior manager in various positions, including Director of Harbin Electric Power Co., Ltd. He has been a member of the Board of Directors of Harbin Electric Power Co., Ltd. since 1994 and has served as Chairman of the Board of Directors of Harbin Electric Power Co., Ltd. since 1994. He has also served as Chairman of the Board of Directors of Harbin Electric Power Co., Ltd. since 1994. He has been a member of the Board of Supervisors of Harbin Electric Power Co., Ltd. since 2000 and has served as Chairman of the Board of Supervisors of Harbin Electric Power Co., Ltd. since 2013.

Mr. Qu Zhe, born July 1962, a graduate of Harbin Institute of Technology, received his M. Sc. degree in Materials Science and Engineering from Harbin Institute of Technology. He has served as a senior manager in various positions, including Director of Harbin Electric Power Co., Ltd. He has been a member of the Board of Directors of Harbin Electric Power Co., Ltd. since 1988 and has served as Chairman of the Board of Directors of Harbin Electric Power Co., Ltd. since 1988. He has also served as Chairman of the Board of Directors of Harbin Electric Power Co., Ltd. since 1988. He has been a member of the Board of Supervisors of Harbin Electric Power Co., Ltd. since 2007 and has served as Chairman of the Board of Supervisors of Harbin Electric Power Co., Ltd. since 2010. He is also a member of the Board of Supervisors of Harbin Electric Power Co., Ltd. since 2010.

REPORT OF THE DIRECTORS (CONTINUED)

Significant Events Affecting The Group

On 24 December 2018, the Board has elected Mr. Chen Liang ("HE") as the Chairman of the Board of Directors of the Company. Mr. Chen Liang is a Chinese citizen, born in 1963, and has been a resident in Hong Kong since 2011. He is currently the Chairman of the Board of Directors of the Company. Mr. Chen Liang is also the Chairman of the Board of Directors of the Company's wholly-owned subsidiary, Harbin Electric (Group) Company Limited ("HE").

In addition, on 24 December 2018, HE has been appointed as the Chairman of the Board of Directors of the Company's wholly-owned subsidiary, Harbin Electric (Group) Company Limited ("HE"). Mr. Chen Liang is also the Chairman of the Board of Directors of the Company's wholly-owned subsidiary, Harbin Electric (Group) Company Limited ("HE").

Furthermore, on 24 December 2018, the Board has elected Mr. Chen Liang as the Chairman of the Board of Directors of the Company's wholly-owned subsidiary, Harbin Electric (Group) Company Limited ("HE").

On 24 December 2018, the Board has elected Mr. Chen Liang as the Chairman of the Board of Directors of the Company's wholly-owned subsidiary, Harbin Electric (Group) Company Limited ("HE").

Environmental Policy and Performance

In 2018, the Group has continued to adhere to its environmental policy of "Fulfilling Environmental Responsibilities, Promoting Sustainable Development". The Group has established a comprehensive environmental management system, covering the entire value chain, from procurement to production and sales. The Group has also established a series of environmental management measures, including environmental impact assessment, environmental monitoring and evaluation, and environmental information disclosure. The Group has achieved significant results in environmental protection, with no major environmental incidents occurring during the year. The Group will continue to strengthen its environmental management, improve its environmental performance, and contribute to the realization of the Sustainable Development Goals.

REPORT OF THE DIRECTORS (CONTINUED)

3. *Ma c t*

A 31 December 2018, the Group's net assets increased by 37.05% from RMB1,234.5 million to RMB1,692.8 million. The Group's total assets increased by 20.34% from RMB1,234.5 million to RMB1,485.2 million.

Net income attributable to shareholders of the Company for the year ended 31 December 2018 was RMB100.5 million, representing an increase of 5% from RMB95.5 million for the year ended 31 December 2017.

LIST OF SUBSIDIARIES AND DIRECTORS OF SUBSIDIARIES

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

RESULTS

A 31 December 2018, the Group's total revenue was RMB25,879.46 million, an increase of 12.5% from RMB23,000.00 million for the year ended 31 December 2017. The Group's total operating expenses were RMB71.32 million, an increase of 15.2% from RMB61.90 million for the year ended 31 December 2017. The Group's net profit was RMB100.5 million, an increase of 5% from RMB95.5 million for the year ended 31 December 2017.

DIVIDEND

The Board has recommended a final dividend of RMB0.10 per share for the year ended 31 December 2018.

A 31 December 2018, the Company's total assets were RMB1,692.8 million, an increase of 37.05% from RMB1,234.5 million for the year ended 31 December 2017. The Company's total liabilities were RMB523.5 million, an increase of 10.5% from RMB473.5 million for the year ended 31 December 2017.

INFORMATION ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

REPORT OF THE DIRECTORS (CONTINUED)

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

REPORT OF THE DIRECTORS (CONTINUED)

REMUNERATION OF DIRECTORS AND SUPERVISORS

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

The following table shows the remuneration of directors and supervisors of the Company for the period from 31 December 2018 to the end of the reporting period:

(U.S. \$ / RMB)

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

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

REPORT OF THE DIRECTORS (CONTINUED)

FIVE HIGHEST PAID PERSONNEL

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

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

CONTINGENT LIABILITIES – GUARANTEES

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

PERMITTED INDEMNITY PROVISION

The Company's articles of association, memorandum and articles of association, and the articles of association of the wholly-owned subsidiary, Harbin Electric Power Generation Co., Ltd. (HEPCO) contain provisions that permit the directors to be indemnified for the liabilities incurred by them in connection with their duties as directors of the Company. The provisions are set out in the articles of association of the Company and HEPCO.

The Company's articles of association do not contain any provisions that indemnify the directors.

SIGNIFICANT INVESTMENT IN SECURITIES

On 9 October 2018, the Company's wholly-owned subsidiary, Harbin Electric Power Generation Co., Ltd. (HEPCO) has invested in the shares of Shaoli Industrial (Ningbo) Co., Ltd. (SAIL) in the amount of RMB6.55 million (equivalent to 90% of the total shares of SAIL). The investment cost of SAIL is 20 million RMB (equivalent to 20 million RMB499,999,994.35 (equivalent to HK\$568,188,268.05)). The Company's wholly-owned subsidiary, Harbin Electric Power Generation Co., Ltd. (HEPCO) has invested in the shares of Shaoli Industrial (Ningbo) Co., Ltd. (SAIL) in the amount of RMB6.55 million (equivalent to 90% of the total shares of SAIL).

STAFF REMUNERATION, RETIREMENT AND BENEFITS SCHEME

In 2018, the Group's remuneration policy is to attract and retain staff with the necessary skills and experience to support the Group's business strategy. The remuneration policy is based on the performance of the staff and the market conditions. The remuneration policy is also based on the performance of the Group and the market conditions. The remuneration policy is also based on the performance of the Group and the market conditions.

REPORT OF THE DIRECTORS (CONTINUED)

於 2018 年 12 月 31 日，本公司之總資產為人民幣 1,639.78 億元。本公司之總資產包括：

1. 本公司之總資產包括：

FIXED ASSETS

REPORT OF THE DIRECTORS (CONTINUED)

During the year ended 31 December 2018, the Company has entered into various transactions with its subsidiaries, including the acquisition of certain assets and liabilities, and the disposal of certain assets and liabilities. These transactions are described in detail in the notes to the financial statements.

As at 31 December 2018, the Group's financial position is as follows:

Continuing Connected Transactions

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

On 9 December 2016, the Company entered into a series of transactions with HE, a subsidiary of the Group, including the acquisition of certain assets and liabilities, and the disposal of certain assets and liabilities. These transactions are described in detail in the notes to the financial statements.

During the year ended 31 December 2018, the Company has entered into various transactions with HE, including the acquisition of certain assets and liabilities, and the disposal of certain assets and liabilities. These transactions are described in detail in the notes to the financial statements.

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

On 9 December 2016, the Company entered into a series of transactions with HE, a subsidiary of the Group, including the acquisition of certain assets and liabilities, and the disposal of certain assets and liabilities. These transactions are described in detail in the notes to the financial statements.

During the year ended 31 December 2018, the Company has entered into various transactions with HE, including the acquisition of certain assets and liabilities, and the disposal of certain assets and liabilities. These transactions are described in detail in the notes to the financial statements.

REPORT OF THE DIRECTORS (CONTINUED)

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

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Confirmation on Continuing Connected Transactions

T i l d i d i N -E i c i D i d i C a a i i i d i c i c i d i a a d i (a d i d
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REPORT OF THE DIRECTORS (CONTINUED)

DETAILS OF SHARE CAPITAL

Shareholding Structure

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

Equity Interests of Substantial Shareholders

As at 31 December 2018, the following persons held 5% or more of the total number of shares of the Company: (a) the Company's directors; (b) the Company's substantial shareholders; and (c) the Company's directors' family members who are substantial shareholders of the Company. The names of the substantial shareholders and their respective shareholdings are set out in the table below:

The names of the substantial shareholders are:

Date	Name of shareholders	Class of shares	Number of shares	Capacity	Percentage of the relevant class of share capital	Percentage of entire share capital
As at 31 December 2018	Hab E d c C ., Ltd.	Ordinary shares	1,030,952,000	Beneficial Owner	100%	60.41%

Said to be a director of the Company and a substantial shareholder of the Company as at 31 December 2018.

REPORT OF THE DIRECTORS (CONTINUED)

Holding Range of Shareholders

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

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

REPORT OF THE DIRECTORS (CONTINUED)

Analysis of Shareholding of Holders of H Shares

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

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

MODEL CODE

The Company, as an issuer, is subject to the Model Code on Insider Trading, which is set out in Appendix C of the Listing Rules. The Company is also subject to the Model Code on Securities Transactions by Directors of Listed Issuers set out in Appendix A of the Listing Rules.

CORPORATE GOVERNANCE CODE

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

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

REPORT OF THE DIRECTORS (CONTINUED)

AUDIT COMMITTEE

The Audit Committee was established under the supervision of the Board of Directors. The Audit Committee is responsible for overseeing the financial reporting process and the internal control system. The Audit Committee met 31 times during the year ended 31 December 2018, and discussed the financial statements and the audit report issued by the independent member audit firm.

AUDITORS

The independent member audit firm is BDO China SLLP, a member firm of the BDO network, which is a global network of independent member firms affiliated with the BDO network of independent member firms affiliated with the BDO network of independent member firms. The independent member audit firm has audited the financial statements of the Company for the years ended 31 December 2017 and 2018. The independent member audit firm has audited the financial statements of the Company for the year ended 31 December 2018. The independent member audit firm has audited the financial statements of the Company for the year ended 31 December 2018. The independent member audit firm has audited the financial statements of the Company for the year ended 31 December 2018.

BDO
Harbin Electric Company Limited
Ai Li-song
Chartered Accountant

7 March 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

In 2018, the Company has adopted the Corporate Governance Code as set out in the Listing Rules of the Exchange. The Company has adopted the Corporate Governance Code as set out in the Listing Rules of the Exchange.

The Board of Directors has adopted the Corporate Governance Code as set out in the Listing Rules of the Exchange. In 2018, the Board of Directors has adopted the Corporate Governance Code as set out in the Listing Rules of the Exchange.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

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

Composition of Board of Directors

During 2018, the Board of Directors has adopted the Corporate Governance Code as set out in the Listing Rules of the Exchange. The Board of Directors has adopted the Corporate Governance Code as set out in the Listing Rules of the Exchange.

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board of Directors, S... and S...
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D...

Independent non-executive directors

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H... M.Y... W... , M.H... Ja... , M.Ta... M...

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a... d... a... d... b... a... d... d... d... . T... z... d... c... a... d... , ad...
b... a... c... b... a... d... a... d... a... d... c... a... c... c... a... ,
d... c... - a... c... a... d... c... d... a... a... d... . T... a... d... d... b... a... c... d... a... d... b... d... a... d... c...
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T... C... a... c... d... a... a... c... d... a... a... c... a... ac... d... d... -... c... d... d...
/... d... d... d... c...

Meetings of the Board of Directors

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a... a... d... d... d... d... b... a... z... d... . T... l... d... d... -... c... d... D... C... a...
d... a... d... a... a... a... C... a... '... d... c... . A... d... a... c... a... a... :

A... d... a... c... D... d... a... i... i... B... a... d... D... d... 2018

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

Training of the Directors

The Board of Directors has organized the directors to receive training on the laws and regulations related to the company's operation. In 2018, the Board of Directors has completed the training of the directors, and the directors have completed the training of the directors.

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

CHAIRMAN AND PRESIDENT

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

SPECIAL COMMITTEES UNDER THE BOARD

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

During 2018, the committees have conducted the following work: the Audit Committee held 2 meetings; the Nomination Committee held 1 meeting; the Remuneration Committee held 2 meetings; and the Strategy Development Committee held 3 meetings. Each Director attended the meetings in person. The attendance rate of each Director at the meetings was 100%.

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

Name of Director	Audit Committee			Nomination Committee			Remuneration Committee			Strategy Development Committee		
	Attendance Required	Attendances in Person	Attendance Rate	Attendance Required	Attendances in Person	Attendance Rate	Attendance Required	Attendances in Person	Attendance Rate	Attendance Required	Attendances in Person	Attendance Rate
M. S. Zhang				2	2	100%						
M. W. Wang										3	3	100%
M. Z. Yang										3	3	100%
M. S. Song							1	1	100%			
M. Z. Hu	2	2	100%				1	1	100%			
M. Y. Wu	2	2	100%				1	1	100%	3	3	100%
M. H. Jiang				2	2	100%				3	3	100%
M. T. Ma	2	2	100%	1	1	100%						

Audit Committee

The Audit Committee has conducted the following work: the Audit Committee held 2 meetings; the Audit Committee held 2 meetings; the Audit Committee held 2 meetings; and the Audit Committee held 3 meetings.

The Audit Committee has conducted the following work: the Audit Committee held 2 meetings; the Audit Committee held 2 meetings; the Audit Committee held 2 meetings; and the Audit Committee held 3 meetings.

CORPORATE GOVERNANCE REPORT (CONTINUED)

1. 2018年，本公司根据《上市公司治理准则》及《上市公司章程指引》的要求，结合公司实际情况，开展了以下工作：

No. Summary of Work

1. 审议通过《2018年度内部控制评价报告》，并对外披露。
2. 审议通过《2018年度内部控制审计报告》，并对外披露。
3. 审议通过《2018年度内部控制审计报告》，并对外披露。
4. 审议通过《2018年度内部控制审计报告》，并对外披露。
5. 审议通过《2018年度内部控制审计报告》，并对外披露。
6. 审议通过《2018年度内部控制审计报告》，并对外披露。

本公司聘请了外部审计机构，对公司2018年度内部控制进行了审计，并出具了《2018年度内部控制审计报告》。公司根据审计报告的要求，对内部控制进行了整改，并于2019年3月31日完成了整改工作。

本公司聘请了外部审计机构，对公司2018年度内部控制进行了审计，并出具了《2018年度内部控制审计报告》。公司根据审计报告的要求，对内部控制进行了整改，并于2019年3月31日完成了整改工作。

Nomination Committee

本公司设立了提名委员会，负责制定和审查董事、高级管理人员的选任标准和程序，并对董事、高级管理人员的选任过程进行监督。

2018年12月31日，提名委员会对公司2018年度董事、高级管理人员的选任情况进行了审查，并出具了《2018年度董事、高级管理人员选任审查报告》。公司根据审查报告的要求，对董事、高级管理人员的选任过程进行了整改，并于2019年3月31日完成了整改工作。

CORPORATE GOVERNANCE REPORT (CONTINUED)

Strategy Development Committee

The Strategy Development Committee is a sub-committee of the Board of Directors. It is responsible for reviewing and recommending to the Board the company's strategy, and for monitoring and evaluating the implementation of the strategy.

At the 31st December 2018, the Strategy Development Committee consists of Mr. Wang Wenzha, Mr. Zhang Yifa, Mr. Wang Yuhua, Mr. Han Jiahua and Mr. Wang Wenzha as the chair.

In 2018, the Strategy Development Committee has 3 meetings as follows:

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

1	At the meeting held on 12 December 2018, the Strategy Development Committee reviewed the company's strategy for 2019.
---	---

2	At the meeting held on 20 December 2018, the Strategy Development Committee reviewed the company's strategy for 2019.
---	---

The Strategy Development Committee is a sub-committee of the Board of Directors. It is responsible for reviewing and recommending to the Board the company's strategy, and for monitoring and evaluating the implementation of the strategy. In 2018, the Strategy Development Committee has 3 meetings as follows:

At the meeting held on 12 December 2018, the Strategy Development Committee reviewed the company's strategy for 2019. At the meeting held on 20 December 2018, the Strategy Development Committee reviewed the company's strategy for 2019.

AUDITORS AND THEIR REMUNERATION

In 2018, the company's auditor is BDO China SLL Pa Cheng Pbc Accounting LLP (Beijing), a special general partnership firm, with a registered capital of RMB2.50 million. The company's auditor is BDO China SLL Pa Cheng Pbc Accounting LLP (Beijing).

BDO China SLL Pa Cheng Pbc Accounting LLP (Beijing) is a sub-committee of the Board of Directors. It is responsible for reviewing and recommending to the Board the company's strategy, and for monitoring and evaluating the implementation of the strategy. In 2018, the Strategy Development Committee has 3 meetings as follows:

The Board of Directors is a sub-committee of the Board of Directors. It is responsible for reviewing and recommending to the Board the company's strategy, and for monitoring and evaluating the implementation of the strategy. In 2018, the Strategy Development Committee has 3 meetings as follows:

AUDITORS' REPORT (CONTINUED)

Key audit matters

Audit reaction

- (5) We audited the allowance for doubtful accounts. We performed the following procedures:
- a: We tested the allowance for doubtful accounts by comparing the allowance to the aging schedule and the historical loss experience.
 - b: We tested the allowance for doubtful accounts by comparing the allowance to the aging schedule and the historical loss experience.

(II) Bad debt provision for accounts receivable

- On December 31, 2018, the allowance for doubtful accounts was 4,823,699,812.46. We performed the following procedures:
- (1) We tested the allowance for doubtful accounts by comparing the allowance to the aging schedule and the historical loss experience.
- (2) We tested the allowance for doubtful accounts by comparing the allowance to the aging schedule and the historical loss experience.
- (3) We tested the allowance for doubtful accounts by comparing the allowance to the aging schedule and the historical loss experience.
- (4) We tested the allowance for doubtful accounts by comparing the allowance to the aging schedule and the historical loss experience.

AUDITORS' REPORT (CONTINUED)

IV. OTHER INFORMATION

Harbin Electric Company Limited (hereinafter referred to as "the Company") has issued the 2018 Annual Report, which includes financial statements audited by the auditor.

The auditor has performed the audit in accordance with the applicable auditing standards, and the audit results are as follows:

In the audit, the auditor has obtained sufficient and appropriate audit evidence to support the audit opinion. The financial statements of the Company are presented fairly in all material aspects in accordance with the applicable financial reporting framework.

Based on the audit, the auditor has issued the audit opinion. The audit opinion is as follows:

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

The Board of Directors of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework, and for the design, implementation and maintenance of internal control systems to prevent and detect errors and fraud.

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework, and for the design, implementation and maintenance of internal control systems to prevent and detect errors and fraud.

The auditor's responsibility is to express an opinion on the financial statements based on the audit.

VI. THE CPA'S RESPONSIBILITY OF AUDITING FINANCIAL STATEMENTS

The auditor has performed the audit in accordance with the applicable auditing standards, and the audit results are as follows: The financial statements of the Company are presented fairly in all material aspects in accordance with the applicable financial reporting framework.

AUDITORS' REPORT (CONTINUED)

I have carried out the audit in accordance with the applicable auditing standards, and I have obtained sufficient appropriate audit evidence to support my opinion. The audit was conducted in accordance with the following:

(1) I have identified the areas of the financial statements that are most likely to contain material misstatements, and I have designed and performed audit procedures to address those areas. I have also identified and tested the controls that are most likely to prevent or detect material misstatements. I have also identified and tested the controls that are most likely to prevent or detect material misstatements.

(2) I have identified the areas of the financial statements that are most likely to contain material misstatements, and I have designed and performed audit procedures to address those areas. I have also identified and tested the controls that are most likely to prevent or detect material misstatements.

(3) I have identified the areas of the financial statements that are most likely to contain material misstatements, and I have designed and performed audit procedures to address those areas. I have also identified and tested the controls that are most likely to prevent or detect material misstatements.

(4) I have identified the areas of the financial statements that are most likely to contain material misstatements, and I have designed and performed audit procedures to address those areas. I have also identified and tested the controls that are most likely to prevent or detect material misstatements. I have also identified and tested the controls that are most likely to prevent or detect material misstatements.

(5) I have identified the areas of the financial statements that are most likely to contain material misstatements, and I have designed and performed audit procedures to address those areas. I have also identified and tested the controls that are most likely to prevent or detect material misstatements.

(6) I have identified the areas of the financial statements that are most likely to contain material misstatements, and I have designed and performed audit procedures to address those areas. I have also identified and tested the controls that are most likely to prevent or detect material misstatements.

With respect to the financial statements, I have identified the areas of the financial statements that are most likely to contain material misstatements, and I have designed and performed audit procedures to address those areas. I have also identified and tested the controls that are most likely to prevent or detect material misstatements.

With respect to the financial statements, I have identified the areas of the financial statements that are most likely to contain material misstatements, and I have designed and performed audit procedures to address those areas. I have also identified and tested the controls that are most likely to prevent or detect material misstatements.

AUDITORS' REPORT (CONTINUED)

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CONSOLIDATION BALANCE SHEET

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

Items	Notes	December 31, 2018	January 1, 2018	December 31, 2017
Current assets:				
Cash and bank deposits	VI (I)	12,543,251,700.19	16,165,238,281.47	16,165,238,281.47
Derivative financial assets	VI (II)	600,000,000.00		
Trade receivables				
Financial assets at fair value through profit or loss				
Net available-for-sale financial assets	VI (III)	9,787,027,952.87	11,585,761,383.44	14,951,037,967.00
Prepaid expenses	VI (IV)	3,592,286,216.57	5,389,851,256.88	5,389,851,256.88
Receivables from related parties				
Receivables from other parties				
Other receivables	VI (V)	1,270,159,303.49	956,987,640.88	956,987,640.88
Inventory	VI (VI)	10,454,912,311.25	12,099,669,344.43	15,546,042,302.41
- raw materials		3,212,257,379.48	3,480,285,176.50	3,480,285,176.50
- work in progress (including contracted work)		344,585,898.98	426,733,313.77	426,733,313.77
- finished goods	VI (VII)	8,233,457,249.78	6,811,649,541.54	
- other				
- held for sale				
Contract assets	VI (VIII)	49,955,000.00		
Other current assets	VI (IX)	781,645,718.79	3,009,630,060.28	3,009,630,060.28
Total current assets		47,312,695,452.94	56,018,787,508.92	56,018,787,508.92

CONSOLIDATION BALANCE SHEET (CONTINUED)

(All amounts in thousands of RMB)

Items	Notes	December 31, 2018	January 1, 2018	December 31, 2017
Non-current assets:				
Land use rights	VI (X)		492,068.11	492,068.11
Intangible assets				85,895,000.00
Available-for-sale financial assets	VI (XI)		49,300,000.00	
Derivative financial assets				
Long-term equity investments	VI (XII)	3,358,126.45	2,831,982.28	2,831,982.28
Long-term receivables	VI (XIII)	182,173,650.81	202,785,739.51	202,785,739.51
Other receivables	VI (XIV)	716,953,772.26	36,595,000.00	
Other non-current assets				
Long-term prepayments	VI (XV)	233,173,255.85	230,786,722.78	230,786,722.78
Fixed assets	VI (XVI)	5,868,709,413.99	5,960,919,220.49	5,960,919,220.49
Construction in progress	VI (XVII)	664,086,992.85	863,769,342.73	863,769,342.73
Investments in subsidiaries				
Investments in associates	VI (XVIII)	767,164,480.73	771,625,366.77	771,625,366.77
Derivative financial liabilities	VI (XIX)	274,062,234.32	239,205,849.67	239,205,849.67
Goodwill				
Long-term deferred income tax assets	VI (XX)	29,463,079.46	30,412,529.89	30,412,529.89
Deferred tax assets	VI (XXI)	490,142,216.40	430,581,741.83	430,581,741.83
Other non-current assets				
Long-term prepayments				
Total non-current assets		9,229,287,223.12	8,819,305,564.06	8,819,305,564.06
Total assets		56,541,982,676.06	64,838,093,072.98	64,838,093,072.98

Cash and cash equivalents

Accumulated depreciation

Accumulated surplus

CONSOLIDATION BALANCE SHEET (CONTINUED)

(All amounts in thousands of RMB)

Items	No.	December 31, 2018	January 1, 2018	December 31, 2017
Current liabilities:				
Short-term borrowings	VI (XXII)	1,572,908,534.19	3,083,568,542.78	3,083,568,542.78
Bills payable				
Accounts payable	VI (XXIV)	1,701,564,614.29	803,027,749.69	803,027,749.69
Accounts receivable	VI (XXIII)	300,000,000.00		
Contract liabilities				
Financial liabilities measured at fair value				
Derivative financial instruments				
Notes payable	VI (XXV)	19,051,847,769.30	19,531,513,198.03	19,531,513,198.03
Advances from customers				19,691,124,928.12
Contract liabilities	VI (VII)	14,596,720,387.12	19,691,124,928.12	
Securities sold but not yet purchased				
Financial assets at fair value				
Equity instruments	VI (XXVI)	296,206,737.79	319,715,914.16	319,715,914.16
Liabilities to subsidiaries:				
Said to subsidiaries		47,549,236.28	91,949,227.59	91,949,227.59
Wholly-owned subsidiaries		20,641.00		
Jointly-controlled entities				
Associates				
Liabilities to subsidiaries	VI (XXVII)	374,043,503.79	240,442,949.52	240,442,949.52
Liabilities to subsidiaries		359,389,161.53	227,313,951.19	227,313,951.19
Other liabilities	VI (XXVIII)	282,211,997.43	406,316,171.00	406,316,171.00
Reserves				
Reserves				
Securities purchased				
Securities purchased				
Held-maturity investments				
Contract liabilities	VI (XXIX)	200,000,000.00	2,999,707,500.00	2,999,707,500.00
Other contract liabilities	VI (XXX)	188,548.80	134,893.80	134,893.80
Total current liabilities		38,375,692,092.71	47,075,551,847.10	47,075,551,847.10

CONSOLIDATION BALANCE SHEET (CONTINUED)

(All figures in RMB)

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

CONSOLIDATION BALANCE SHEET (CONTINUED)

(A a i c a : i a RMB)

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

C a i i i i :

C i Acc i i

Acc i S i :

BALANCE SHEET

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

Items	Notes	December 31, 2018	January 1, 2018	December 31, 2017
Current assets:				
Cash and bank deposits		1,390,590,030.37	3,481,580,580.67	3,481,580,580.67
Short-term investments				
Derivatives				
Trade receivables				
Financial assets at fair value through profit or loss				
Derivatives at fair value through profit or loss				
Net available-for-sale financial assets	XV (I)	936,507,072.39	924,818,564.15	1,101,257,645.38
Prepaid expenses		3,000,163,923.64	3,166,229,261.29	3,166,229,261.29
Receivables from related parties				
Receivables from other related parties				
Other available-for-sale financial assets	XV (II)	1,816,491,322.56	1,062,474,651.28	1,062,474,651.28
Bank balances				
Intangible assets		1,233,925,646.06	1,530,848,812.74	1,530,848,812.74
Goodwill				
Investment in subsidiaries				
Investment in associates				
Investment in joint ventures				
Other financial assets		149,143,326.49	176,439,081.23	
Hybrid financial assets				
Contract assets				
Other financial assets		864,094,371.93	524,584,052.35	524,584,052.35
Total current assets		9,390,915,693.44	10,866,975,003.71	10,866,975,003.71

BALANCE SHEET (CONTINUED)

(A a i c a : i a RMB)

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

C a i i i i i :

C i Acc i i

Acc i S i :

BALANCE SHEET (CONTINUED)

(All amounts in thousands of RMB)

Items	Unit	December 31, 2018	January 1, 2018	December 31, 2017
Current liabilities:				
Short-term borrowings		1,148,730,000.00	398,730,000.00	398,730,000.00
Accounts payable				
Prepaid expenses				
Trade payables				
Financial liabilities				
Derivative financial instruments				
Notes payable		1,915,471,859.11	1,933,778,095.00	1,933,778,095.00
Advances from customers				4,115,565,251.44
Contract liabilities		3,933,048,846.51	4,115,565,251.44	
Securities sold but not yet settled				
Financial assets at fair value through profit or loss				
Equity instruments		5,159,724.21	62,564,298.43	62,564,298.43
Liabilities for sale		61,601.84	52,061,601.84	52,061,601.84
Warrant liabilities				
Liabilities for contingent consideration				
Trade receivables		6,488,694.44	-146,164,679.47	-146,164,679.47
Liabilities for interest		6,488,694.44	-146,164,679.47	-146,164,679.47
Other receivables		1,668,151,838.88	609,236,413.12	609,236,413.12
Receivables from related parties				
Receivables from non-related parties				
Securities bought but not yet settled				
Securities held for sale				
Holdings				
Contract assets		200,000,000.00	2,999,707,500.00	2,999,707,500.00
Other contract assets				
Total current liabilities		8,877,050,963.15	9,973,416,878.52	9,973,416,878.52

BALANCE SHEET (CONTINUED)

(All amounts in thousands of RMB)

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

BALANCE SHEET (CONTINUED)

(All amounts in thousands of RMB)

Items	Notes	December 31, 2018	January 1, 2018	December 31, 2017
Equity:				
Paid-up capital (paid-up capital)		1,706,523,000.00	1,706,523,000.00	1,706,523,000.00
Surplus reserves		1,030,952,000.00	1,030,952,000.00	1,030,952,000.00
Undistributed profits of the reporting period		1,030,952,000.00	1,030,952,000.00	1,030,952,000.00
Capital reserves				
Minority interests				
Fixed assets		675,571,000.00	675,571,000.00	675,571,000.00
Liabilities:				
Paid-up capital (paid-up capital) - minority interests		1,706,523,000.00	1,706,523,000.00	1,706,523,000.00
Other liabilities				
Undistributed profits of the reporting period				
Capital reserves		3,625,820,100.48	3,628,404,836.53	3,628,404,836.53
Liabilities to employees				
Other liabilities		63,358,777.91		
Undistributed profits of the reporting period				
Surplus reserves				
S		645,909,005.07	623,302,301.46	623,302,301.46
Undistributed profits of the reporting period		645,909,005.07	623,302,301.46	623,302,301.46
Other liabilities				
#R				
#C				
#R				
G				
R		1,168,904,907.68	991,042,420.20	991,042,420.20
Total owner's equity		7,210,515,791.14	6,949,272,558.19	6,949,272,558.19
Total liabilities and owner's equity		16,463,722,726.51	17,200,221,108.93	17,200,221,108.93

C

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CONSOLIDATION INCOME STATEMENTS

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

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

CONSOLIDATION INCOME STATEMENTS (CONTINUED)

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

Items	Notes	Current Period	Period
3. Operating profits ("-" for loss)		212,405,289.10	434,103,183.78
Add: -	VI (LVIII)	47,261,642.78	72,224,866.35
I c d : G		4,876,415.01	50,539,789.12
Ga		1,620,168.00	325,314.71
Less: -	VI (LIX)	102,812,797.65	162,961,645.20
I c d : L		38,647,346.91	
4. Profit before tax ("-" for loss)		156,854,134.23	343,366,404.93
Less: c	VI (LX)	54,166,496.62	82,397,811.03
5. Net profit ("-" for net loss)		102,687,637.61	260,968,593.90
(1) B		71,316,651.84	194,226,740.00
N		31,370,985.77	66,741,853.90
*P			
(2) B		103,075,019.32	234,628,922.24
C		-387,381.71	26,339,671.66
T			
6. Other comprehensive income after tax		66,567,309.74	27,890,241.37
Other c		66,510,166.44	25,453,003.92
(1) C		63,358,777.91	
1. R			
2. S a			
3. N		63,358,777.91	
4. Fa			
5. O			

CONSOLIDATION INCOME STATEMENTS (CONTINUED)

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

Items	Number	Current Period	Period
(2) Other comprehensive income attributable to owners of the parent		3,151,388.53	25,453,003.92
1. Share of other comprehensive income of associates and joint ventures		434,106.70	
2. Net available for sale financial assets			18,515,228.86
3. Gains or losses from cash flow hedges			
4. Tax effects of other comprehensive income			
5. Gains or losses from the disposal of available-for-sale financial assets			
6. Other comprehensive income attributable to the parent		-690,309.68	11,046,444.74
7. Cash flow hedges		3,407,591.51	-4,108,669.68
8. Cash flow hedges			
9. Other comprehensive income attributable to the parent		57,143.30	2,437,237.45
7. Total comprehensive income		169,254,947.35	288,858,835.27
Total comprehensive income attributable to owners of the parent		137,826,818.28	219,679,743.92
*Total comprehensive income attributable to the parent		31,428,129.07	69,179,091.35
8. Earnings per share:			
(1) Basic earnings per share		0.04	0.14
(2) Diluted earnings per share		0.04	0.14

Cash flow hedges

Cash flow hedges

Cash flow hedges

INCOME STATEMENTS

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

INCOME STATEMENTS (CONTINUED)

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

Items	N/A	Current Period	P	P	d

INCOME STATEMENTS (CONTINUED)

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

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

Cash and cash equivalents

Current assets

Current liabilities

CONSOLIDATION CASH FLOW STATEMENT

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

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

CONSOLIDATION CASH FLOW STATEMENT (CONTINUED)

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

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

CONSOLIDATION CASH FLOW STATEMENT (CONTINUED)

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

Items	N 12	Current Period	P 12
3. Cash flows from financing activities:			
Cash received from issuing debt			1,269,999,456.00
Interest received on cash and cash equivalents			
Dividends received from subsidiaries			
Cash received from other financing activities		1,064,550,263.57	1,410,490,000.00
Cash paid for debt			
Other cash payments		5,178,584.78	6,970,000.00
Total cash inflows from financing activities		1,069,728,848.35	2,687,459,456.00
4. Cash flows from investing activities:			
Cash paid for acquisition of subsidiaries		5,412,652,622.16	136,076,363.31
Cash paid for acquisition of other intangible assets			
Interest received on loans		192,880,766.41	178,148,351.58
Interest received on other receivables			
Dividends received from subsidiaries		31,707,132.77	
Other cash inflows		1,208,154.36	79,404,090.85
Total cash outflows from investing activities		5,606,741,542.93	393,628,805.74
Net cash flows from investing activities		-4,537,012,694.58	2,293,830,650.26
5. Effect of foreign exchange rate changes on cash and cash equivalents			
		30,740,345.41	-90,313,766.92
Net increase in cash and cash equivalents		-3,500,609,443.06	-1,997,848,756.41
Add: balance at beginning of period		15,206,290,892.00	17,204,139,648.41
6. Ending balance of cash and cash equivalents		11,705,681,448.94	15,206,290,892.00

Cash and cash equivalents

Cash and cash equivalents

Cash and cash equivalents

CASH FLOW STATEMENT (CONTINUED)

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

Items	N 期	Current Period	P 期
2. Cash flows from investing activities:			
Ca 收 入 项 下 的 收 入			800,000,000.00
Ca 支 出 项 下 的 支 出		386,468,386.17	268,448,263.88
Net cash generated from investing activities			
Net cash used in investing activities			
Operating activities		15,183,675.00	
Total cash inflows from investing activities		401,652,061.17	1,068,448,263.88
Ca 支 出 项 下 的 支 出			33,481,914.02
Ca 收 入 项 下 的 收 入		1,050,000.00	600,000,000.00
Net cash generated from investing activities			
Net cash used in investing activities			
Operating activities		1,159,029,994.35	633,481,914.02
Total cash outflows from investing activities		1,159,029,994.35	633,481,914.02
Net cash flows from investing activities		-757,377,933.18	434,966,349.86

CASH FLOW STATEMENT (CONTINUED)

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

Items	Number	Current Period	Period
3. Cash flows from financing activities:			
Cash received from issuing debt			1,269,999,456.00
Cash received from issuing equity		2,050,000,000.00	200,000,000.00
Cash received from other financing activities			
Other cash received from financing activities			
Total cash inflows from financing activities		2,050,000,000.00	1,469,999,456.00
4. Effect of foreign exchange rate changes on cash and cash equivalents			
Cash paid for acquisition of subsidiaries		3,147,157,350.00	
Cash paid for acquisition of subsidiaries, net of cash acquired			41,302,273.53
Other cash paid for acquisition of subsidiaries		77,970,960.36	
Other cash paid for acquisition of subsidiaries			
Total cash outflows from financing activities		3,225,128,310.36	41,302,273.53
Net cash flows from financing activities		-1,175,128,310.36	1,428,697,182.47
5. Net increase in cash and cash equivalents			
Add: balance at beginning of period		-2,090,990,550.30	1,904,085,795.98
Change in cash and cash equivalents		3,481,580,580.67	1,577,494,784.69

CONSOLIDATION STATEMENTS OF CHANGES IN EQUITY

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

CONSOLIDATION STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

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

Items	P a y m e n t s		E x p e n d i t u r e s		P r o f i t s		S h a r e h o l d e r s		M i n o r i t y		T o t a l
	Pa-d- ca- sh	Pa- id- ca- sh	Ca- sh	Ca- sh	S- p- a- z- p- r- o- f- i- n- c- o- m- e	S- p- a- z- p- r- o- f- i- n- c- o- m- e	S- h- a- r- e- h- o- l- d- e- r- s	S- h- a- r- e- h- o- l- d- e- r- s	M- i- n- o- r- i- t- y	T- o- t- a- l	
1. Ending balance of last year	1,376,806,000.00	2,764,208,680.41	2,764,208,680.41	15,801,146.88	766,529,945.66	15,801,146.88	766,529,945.66	13,433,083,309.54	1,209,321,445.94	14,642,414,755.48	
Add: Contributions of capital											
1. Cash											
2. Specialized reserve											
3. Shareholders' contributions											
4. Other											
2. Beginning balance of current year	1,376,806,000.00	2,764,208,680.41	2,764,208,680.41	15,801,146.88	766,529,945.66	15,801,146.88	766,529,945.66	13,433,083,309.54	1,209,321,445.94	14,642,414,755.48	
3. Increase/decrease for current year**											
for decrease											
(1) Total comprehensive income	329,717,000.00	925,988,749.76	925,988,749.76	3,576,276.08	152,922,560.00	3,576,276.08	152,922,560.00	1,437,657,591.76	62,079,331.38	1,499,736,923.14	
(2) Owner's contributions and withdrawals of capital	329,717,000.00	925,988,749.76	925,988,749.76	25,453,003.92	194,226,740.00	25,453,003.92	194,226,740.00	219,619,743.92	69,179,091.35	288,838,835.27	
1. Cash											
2. Specialized reserve											
3. Shareholders' contributions											
4. Other											
(3) Accrual and utilization of specialized reserve	329,717,000.00	940,282,456.00	940,282,456.00					1,269,989,456.00		1,269,989,456.00	
1. Accrual											
2. Utilization											
(4) Profit distribution											
1. Appropriation											
2. Dividend											
3. Retention											
4. Other											
(5) Transfer within owner's equity											
1. Cash											
2. Specialized reserve											
3. Shareholders' equity											
4. Other											
2. Accrual											
3. Dividend											
4. Other											
4. Ending balance of current year	1,706,523,000.00	3,690,197,230.17	3,690,197,230.17	19,377,426.96	766,529,945.66	19,377,426.96	766,529,945.66	14,870,750,901.30	1,271,400,777.32	16,142,151,678.62	

C a n n o t b e a s s e s s e d

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STATEMENTS OF CHANGES IN EQUITY

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

Items	Current period											
	Paid-in capital	Preferred stock	Other equity instruments	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	General risk provision	Retained earnings	Others	Total owner's equity
1. Ending balance of last year	1,706,523,000.00			3,628,404,635.53				623,302,201.46		991,042,420.20		6,949,272,559.19
2. Beginning balance of current year	1,706,523,000.00			3,628,404,635.53				623,302,201.46		991,042,420.20		6,949,272,559.19
3. Increase/decrease for current year "+" for decrease												
(1) Total comprehensive income						63,353,777.91		22,606,703.61		177,682,487.48		261,243,269.99
(2) Owner's contributions and withdrawals of capital						63,353,777.91		22,606,703.61		226,687,035.09		289,425,814.00
1. Capital contribution												
2. Cash contribution												
3. Shareholder contribution												
4. Other												
(3) Accrual and utilization of specialized reserve												
1. Accrual								22,606,703.61		-48,204,348.61		-25,597,645.00
2. Utilization								22,606,703.61		-22,606,703.61		
(4) Profits distribution								22,606,703.61		-22,606,703.61		
1. Allocation												
2. Dividend												
3. Other												
(5) Transfer within owner's equity												
1. Capital reserve to retained earnings												
2. Specialized reserve to retained earnings												
3. Retained earnings to capital												
4. Dividend to capital												
5. Other												
6. Other												
4. Ending balance of current year	1,706,523,000.00			3,628,404,635.53		63,353,777.91		645,909,005.07		1,168,904,907.68		7,410,515,911.14

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STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

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

Items	Beginning balance of last year			Ending balance of current year		
	Accumulated equity	Special reserve	Total equity	Accumulated equity	Special reserve	Total equity
1. Ending balance of last year	1,376,806,000.00	2,888,122,380.53	623,302,301.46	1,211,488,800.15	623,302,301.46	5,899,719,282.14
2. Beginning balance of current year	1,376,806,000.00	2,888,122,380.53	623,302,301.46	1,211,488,800.15	623,302,301.46	5,899,719,282.14
3. Increase/decrease for current year -- for decrease						
(1) Total comprehensive income	329,717,000.00	940,282,456.00		-220,446,179.95		1,049,553,276.05
(2) Owner's contributions and withdrawals of capital	329,717,000.00	940,282,456.00		-179,141,999.95		-179,141,999.95
1. Contributions of capital	329,717,000.00	940,282,456.00		-179,141,999.95		1,289,999,456.00
2. Withdrawals of capital						1,289,999,456.00
3. Special dividends						
4. Other						
(3) Accrual and utilization of specialized reserve						
1. Accrual						
2. Utilization						
(4) Profits distribution						
1. Appropriation						
2. Dividends						
3. Other						
4. Other						
(5) Transfer within owner's equity						
1. Capital reserve to retained earnings						
2. Special reserve to retained earnings						
3. Retained earnings to special reserve						
4. Dividends payable to capital						
5. Other						
6. Other						
4. Ending balance of current year	1,706,523,000.00	3,828,404,836.53	623,302,301.46	991,042,400.20	623,302,301.46	6,949,272,559.19

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NOTES TO FINANCIAL STATEMENTS

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

I. INFORMATION ABOUT THE COMPANY

(I) Company profile

Ha b E d c C a L d ("C a) a a a d a d d d d
Ha b E d c C a ("H E C a) a d d d d : Ha b E d c a M a c W , Ha b
B W a d Ha b T b W (d d a a d) , T C a a b d
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b a d b S C R d d E c c S N b 5, 1994.

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C a , d d 60.55% d d a c a . O H S a CNY469,151,000, d d
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a c a d CNY1,274,451,000. A b d a a b d d 2005 a a a
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c d 102,355,000 a a d d a d d c a d a d c a d b 10,235,000
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S a d A d C S C c , C a a a 10,235,000 a
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O D c b 1, 2017, a a d d a a d d c a
Ha b G , c d 3,297,700 a . O D c b 6, 2017, c a c d a a d d a
a c a CNY329,717,000.00 a d b Ha b G c c , a d d d c a a d a

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

Business combinations involving entities under common control: The acquisition cost of the acquired entity is measured at the book value of the net assets of the acquired entity at the acquisition date. The difference between the acquisition cost and the book value of the net assets of the acquired entity is adjusted to the capital reserve of the acquirer. The acquisition cost is measured at the book value of the net assets of the acquired entity at the acquisition date. The difference between the acquisition cost and the book value of the net assets of the acquired entity is adjusted to the capital reserve of the acquirer.

Business combinations involving entities not under common control: The acquisition cost is measured at the fair value of the net assets of the acquired entity at the acquisition date. The difference between the acquisition cost and the fair value of the net assets of the acquired entity is recognized as goodwill. The acquisition cost is measured at the fair value of the net assets of the acquired entity at the acquisition date. The difference between the acquisition cost and the fair value of the net assets of the acquired entity is recognized as goodwill.

The acquisition cost is measured at the fair value of the net assets of the acquired entity at the acquisition date. The difference between the acquisition cost and the fair value of the net assets of the acquired entity is recognized as goodwill. The acquisition cost is measured at the fair value of the net assets of the acquired entity at the acquisition date. The difference between the acquisition cost and the fair value of the net assets of the acquired entity is recognized as goodwill.

(VI) Preparation of consolidated financial statements

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the accompanying Chinese)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Preparation of consolidated financial statements (Continued)

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

When preparing consolidated financial statements, the Company eliminates all intercompany transactions and balances. The Company's financial statements are prepared on the basis of the accounting principles and methods that are consistent with those used in the preparation of the financial statements of the individual entities included in the consolidation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

1. Foreign currency transactions

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

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

2. Conversion of foreign currency transactions

All foreign currency transactions are converted into CNY at the exchange rate prevailing at the end of the reporting period. The Company's financial statements are prepared in accordance with the accounting standards and practices in the PRC. The Company's financial statements are prepared in accordance with the accounting standards and practices in the PRC.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments

Financial instruments include cash, accounts receivable, accounts payable, etc.

1. Cash and cash equivalents

The cash and cash equivalents are defined as the amount of cash and deposits held by the company and its subsidiaries, including: Habo Electric Co., Ltd. deposits; accounts receivable; and other amounts that are available for use by the company and its subsidiaries. Cash and cash equivalents are measured at fair value. The company's cash and cash equivalents are primarily in the form of bank deposits. The company's cash and cash equivalents are primarily in the form of bank deposits. The company's cash and cash equivalents are primarily in the form of bank deposits.

Financial instruments are classified as cash and cash equivalents if they are held for a short period of time and are highly liquid.

2. Cash and cash equivalents

Financial instruments are classified as cash and cash equivalents if they are held for a short period of time and are highly liquid.

Financial instruments are classified as cash and cash equivalents if they are held for a short period of time and are highly liquid. The company's cash and cash equivalents are primarily in the form of bank deposits. The company's cash and cash equivalents are primarily in the form of bank deposits. The company's cash and cash equivalents are primarily in the form of bank deposits.

The company's cash and cash equivalents are primarily in the form of bank deposits. The company's cash and cash equivalents are primarily in the form of bank deposits. The company's cash and cash equivalents are primarily in the form of bank deposits.

The company's cash and cash equivalents are primarily in the form of bank deposits. The company's cash and cash equivalents are primarily in the form of bank deposits. The company's cash and cash equivalents are primarily in the form of bank deposits.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

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

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

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

When the fair value of a financial asset is measured, the following methods are used: quoted market prices in active markets, recent market transactions, valuation techniques, and other methods.

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

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

When the fair value of a financial asset is measured, the following methods are used: quoted market prices in active markets, recent market transactions, valuation techniques, and other methods.

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

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

When the fair value of a financial asset is measured, the following methods are used: quoted market prices in active markets, recent market transactions, valuation techniques, and other methods.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

2. **Financial assets and liabilities** (Continued)

Financial assets

Financial assets are assets that are cash, cash equivalents, loans and receivables, debt securities, equity securities, and other financial assets. Financial assets are classified into financial assets at amortized cost, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income.

When the financial asset is held with the intention of collecting contractual cash flows, and the contractual cash flows are solely payments of principal and interest, the financial asset is classified as financial assets at amortized cost. When the financial asset is held with the intention of selling, or the contractual cash flows are not solely payments of principal and interest, the financial asset is classified as financial assets at fair value through profit or loss.

Financial liabilities

Financial liabilities are liabilities that are payable, payables, debt securities, and other financial liabilities. Financial liabilities are classified into financial liabilities at amortized cost, financial liabilities at fair value through profit or loss, and financial liabilities at fair value through other comprehensive income.

When the financial liability is held with the intention of selling, or the contractual cash flows are not solely payments of principal and interest, the financial liability is classified as financial liabilities at fair value through profit or loss.

When the financial liability is held with the intention of collecting contractual cash flows, and the contractual cash flows are solely payments of principal and interest, the financial liability is classified as financial liabilities at amortized cost.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

3. Classification and measurement of financial assets

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

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

(1) Trade receivables are measured at amortized cost;

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

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

(1) Trade receivables are measured at amortized cost;

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

4. *Classification and measurement of financial assets*

Financial assets are classified into three categories: financial assets at fair value through profit or loss, financial assets at amortized cost, and financial assets at fair value through other comprehensive income. The classification is based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as financial assets at fair value through profit or loss. These financial assets are measured at fair value, and changes in fair value are recognized in profit or loss.

Financial assets at amortized cost include financial assets held to collect contractual cash flows, and financial assets designated as financial assets at amortized cost. These financial assets are measured at amortized cost, and changes in carrying amount are recognized in profit or loss.

Financial assets at fair value through other comprehensive income include financial assets held to collect contractual cash flows, and financial assets designated as financial assets at fair value through other comprehensive income. These financial assets are measured at fair value, and changes in fair value are recognized in other comprehensive income.

5. *Measurement of financial liabilities*

Financial liabilities are measured at amortized cost. Financial liabilities at amortized cost include financial liabilities held to collect contractual cash flows, and financial liabilities designated as financial liabilities at amortized cost. These financial liabilities are measured at amortized cost, and changes in carrying amount are recognized in profit or loss.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

6. *Trade receivables* are recognized at the time of sale of goods or services, net of expected credit losses. They are measured at amortized cost less expected credit losses.

Trade receivables are recognized at the time of sale of goods or services, net of expected credit losses. They are measured at amortized cost less expected credit losses. Trade receivables are classified as current assets if they are due within one year or the operating cycle, whichever is longer. Trade receivables are classified as non-current assets if they are due after one year or the operating cycle, whichever is longer.

Trade receivables are recognized at the time of sale of goods or services, net of expected credit losses. They are measured at amortized cost less expected credit losses. Trade receivables are classified as current assets if they are due within one year or the operating cycle, whichever is longer. Trade receivables are classified as non-current assets if they are due after one year or the operating cycle, whichever is longer.

Trade receivables are recognized at the time of sale of goods or services, net of expected credit losses. They are measured at amortized cost less expected credit losses. Trade receivables are classified as current assets if they are due within one year or the operating cycle, whichever is longer. Trade receivables are classified as non-current assets if they are due after one year or the operating cycle, whichever is longer.

Trade receivables are recognized at the time of sale of goods or services, net of expected credit losses. They are measured at amortized cost less expected credit losses. Trade receivables are classified as current assets if they are due within one year or the operating cycle, whichever is longer. Trade receivables are classified as non-current assets if they are due after one year or the operating cycle, whichever is longer.

(1) Trade receivables are recognized at the time of sale of goods or services, net of expected credit losses. They are measured at amortized cost less expected credit losses. Trade receivables are classified as current assets if they are due within one year or the operating cycle, whichever is longer. Trade receivables are classified as non-current assets if they are due after one year or the operating cycle, whichever is longer.

(2) Trade receivables are recognized at the time of sale of goods or services, net of expected credit losses. They are measured at amortized cost less expected credit losses. Trade receivables are classified as current assets if they are due within one year or the operating cycle, whichever is longer. Trade receivables are classified as non-current assets if they are due after one year or the operating cycle, whichever is longer.

(3) Trade receivables are recognized at the time of sale of goods or services, net of expected credit losses. They are measured at amortized cost less expected credit losses. Trade receivables are classified as current assets if they are due within one year or the operating cycle, whichever is longer. Trade receivables are classified as non-current assets if they are due after one year or the operating cycle, whichever is longer.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

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

For the period ended December 31, 2019, the Group's trade receivables are classified into three categories: *Trade receivables*, *Trade receivables* and *Trade receivables*. The Group's trade receivables are classified into three categories: *Trade receivables*, *Trade receivables* and *Trade receivables*.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

7. Other financial assets

With respect to other financial assets, the Company applies the simplified method of impairment assessment. For other financial assets measured at amortized cost, the Company assesses whether there is a significant increase in credit risk since initial recognition. If there is a significant increase in credit risk, the Company measures the loss allowance at the amount of the expected credit losses over the life of the financial asset. For other financial assets measured at fair value through profit or loss, the Company does not assess credit risk.

8. Derivative financial instruments

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

Forward contracts are used to hedge foreign exchange risk. The Company uses forward contracts to hedge foreign exchange risk.

With respect to derivative financial instruments, the Company uses the simplified method of impairment assessment. The Company uses the simplified method of impairment assessment.

(XI) Provision for bad debt of the accounts receivable

Receivables are classified into different categories based on their credit risk. The Company assesses the credit risk of receivables and provides a provision for bad debt.

The Company uses the simplified method of impairment assessment for receivables. The Company uses the simplified method of impairment assessment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(1) Accounts receivable

For accounts receivable, the Company assesses the credit risk of each debtor and determines the provision for bad debt based on the expected credit loss model. The Company uses historical data to estimate the expected credit loss rate for different categories of accounts receivable. The provision for bad debt is calculated as the product of the carrying amount of accounts receivable and the expected credit loss rate.

The Company's credit policy is to provide credit to customers based on their credit records and financial strength. The Company monitors the credit status of its customers and takes measures to reduce credit risk. The provision for bad debt is reviewed at the end of each reporting period and adjusted as necessary.

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

The Company's bad debt provision policy is to provide credit to customers based on their credit records and financial strength. The Company monitors the credit status of its customers and takes measures to reduce credit risk. The provision for bad debt is reviewed at the end of each reporting period and adjusted as necessary.

The Company's credit policy is to provide credit to customers based on their credit records and financial strength. The Company monitors the credit status of its customers and takes measures to reduce credit risk. The provision for bad debt is reviewed at the end of each reporting period and adjusted as necessary.

1) Trade receivables

The Company's credit policy is to provide credit to customers based on their credit records and financial strength. The Company monitors the credit status of its customers and takes measures to reduce credit risk. The provision for bad debt is reviewed at the end of each reporting period and adjusted as necessary.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XII) Inventories

1. Categories

Inventories are classified into raw materials, work-in-progress, finished goods, and consumables.

2. Valuation

Inventories are measured at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs of disposal.

Cost of finished goods is determined on a first-in, first-out basis.

Inventories are measured at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs of disposal.

3. Depreciation and impairment

At the end of each reporting period, inventories are reviewed for impairment. If the carrying amount of inventories exceeds their net realizable value, an impairment loss is recognized and the carrying amount is reduced to their net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs of disposal. If the carrying amount of inventories exceeds their net realizable value, an impairment loss is recognized and the carrying amount is reduced to their net realizable value. If the carrying amount of inventories is less than their net realizable value, the impairment loss is reversed in the period when the reversal is recognized.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add 100% in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XII) Inventories (Continued)

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

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

The company's inventory items are measured at the lower of cost and net realizable value. The cost of inventory items is determined on a first-in, first-out basis. The net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs of disposal.

Under the company's accounting policy, inventory items are measured at the lower of cost and net realizable value. The cost of inventory items is determined on a first-in, first-out basis. The net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs of disposal.

The company's inventory items are measured at the lower of cost and net realizable value.

The company's inventory items are measured at the lower of cost and net realizable value.

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

The company's inventory items are measured at the lower of cost and net realizable value.

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

(1) The company's inventory items are measured at the lower of cost and net realizable value.

(2) The company's inventory items are measured at the lower of cost and net realizable value.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIII) Contract assets and contract liabilities

The Company recognizes contract assets when it has performed its obligations under a contract with the customer and has a right to consideration, but the right is conditional on the customer's approval of the goods or services. Contract assets are recognized when the customer's approval is expected to occur within one year from the reporting date. Contract liabilities are recognized when the Company has received consideration from the customer but has not yet performed its obligations under the contract. Contract assets and liabilities are measured at the net amount of the contract. Contract assets and liabilities are measured at the net amount of the contract. Contract assets and liabilities are measured at the net amount of the contract.

For contract assets, the Company assesses the credit risk of the customer. If the credit risk is low, the Company recognizes a contract asset. If the credit risk is not low, the Company recognizes a contract liability. The Company recognizes a contract liability when it has received consideration from the customer but has not yet performed its obligations under the contract. Contract assets and liabilities are measured at the net amount of the contract.

(XIV) Classified as assets held for sale

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

(1) Balance sheet items are classified as held for sale when they are available for sale in their current condition and the Company has entered into a binding agreement to sell the assets, the sale is highly probable, and the sale is expected to occur within one year from the reporting date.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments

1. Jointly controlled entities

Jointly controlled entities are those entities in which the reporting entity and other parties have a contractual arrangement that gives them joint control over the financial and operating policies of the entity, and decisions about the reporting entity require the unanimous agreement of all parties who have joint control.

Shareholders of jointly controlled entities exercise their voting rights in a way that requires the unanimous agreement of all shareholders to make decisions about the financial and operating policies of the entity.

2. Disposal of long-term equity investments

(1) Losses on disposal of long-term equity investments

For losses on disposal of long-term equity investments, the reporting entity shall recognize the difference between the net proceeds from the disposal and the carrying amount of the long-term equity investment as a loss or gain in the profit or loss account. The carrying amount of the long-term equity investment shall be determined as the cost of the investment plus or minus the changes in the carrying amount of the investment that have been recognized in the equity account.

For gains on disposal of long-term equity investments, the reporting entity shall recognize the difference between the net proceeds from the disposal and the carrying amount of the long-term equity investment as a gain or loss in the profit or loss account. The carrying amount of the long-term equity investment shall be determined as the cost of the investment plus or minus the changes in the carrying amount of the investment that have been recognized in the equity account.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

2. *Dividends received from investees (Continued)*

(2) *Long-term equity investments*

The Company's long-term equity investments are accounted for using the cost method. Dividends received from investees are recognized as income when they are received.

The Company's long-term equity investments are accounted for using the cost method. Dividends received from investees are recognized as income when they are received.

The Company's long-term equity investments are accounted for using the cost method. Dividends received from investees are recognized as income when they are received.

The Company's long-term equity investments are accounted for using the cost method. Dividends received from investees are recognized as income when they are received.

3. *Share-based payments*

(1) *Share-based payments*

The Company's share-based payments are accounted for using the cost method. Dividends received from investees are recognized as income when they are received.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

3. *Subsidiaries* (Continued)

(2) *Long-term equity investments*

Long-term equity investments are accounted for using the equity method. When the investee is a subsidiary, the investment is accounted for using the equity method. When the investee is an associate, the investment is accounted for using the equity method. When the investee is a joint venture, the investment is accounted for using the equity method. When the investee is a structured entity, the investment is accounted for using the equity method. When the investee is a trust, the investment is accounted for using the equity method. When the investee is a partnership, the investment is accounted for using the equity method. When the investee is a limited liability partnership, the investment is accounted for using the equity method. When the investee is a limited liability company, the investment is accounted for using the equity method. When the investee is a limited liability partnership, the investment is accounted for using the equity method. When the investee is a limited liability company, the investment is accounted for using the equity method.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVII) Fixed assets

1. Cost

Fixed assets are measured at cost. Cost includes the purchase price of the asset, related taxes, and other costs incurred to bring the asset to the location and condition necessary for it to be available for use. For fixed assets purchased from related parties, the cost is determined on the basis of the fair value of the asset.

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

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

2. Depreciation

Fixed assets are depreciated on a straight-line basis over their estimated useful lives. Depreciation is calculated based on the cost of the asset minus its estimated residual value. Depreciation expense is recognized in the profit and loss account. Depreciation is reviewed at the end of each reporting period. If there is a significant change in the estimated useful life or the estimated residual value of the asset, the depreciation method and the depreciation period are adjusted accordingly.

For fixed assets that are held for sale, depreciation is not recognized. For fixed assets that are held for disposal, depreciation is recognized up to the date of disposal. For fixed assets that are held for use in the future, depreciation is not recognized. For fixed assets that are held for use in the future, depreciation is recognized up to the date of disposal.

The following table shows the depreciation period, estimated residual value, annual depreciation rate, and depreciation method for each category of fixed assets:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVII) Fixed assets (Continued)

4. *Right of use assets*

When the Company enters into a lease contract, it shall determine whether the contract is a lease or a finance lease. The criteria are as follows:

(1) The contract transfers the right to use the identified asset for a period of time.

(2) The Company has the right to direct the use of the identified asset, and the Company has the right to obtain substantially all the economic benefits from the use of the identified asset.

(3) The contract contains an option that the Company can reasonably exercise to purchase the identified asset.

(4) The contract is a lease, and the contract is a lease.

Once the contract is determined to be a lease, the Company shall recognize the right of use asset and the lease liability. The right of use asset is measured at the cost of the lease liability plus the initial direct costs, and the lease liability is measured at the present value of the lease payments. The Company shall use the straight-line method to depreciate the right of use asset over the lease term. The Company shall use the straight-line method to amortize the lease liability over the lease term.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVIII) Construction in progress (Continued)

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

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

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

The Company's construction in progress is measured at cost less any accumulated depreciation and amortization. The cost of construction in progress includes the cost of materials, labor, and other direct costs, as well as an allocation of indirect costs.

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

On the balance sheet, the Company's construction in progress is classified as a non-current asset. The cost of construction in progress is recognized as an expense when the asset is completed and ready for use.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Borrowing costs

1. **Capitalization of borrowing costs**

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

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

Assets that are under construction or production are measured at cost, which includes borrowing costs capitalized. Assets that are not under construction or production are measured at cost, which does not include borrowing costs capitalized.

Capitalization of borrowing costs is suspended when the construction or production of the asset is interrupted for a substantial period of time.

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

(2) Borrowing costs are capitalized as part of the cost of the related asset when the asset is being constructed or otherwise produced.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Borrowing costs (Continued)

4. Capitalized borrowing costs

Successive years, the Company has incurred borrowing costs related to the construction of the new plant. According to the relevant provisions of the Accounting Standards for Business Enterprises, the borrowing costs incurred during the construction period of the new plant are capitalized and included in the cost of the new plant. The borrowing costs that do not meet the conditions for capitalization are expensed as incurred.

For the years ended December 31, 2018 and 2017, the Company has capitalized borrowing costs of RMB 1.2 million and RMB 0.8 million, respectively. The borrowing costs that do not meet the conditions for capitalization are expensed as incurred. The borrowing costs that do not meet the conditions for capitalization are expensed as incurred.

The Company has adopted the following accounting policy for borrowing costs: the borrowing costs incurred during the construction period of the new plant are capitalized and included in the cost of the new plant. The borrowing costs that do not meet the conditions for capitalization are expensed as incurred.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Intangible assets

1. Valuation method

(1) Initial recognition

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add RMB in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Intangible assets (Continued)

2. Elected measurement basis:

When the measurement basis is selected, the measurement basis is determined according to the following criteria: (1) The measurement basis is selected based on the nature of the asset; (2) The measurement basis is selected based on the measurement basis of the asset; (3) The measurement basis is selected based on the measurement basis of the asset; (4) The measurement basis is selected based on the measurement basis of the asset; (5) The measurement basis is selected based on the measurement basis of the asset; (6) The measurement basis is selected based on the measurement basis of the asset; (7) The measurement basis is selected based on the measurement basis of the asset.

At the end of the reporting period, the measurement basis is determined based on the measurement basis of the asset.

At the end of the reporting period, the measurement basis is determined based on the measurement basis of the asset.

3. Judgmental measurement basis:

The measurement basis is determined based on the measurement basis of the asset.

Judgmental measurement basis: 1. The measurement basis is determined based on the measurement basis of the asset; 2. The measurement basis is determined based on the measurement basis of the asset.

At the end of the reporting period, the measurement basis is determined based on the measurement basis of the asset.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Intangible assets (Continued)

4. Patents

Patents are intangible assets that are identifiable and controllable, and whose benefits are expected to flow to the entity in the future. They are recognized when the entity obtains the legal rights to the patents and the costs incurred to obtain the patents are reliablely measurable.

Patents are measured at cost less accumulated amortization and impairment losses. Amortization is calculated on a straight-line basis over the expected useful life of the patents.

For patents that are developed internally, the costs incurred in the research and development phase are expensed as incurred. The costs incurred in the application phase are capitalized and amortized over the expected useful life of the patents. The expected useful life of patents is determined based on the legal protection period and the economic benefits expected to be derived from the patents. For patents that are acquired from other parties, the costs incurred to acquire the patents are capitalized and amortized over the expected useful life of the patents.

When the carrying amount of a patent exceeds its recoverable amount, an impairment loss is recognized. The impairment loss is calculated as the difference between the carrying amount and the recoverable amount. The impairment loss is recognized in the profit and loss account.

When the carrying amount of a patent is less than its recoverable amount, the impairment loss is reversed. The reversal is calculated as the difference between the carrying amount and the recoverable amount. The reversal is recognized in the profit and loss account.

At the end of each reporting period, the carrying amount of a patent is reviewed. If the carrying amount of a patent is less than its recoverable amount, an impairment loss is recognized. The impairment loss is calculated as the difference between the carrying amount and the recoverable amount. The impairment loss is recognized in the profit and loss account.

On the disposal of a patent, the carrying amount of the patent is transferred to the profit and loss account. The profit and loss account is calculated as the difference between the carrying amount and the net proceeds from the disposal of the patent.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Intangible assets (Continued)

5. **Software development costs** — Costs incurred in the development of software for internal use are capitalized when the software is available for use. Capitalized costs are amortized over the estimated useful life of the software, which is generally 3 to 5 years. Costs incurred in the development of software for sale are capitalized when the software is available for sale. Capitalized costs are amortized over the estimated useful life of the software, which is generally 3 to 5 years. Costs incurred in the development of software for sale that are not capitalized are expensed as incurred.
6. **Goodwill** — Goodwill is the excess of the purchase price over the fair value of the identifiable intangible assets acquired in a business combination. Goodwill is tested for impairment annually, or more frequently if events or circumstances indicate that an impairment test may be necessary. The impairment test is performed by comparing the carrying amount of the reporting unit, including goodwill, to the fair value of the reporting unit. If the carrying amount exceeds the fair value, an impairment loss is recognized. Goodwill is not amortized.
- (1) Goodwill is tested for impairment annually, or more frequently if events or circumstances indicate that an impairment test may be necessary. The impairment test is performed by comparing the carrying amount of the reporting unit, including goodwill, to the fair value of the reporting unit. If the carrying amount exceeds the fair value, an impairment loss is recognized. Goodwill is not amortized.
- (2) Goodwill is tested for impairment annually, or more frequently if events or circumstances indicate that an impairment test may be necessary. The impairment test is performed by comparing the carrying amount of the reporting unit, including goodwill, to the fair value of the reporting unit. If the carrying amount exceeds the fair value, an impairment loss is recognized. Goodwill is not amortized.
- (3) Goodwill is tested for impairment annually, or more frequently if events or circumstances indicate that an impairment test may be necessary. The impairment test is performed by comparing the carrying amount of the reporting unit, including goodwill, to the fair value of the reporting unit. If the carrying amount exceeds the fair value, an impairment loss is recognized. Goodwill is not amortized.
- (4) Goodwill is tested for impairment annually, or more frequently if events or circumstances indicate that an impairment test may be necessary. The impairment test is performed by comparing the carrying amount of the reporting unit, including goodwill, to the fair value of the reporting unit. If the carrying amount exceeds the fair value, an impairment loss is recognized. Goodwill is not amortized.
- (5) Goodwill is tested for impairment annually, or more frequently if events or circumstances indicate that an impairment test may be necessary. The impairment test is performed by comparing the carrying amount of the reporting unit, including goodwill, to the fair value of the reporting unit. If the carrying amount exceeds the fair value, an impairment loss is recognized. Goodwill is not amortized.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add RMB million; CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXI) Impairment of long-term assets

Long-term assets, including property, plant and equipment, investment property, intangible assets, etc., are carried at cost less accumulated depreciation or amortization and impairment losses. The carrying amount of long-term assets is reviewed at the end of each reporting period. If there is any indication that the carrying amount of long-term assets may be impaired, the carrying amount of the assets is compared with the recoverable amount. The recoverable amount is the maximum amount of cash or cash equivalents that can be derived from the assets, less costs to be incurred. If the carrying amount of long-term assets exceeds the recoverable amount, the carrying amount of the assets is reduced to the recoverable amount. The amount of the reduction is recognized as an impairment loss in the profit or loss account. The impairment loss is recognized in the profit or loss account. The impairment loss is recognized in the profit or loss account. The impairment loss is recognized in the profit or loss account.

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

When the carrying amount of long-term assets is less than the recoverable amount, the carrying amount of the assets is increased to the recoverable amount. The amount of the increase is recognized as a reversal of an impairment loss in the profit or loss account. The reversal of an impairment loss is recognized in the profit or loss account. The reversal of an impairment loss is recognized in the profit or loss account. The reversal of an impairment loss is recognized in the profit or loss account.

When the carrying amount of long-term assets is less than the recoverable amount, the carrying amount of the assets is increased to the recoverable amount. The amount of the increase is recognized as a reversal of an impairment loss in the profit or loss account. The reversal of an impairment loss is recognized in the profit or loss account. The reversal of an impairment loss is recognized in the profit or loss account. The reversal of an impairment loss is recognized in the profit or loss account.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add RMB in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXII) Long-term prepaid expenses

Long-term prepaid expenses are incurred by the Company for the purchase of goods or services that will benefit the Company over a period longer than one year.

The Company's long-term prepaid expenses are primarily for the purchase of software licenses. The Company recognizes the expense of software licenses on a straight-line basis over the useful life of the software licenses. The useful life of software licenses is generally 3 to 5 years.

(XXIII) Employee Remuneration

1. Short-term employee benefits

Short-term employee benefits are those benefits that are expected to be paid to employees within 12 months after the reporting period. Short-term employee benefits include wages, salaries, bonuses, short-term employee accruals, and other employee benefits.

The Company's short-term employee benefits are primarily for wages, salaries, bonuses, and short-term employee accruals. The Company recognizes the expense of short-term employee benefits as incurred. Short-term employee accruals are recognized as a liability and expense over the period in which the employees provide services to the Company.

Wages, salaries, bonuses, and short-term employee accruals are paid to employees in cash or by bank transfer.

2. Long-term employee benefits

(1) Defined contribution plans

The Company's defined contribution plans are primarily for the pension and medical insurance. The Company recognizes the expense of defined contribution plans as incurred. The Company's defined contribution plans are funded by the Company and the employees.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB million unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIII) Employee Remuneration (Continued)

2. *Defined contribution plans* (Continued)

(2) *Defined contribution plans*

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

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

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

3. *Accumulated other comprehensive income*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIV) Estimated liabilities

Warranty liabilities are recognized for the estimated amount of the liability that the Company will incur as a result of the sale of products, based on the historical experience of the Company and the industry practice. The Company also recognizes warranty liabilities for the estimated amount of the liability that the Company will incur as a result of the sale of services, based on the historical experience of the Company and the industry practice.

1. Recognition and measurement of warranty liabilities

Warranty liabilities are recognized when the Company has sold products or services and the estimated amount of the liability that the Company will incur as a result of the sale of products or services is determined. The Company also recognizes warranty liabilities for the estimated amount of the liability that the Company will incur as a result of the sale of services, based on the historical experience of the Company and the industry practice.

(1) Warranty liabilities are recognized for the estimated amount of the liability that the Company will incur as a result of the sale of products, based on the historical experience of the Company and the industry practice.

(2) Warranty liabilities are recognized for the estimated amount of the liability that the Company will incur as a result of the sale of services, based on the historical experience of the Company and the industry practice.

(3) Warranty liabilities are recognized for the estimated amount of the liability that the Company will incur as a result of the sale of services, based on the historical experience of the Company and the industry practice.

2. Measurement of warranty liabilities

The Company measures warranty liabilities at the estimated amount of the liability that the Company will incur as a result of the sale of products or services, based on the historical experience of the Company and the industry practice.

Warranty liabilities are measured at the estimated amount of the liability that the Company will incur as a result of the sale of products or services, based on the historical experience of the Company and the industry practice. The Company also recognizes warranty liabilities for the estimated amount of the liability that the Company will incur as a result of the sale of services, based on the historical experience of the Company and the industry practice.

The Company measures warranty liabilities at the estimated amount of the liability that the Company will incur as a result of the sale of products or services, based on the historical experience of the Company and the industry practice.

The Company measures warranty liabilities at the estimated amount of the liability that the Company will incur as a result of the sale of products or services, based on the historical experience of the Company and the industry practice. The Company also recognizes warranty liabilities for the estimated amount of the liability that the Company will incur as a result of the sale of services, based on the historical experience of the Company and the industry practice.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in millions of Chinese Yuan)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVII) Revenue (Continued)

(2) For the purpose of revenue recognition, the Company determines the nature, timing and uncertainty of the revenue and its associated costs. The Company recognizes revenue when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

The Company recognizes revenue from the sale of goods when the goods have been delivered to the customer and the customer has accepted the goods. Revenue from the sale of services is recognized when the services have been rendered to the customer.

The Company recognizes revenue from the sale of real estate when the real estate has been delivered to the customer and the customer has accepted the real estate.

The Company recognizes revenue from the sale of financial products when the financial products have been delivered to the customer and the customer has accepted the financial products. Revenue from the sale of financial products is recognized when the financial products have been delivered to the customer and the customer has accepted the financial products.

(3) The Company recognizes revenue from the sale of goods when the goods have been delivered to the customer and the customer has accepted the goods.

The Company recognizes revenue from the sale of goods when the goods have been delivered to the customer and the customer has accepted the goods. Revenue from the sale of goods is recognized when the goods have been delivered to the customer and the customer has accepted the goods.

The Company recognizes revenue from the sale of goods when the goods have been delivered to the customer and the customer has accepted the goods. Revenue from the sale of goods is recognized when the goods have been delivered to the customer and the customer has accepted the goods.

The Company recognizes revenue from the sale of goods when the goods have been delivered to the customer and the customer has accepted the goods. Revenue from the sale of goods is recognized when the goods have been delivered to the customer and the customer has accepted the goods.

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The Company recognizes revenue from the sale of goods when the goods have been delivered to the customer and the customer has accepted the goods.

The Company recognizes revenue from the sale of goods when the goods have been delivered to the customer and the customer has accepted the goods.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVII) Revenue (Continued)

(4) Construction contracts

For construction contracts, revenue is recognized as the contract progresses. The amount of revenue recognized is the contract price less the amount of contract costs incurred to date. The contract price is the amount of the contract plus any contract modifications. Contract modifications are changes to the original contract terms, conditions, or specifications. Contract modifications are recognized as revenue when they are approved by the customer and the amount of the modification is reasonably reliable. Contract modifications are recognized as revenue when they are approved by the customer and the amount of the modification is reasonably reliable.

When the contract price is fixed, revenue is recognized based on the contract price. When the contract price is variable, revenue is recognized based on the contract price plus or minus any contract modifications. Contract modifications are recognized as revenue when they are approved by the customer and the amount of the modification is reasonably reliable.

(5) Sales of goods

The company's sales of goods are recognized when the goods are delivered to the customer and the customer has accepted the goods. Revenue is recognized at the contract price less any discounts and allowances. Revenue is recognized at the contract price less any discounts and allowances.

The company's sales of goods are recognized when the goods are delivered to the customer and the customer has accepted the goods. Revenue is recognized at the contract price less any discounts and allowances. Revenue is recognized at the contract price less any discounts and allowances.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add 100 million CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVIII) Contractual costs

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

The contractual costs are recognized as an expense when the related services are provided to customers.

1. The contractual costs are recognized as an expense when the related services are provided to customers.

2. The contractual costs are recognized as an expense when the related services are provided to customers.

3. The contractual costs are recognized as an expense when the related services are provided to customers.

As a result of the contractual costs, the company's operating expenses are increased. The contractual costs are recognized as an expense when the related services are provided to customers.

For the contractual costs, the company's operating expenses are increased. The contractual costs are recognized as an expense when the related services are provided to customers.

1. The contractual costs are recognized as an expense when the related services are provided to customers.

2. The contractual costs are recognized as an expense when the related services are provided to customers.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXX) Deferred income tax assets and liabilities

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

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

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

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

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

(XXXI) Leases

1. Operating lease

(1) The company is required to recognize the right of use asset and the lease liability at the beginning of the lease term.

When the company is required to recognize the right of use asset and the lease liability, the company is required to consider the following factors:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXI) Leases (Continued)

1. Operating Leases

(2) The Company leases various office buildings, equipment, and vehicles. The lease terms are generally 1 to 5 years. The Company does not have any significant leasehold improvements. The Company recognizes lease expense on a straight-line basis over the lease term. The Company does not have any significant leasehold improvements. The Company does not have any significant leasehold improvements.

When the Company enters into a lease agreement, it determines whether the lease is a finance lease or an operating lease. If the lease is a finance lease, the Company recognizes a lease liability and a right-of-use asset. If the lease is an operating lease, the Company recognizes a lease liability and a right-of-use asset.

2. Finance Leases

(1) Finance Leases: The Company leases various office buildings, equipment, and vehicles. The lease terms are generally 1 to 5 years. The Company does not have any significant leasehold improvements. The Company recognizes lease expense on a straight-line basis over the lease term. The Company does not have any significant leasehold improvements. The Company does not have any significant leasehold improvements.

(2) Finance Leases: The Company leases various office buildings, equipment, and vehicles. The lease terms are generally 1 to 5 years. The Company does not have any significant leasehold improvements. The Company recognizes lease expense on a straight-line basis over the lease term. The Company does not have any significant leasehold improvements. The Company does not have any significant leasehold improvements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXIII) Hedge accounting (Continued)

2. *Derivative financial instruments* are used to hedge the foreign exchange risk of the Company's foreign currency denominated assets and liabilities.

The Company uses derivative financial instruments to hedge the foreign exchange risk of its foreign currency denominated assets and liabilities. The Company's derivative financial instruments are primarily foreign exchange forward contracts, foreign exchange options, and foreign exchange swaps. The Company's derivative financial instruments are used to hedge the foreign exchange risk of its foreign currency denominated assets and liabilities. The Company's derivative financial instruments are used to hedge the foreign exchange risk of its foreign currency denominated assets and liabilities.

(1) *Foreign exchange forward contracts* are used to hedge the foreign exchange risk of the Company's foreign currency denominated assets and liabilities. The Company's foreign exchange forward contracts are used to hedge the foreign exchange risk of its foreign currency denominated assets and liabilities.

(2) *Foreign exchange options* are used to hedge the foreign exchange risk of the Company's foreign currency denominated assets and liabilities. The Company's foreign exchange options are used to hedge the foreign exchange risk of its foreign currency denominated assets and liabilities.

3. *Monetary item hedge accounting*:

(1) *Foreign currency denominated monetary items*

The Company's foreign currency denominated monetary items are primarily foreign currency denominated receivables and payables. The Company's foreign currency denominated monetary items are primarily foreign currency denominated receivables and payables. The Company's foreign currency denominated monetary items are primarily foreign currency denominated receivables and payables.

The Company's foreign currency denominated monetary items are primarily foreign currency denominated receivables and payables. The Company's foreign currency denominated monetary items are primarily foreign currency denominated receivables and payables. The Company's foreign currency denominated monetary items are primarily foreign currency denominated receivables and payables.

The Company's foreign currency denominated monetary items are primarily foreign currency denominated receivables and payables. The Company's foreign currency denominated monetary items are primarily foreign currency denominated receivables and payables. The Company's foreign currency denominated monetary items are primarily foreign currency denominated receivables and payables.

The Company's foreign currency denominated monetary items are primarily foreign currency denominated receivables and payables. The Company's foreign currency denominated monetary items are primarily foreign currency denominated receivables and payables. The Company's foreign currency denominated monetary items are primarily foreign currency denominated receivables and payables.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

IV.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in CNY)

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

(I) Changes in accounting policies (Continued)

2. Effect of the Accounting Policy Change (2018) on the Consolidated Balance Sheet

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

Consolidated income statement (year of 2017)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(I) Changes in accounting policies (Continued)

3. As of December 31, 2017, the Company adopted the new accounting standards for the first time, which will have an impact on the consolidated financial statements.

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

(1) As of December 31, 2017, the Company adopted the new accounting standards for the first time, which will have an impact on the consolidated financial statements.

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

(2) As of December 31, 2017, the Company adopted the new accounting standards for the first time, which will have an impact on the consolidated financial statements.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(II) Change in accounting estimates

There are no changes in accounting estimates.

(III) Important corrections of prior period errors

There are no important corrections of prior period errors.

(IV) Other matters adjustment

None.

V. TAXATION

(I) Main types of taxes and corresponding tax rates

Tax Type	Tax basis	Tax rate
Value-added Tax ("VAT")	Taxable sales and taxable services provided by the Company and its subsidiaries, including the sale of goods, processing services, and other taxable activities.	3%, 6%, 10%, 11%, 16%, 17%
City maintenance tax	Based on the amount of VAT payable.	7%
Education surcharge	Based on the amount of VAT payable.	25%, 15%

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

V. TAXATION (CONTINUED)

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

Corresponding tax rates are as follows:

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

(II) Tax Preferences

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan unless otherwise specified)

V. TAXATION (CONTINUED)

(II) Tax Preferences (Continued)

2. *Habitual Corporate Income Tax*

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

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

3. *Habitual Corporate Income Tax*

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

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

4. *Habitual Corporate Income Tax*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add 100,000,000 CNY)

V. TAXATION (CONTINUED)

(II) Tax Preferences (Continued)

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

V. TAXATION (CONTINUED)

(II) Tax Preferences (Continued)

9. High and New Technology Enterprise Income Tax

The Company has been recognized as a High and New Technology Enterprise (高新技术企业) (技術先進型服務企業). Recognition certificate number: JF20162301100003. The Company is entitled to a preferential income tax rate of 15% on its taxable income. (Ca S [2009] No. 63 (財稅[2009]63號文件)).

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(I) Cash and bank

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

The Company has no restricted cash and bank deposits. The assets held for sale are measured at fair value less costs to sell.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(II) Due from banks and other financial institutions

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

(III) Notes receivable and accounts receivable

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

1. **Notes receivable**

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

Type	Closing balance			Original balance	
	Carrying Amount	Bad debt Provision	Book value	Ca	Bad debt Provision
Bank accounts receivable	2,549,245,442.79		2,549,245,442.79	3,456,249,576.99	
Other accounts receivable	563,036,192.89		563,036,192.89	906,202,101.87	
Total	3,112,281,635.68		3,112,281,635.68	4,362,451,678.86	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan)

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

(III) Notes receivable and accounts receivable (Continued)

1. *Domestic accounts receivable (Continued)*

(2) *Domestic accounts receivable are classified into various categories based on the nature of the debtors and the risk of non-payment.*

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

2. *Domestic accounts receivable*

The company's domestic accounts receivable are classified into various categories based on the nature of the debtors and the risk of non-payment. The company's domestic accounts receivable are classified into various categories based on the nature of the debtors and the risk of non-payment.

(1) *Domestic accounts receivable by age*

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

Note: The company's domestic accounts receivable are classified into various categories based on the nature of the debtors and the risk of non-payment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(III) Notes receivable and accounts receivable (Continued)

2. Details of accounts receivable (Continued)

(2) Accounts receivable by category

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(III) Notes receivable and accounts receivable (Continued)

2. Details of accounts receivable (Continued)

(4) Accounts receivable and bad debt provision by aging analysis:

Accounts receivable and bad debt provision by aging analysis:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan)

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

(III) Notes receivable and accounts receivable (Continued)

2. Details of accounts receivable (Continued)

(5) Accounts receivable details as follows:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in million RMB unless otherwise specified)

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

(III) Notes receivable and accounts receivable (Continued)

2. Details of accounts receivable (Continued)

(5) Accounts receivable details as of December 31, 2017

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan unless otherwise specified)

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

(III) Notes receivable and accounts receivable (Continued)

2. Details of accounts receivable (Continued)

(5) Accounts receivable details as of December 31, 2018

Debtor	Closing balance		
	Accounts receivable	Bad debt provision	Percentage Reason (%)
K-Electric Ltd (2018 B Jia S...)	1,269,692.00	63,484.60	5.00 There is objective evidence that the receivables have been impaired. The provision for bad debts based on the aging analysis method cannot reflect the actual situation. The company conducts impairment test separately.
Y Z a	2,637,632.48	2,082,605.98	78.96 According to the future recyclability of judgment
L H	2,528,079.44	2,022,463.55	80.00 According to the future recyclability of judgment
Z a Z a	959,295.02	767,436.02	80.00 According to the future recyclability of judgment
P...ca A c...C... (197 c...)	945,280.00	756,224.00	80.00 According to the future recyclability of judgment
Ta B a E...C., Ltd.	939,000.00	939,000.00	100.00 unable to take back
O...	8,893,784.55	4,846,306.69	54.49 According to the future recyclability of judgment
Total	183,927,379.38	122,610,468.82	

(6) Total bad debt provision as of December 31, 2018

Total bad debt provision as of December 31, 2018: CNY175,642,144.92, compared with CNY266,333,218.77 as of December 31, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(III) Notes receivable and accounts receivable (Continued)

2. *Due from related parties* (Continued)

(7) *Due from related parties*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan)

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

(III) Notes receivable and accounts receivable (Continued)

2. *Debtors' accounts receivable (Continued)*

(8) *Trade receivables' accounts receivable*

Debtor	Closing balance		
	Amount	Proportion of total account receivable (%)	Bad debt provision
703 Rongsheng International Construction Ltd. China Liaoning Wazhou Jintan Petrochemicals Ltd.	648,080,507.44	5.77	106,616,050.37
Shanghai Rongsheng International (Machinery) Harbin Lianhua Rongsheng Harbin International Ltd.	281,294,350.00	2.50	14,064,717.50
Shanghai Rongsheng International (Machinery) Harbin Lianhua Rongsheng Harbin International Ltd.	271,370,288.28	2.41	271,370,288.28
Harbin Lianhua Rongsheng Harbin International Ltd.	164,685,894.02	1.47	8,234,294.70
Harbin Lianhua Rongsheng Harbin International Ltd.	145,237,060.00	1.29	33,165,725.00
Total	1,510,668,099.74	13.44	433,451,075.85

(9) *Accounts receivable due to related parties*

None

(10) *Accounts receivable due to other parties*

None

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(IV) Prepayments

1. Loss allowance

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

Significant advance payment over 1 year

Creditor Name	Debtor Name	Closing balance	Aging	Unliquidated Reason
Habon Steel Tube Works Co., Ltd.	Jiangmen, Ltd.	165,084,997.53	12 months; 23 months; 3 months	Technical advance
Habon Electronic Materials Co., Ltd.	Changping, Ltd. G. B. S. Ltd. D. I. Co., Ltd.	56,923,019.00	23 months	Technical advance
Habon Electronic Group (QHD) Heavy Equipment Co., Ltd.	S. S.M.T.	41,392,919.33	23 months; 3 months	Technical advance
Habon Electronic Materials Co., Ltd.	N. Heavy Ltd. G. Co., Ltd.	41,120,410.00	12 months	Technical advance
Habon Electronic Group (QHD) Heavy Equipment Co., Ltd.	VALINOX NUCLEAIRE	39,398,157.16	23 months; 3 months	Technical advance
Habon Electronic Products Co., Ltd.	H. Co., Ltd.	37,882,218.20	12 months	Technical advance
Habon Electronic Products Co., Ltd.	C. -W. Co.	33,464,282.39	Over 3 months	Technical advance
Habon Electronic Materials Co., Ltd.	Z. N. S. Co., Ltd. a. D. R. Co., Ltd.	29,819,881.35	12 months	Technical advance

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan)

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

(IV) Prepayments (Continued)

1. *Long-term (Contract)*

Creditor Name	Debtor Name	Closing balance	Aging	Unliquidated Reason
Shanghai Tobi Co., Ltd.	Guilin Electric Power Co., Ltd.	25,379,772.48	0-3 years	Technical contract
Electric Mac Co., Ltd.	Zhejiang Had Mechanical & Electrical Co., Ltd.	22,505,407.50	1-2 years	Technical contract
Electric Power E Co., Ltd.	Meibei Haidi Co., Ltd.	22,157,339.75	1-2 years	Technical contract
Electric Power E Co., Ltd.	Huaifeng Power Co., Ltd.	16,130,218.05	0-3 years	Technical contract
Bifeng Co., Ltd.	Hua Jiang Co., Ltd.	15,745,666.00	1-2 years	Technical contract
Electric Mac Co., Ltd.	Huaichang Co., Ltd.	15,655,131.62	1-2 years; 2-3 years	Technical contract
Electric Power E Co., Ltd.	Zhejiang Fude Power Co., Ltd.	13,560,000.00	1-2 years	Technical contract
Bifeng Co., Ltd.	Zhejiang Gaopu Power Co., Ltd.	12,620,000.00	1-2 years	Technical contract
Electric Power E Co., Ltd.	Ukraine Electric Network Services Ltd.	12,447,638.56	1-2 years	Technical contract
Shanghai Tobi Co., Ltd.	Meibei Haidi Co., Ltd.	12,256,742.40	0-3 years	Technical contract
Electric Power E Co., Ltd.	Saika Power Co., Ltd.	11,022,500.00	2-3 years	Technical contract
Electric Mac Co., Ltd.	Nanhai Co., Ltd.	15,830,374.24	1-2 years	Technical contract
Bifeng Co., Ltd.	Jiamen Seaside Power Co., Ltd.	10,288,816.50	1-2 years	Technical contract
Bifeng Co., Ltd.	Huike Yancha Power Co., Ltd.	9,094,774.74	1-2 years	Technical contract

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(IV) Prepayments (Continued)

1. *Liabilities* (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan)

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

(IV) Prepayments (Continued)

1. *Long-term prepayments (Continued)*

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

(V) Other receivables

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add ~~in~~ ~~the~~ ~~amount~~ ~~of~~ ~~the~~ ~~balance~~ ~~in~~ ~~CNY~~)

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

(V) Other receivables (Continued)

1. ~~Other receivables~~ ~~in~~ ~~the~~ ~~amount~~ ~~of~~ ~~the~~ ~~balance~~ ~~in~~ ~~CNY~~

(1) ~~Other receivables~~ ~~in~~ ~~the~~ ~~amount~~ ~~of~~ ~~the~~ ~~balance~~ ~~in~~ ~~CNY~~

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

2. ~~Other receivables~~ ~~in~~ ~~the~~ ~~amount~~ ~~of~~ ~~the~~ ~~balance~~ ~~in~~ ~~CNY~~

Investee	Closing balance	Opening balance
Hab Eaf c Ra E in the amount of the balance in CNY of the company	144,453.39	144,453.39
Hab X R E b P c Ca in the amount of the balance in CNY of the company	38,388.88	
G a E d c-Ha P E S in the amount of the balance in CNY of the company	28,423,330.15	
Total	28,606,172.42	144,453.39

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(V) Other receivables (Continued)

3. Details of other receivables

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(V) Other receivables (Continued)

3. Details of other receivables (Continued)

(1) Details of other receivables with bad debt provision

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(V) Other receivables (Continued)

3. Details of other receivables (Continued)

(2) Other receivables account for bad debt provision based on the aging analysis:

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

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

Note: All amounts are in RMB. The closing balance of other receivables is 295,444,167.53 RMB, and the bad debt provision is 218,020,020.29 RMB. The closing balance of other receivables is 260,950,334.75 RMB, and the bad debt provision is 204,569,695.20 RMB.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in CNY)

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

(V) Other receivables (Continued)

3. Details of other receivables (Continued)

(4) Bad debt provision

The bad debt provision is CNY35,145,712.61, and the bad debt provision is CNY30,381,739.20.

(5) Details of other receivables

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add 人民币 in CNY)

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

(VI) Inventories

1. Categories

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

Notes:

- At the end of the reporting period, the carrying amount of the inventory is RMB 10,454,912,311.25, which is RMB 10,984,535,208.47 less the inventory impairment provision of RMB 529,622,897.22.
- At the end of the reporting period, the carrying amount of the inventory is RMB 10,984,535,208.47, which is RMB 10,984,535,208.47 less the inventory impairment provision of RMB 529,622,897.22.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

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

(VI) Inventories (Continued)

2. *Particulars of inventories*

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

Raw materials: mainly various types of steel, aluminum, copper, etc. Goods in process: mainly various types of electrical equipment. Finished goods: mainly various types of electrical equipment. Trade receivables: mainly accrued interest on trade receivables.

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Raw materials: mainly various types of steel, aluminum, copper, etc. Goods in process: mainly various types of electrical equipment. Finished goods: mainly various types of electrical equipment. Trade receivables: mainly accrued interest on trade receivables.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in million RMB unless otherwise specified)

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

(VII) Contractual assets and contractual liabilities

1. *Disposal of contractual assets and contractual liabilities*

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

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

2. *Provision for impairment of financial assets*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

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

(VIII) Current portion of non-current assets

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

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

(IX) Other current assets

Item	Closing balance	Original value
Bank deposits		2,538,636,621.75
Prepaid expenses	190,000,000.00	200,000,000.00
Debtors' VAT	591,645,718.79	270,993,438.53
Other		
Total	781,645,718.79	3,009,630,060.28

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(X) Loans and advances issued (Continued)

3. Loans and advances issued by the bank

Area	Closing balance	Proportion (%)	Outstanding balance	Proportion (%)
Secured				
Non-secured				
Other			497,038.49	100.00
Total			497,038.49	100.00
Loans: advances			4,970.38	1.00
Loans: deposits				
Loans: deposits			4,970.38	1.00
Loans: deposits				
Loans: deposits			492,068.11	

4. Loans and advances issued by the bank

Item	Closing balance	Outstanding balance
Secured		497,038.49
Non-secured		
Other		
Total		497,038.49
Loans: advances		4,970.38
Loans: deposits		
Loans: deposits		4,970.38
Loans: deposits		
Loans: deposits		492,068.11

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(X) Loans and advances issued (Continued)

5. Loans issued

Items

Current period	
Individual	Combination

Loans issued
Individual Combination

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(XI) Other debt investment

1. Debt investment

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

2. Debt investment

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

Note 1: On January 27, 2016, the Company purchased the 2016 bond investment (2016 bond investment) with a book value of RMB 50,000,000.00. The interest rate is 2.55%. On January 28, 2016, the Company received the interest of RMB 1,180,684.93. On January 28, 2019, the Company received the interest of RMB 1,180,684.93. The book value of the bond investment is RMB 49,955,000.00.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(XII) Long term receivables

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in CNY)

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

(XIII) Long-term equity investments

Investee	Original balance	Changes in the current period							Closing balance	Provision for impairment loss	Impairment provision at the end of the year
		Increase	Decrease	Under the equity method to confirm the investment profit and loss	Other comprehensive income adjustment	Other equity changes	Declaration of cash dividends or profits	Others			
1. Subsidiaries											
Shanghai Habipha Technology Ltd.	3,000,000.00							3,000,000.00		3,000,000.00	
Subtotal	3,000,000.00							3,000,000.00		3,000,000.00	
2. Associates											
Guangdong Habipha Science & Technology (Qanda) Co., Ltd.	135,003,849.87			30,101,873.68			45,342,884.15	119,762,839.40			
Hangzhou Habipha Technology Co., Ltd.	51,265,399.11							51,265,399.11		10,223,752.07	
Hangzhou Habipha Technology Co., Ltd.	6,570,491.74			233,304.71				6,803,796.45			
Hangzhou Habipha Technology Co., Ltd.	5,823,729.61			3,020,037.04			2,293,598.96	6,550,167.69			
Hangzhou Habipha Technology Co., Ltd.	3,850,222.15		3,920,930.55	70,708.40				-			
Hangzhou Habipha Technology Co., Ltd.	1,638,475.76			406,724.47			30,000.00	2,015,200.23			
Hangzhou Habipha Technology Co., Ltd.		6,000,000.00						6,000,000.00			
Subtotal	204,152,168.24	6,000,000.00	3,920,930.55	33,832,648.30			47,666,483.11	192,397,402.88		10,223,752.07	
Total	207,152,168.24	6,000,000.00	3,920,930.55	33,832,648.30			47,666,483.11	195,397,402.88		13,223,752.07	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add ~~in~~ ~~the~~ ~~case~~ ~~of~~ ~~a~~ ~~CNY~~)

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

(XIV) Other equity instruments investments

1. ~~Details~~ ~~of~~ ~~the~~ ~~investments~~

Item	Closing balance	O ther ba lance
H a nd Invest ment in the People's Republic of China (the PRC)	563,358,772.26	
C a pital investment in Guang Tong Technology Company Limited	114,000,000.00	12,000,000.00
J a pan Finance Development and Investment Company Limited	30,000,000.00	15,000,000.00
H ong xin Hadan Energy Investment Company Limited	2,000,000.00	2,000,000.00
B ank of China Finance Development Company Limited	400,000.00	400,000.00
H a bei Industrial Company Limited	695,000.00	695,000.00
B ank of China Guang Tong Technology Company Capital Development Company Limited	5,500,000.00	5,500,000.00
H a bei Energy Investment Company Limited	1,000,000.00	1,000,000.00
T otal	716,953,772.26	36,595,000.00

~~Note~~: Acc ~~ording~~ ~~to~~ ~~the~~ ~~PRC~~ ~~Accounting~~ ~~Standards~~ ~~for~~ ~~Business~~ ~~Enterprises~~ ~~and~~ ~~Other~~ ~~Investment~~ ~~Entities~~ ~~in~~ ~~the~~ ~~PRC~~ ~~(~~ ~~the~~ ~~ASB~~ ~~Standards~~ ~~)~~, Ha ~~bei~~ ~~Energy~~ ~~Investment~~ ~~Company~~ ~~Limited~~, d 76,335,877.00 a ~~nd~~ ~~acc~~ ~~ording~~ ~~to~~ ~~the~~ ~~PRC~~ ~~Accounting~~ ~~Standards~~ ~~for~~ ~~Business~~ ~~Enterprises~~ ~~and~~ ~~Other~~ ~~Investment~~ ~~Entities~~ ~~in~~ ~~the~~ ~~PRC~~ ~~(~~ ~~the~~ ~~ASB~~ ~~Standards~~ ~~)~~, 0.49% H a ~~nd~~ ~~Invest~~ ~~ment~~ ~~in~~ ~~the~~ ~~People's~~ ~~Republic~~ ~~of~~ ~~China~~ ~~(~~ ~~the~~ ~~PRC~~ ~~)~~.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan)

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

(XV) Investment property

1. Investment property

Item	Housing and buildings	Total
1. Investment property		
(1) Investment property	297,731,265.23	297,731,265.23
(2) Investment property	11,865,249.33	11,865,249.33
acquired	7,546,012.79	7,546,012.79
/ transferred	4,319,236.54	4,319,236.54
(3) Investment property		
Deduction		
Tax		
(4) Investment property	309,596,514.56	309,596,514.56
2. Investment property		
(1) Investment property	66,944,542.45	66,944,542.45
(2) Investment property	9,478,716.26	9,478,716.26
Purchased	9,338,773.00	9,338,773.00
/ transferred	139,943.26	139,943.26
(3) Investment property		
Deduction		
Tax		
(4) Investment property	76,423,258.71	76,423,258.71
3. Investment property		
(1) Investment property		
(2) Investment property		
(3) Investment property		
(4) Investment property		
4. Investment property		
(1) Investment property	233,173,255.85	233,173,255.85
(2) Investment property	230,786,722.78	230,786,722.78

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add 100% in 2018 CNY)

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

(XV) Investment property (Continued)

2. Investment property (Continued)

Item	Closing balance	Opening balance
Investment property	121,364,993.17	138,538,405.66
Investment property (100% owned)	121,364,993.17	138,538,405.66
Investment property (100% owned)	111,808,262.68	92,248,317.12
Investment property (100% owned)	111,808,262.68	92,248,317.12
Total	233,173,255.85	230,786,722.78

(XVI) Fixed assets

1. Fixed assets

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(XVI) Fixed assets (Continued)

2. Depreciable fixed assets

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add 100% in CNY)

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

(XVI) Fixed assets (Continued)

3. Fixed assets

Part of the fixed assets are used as collateral for bank loans. The details are as follows:

4. Book value of fixed assets

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

5. Fixed assets

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

6. Other items

Fixed assets are used as collateral for bank loans. The details are as follows:
 See Note VI. (LXII) A for details.

(XVII) Construction in process

1. Construction in process

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(XVII) Construction in process (Continued)

2. Construction in process

	Closing balance			Opening balance	
	Remaining carrying amount	Provision for impairment	Carrying value	Remaining carrying amount	Provision for impairment
Construction in process	269,877,098.08		269,877,098.08	447,354,691.76	447,354,691.76
Construction in process	150,023,516.03		150,023,516.03	181,332,226.29	181,332,226.29
Construction in process	69,953,800.02		69,953,800.02	40,912,277.76	40,912,277.76
Construction in process					
Construction in process	35,088,821.55		35,088,821.55	35,086,357.66	35,086,357.66
Construction in process	23,599,353.83		23,599,353.83	18,113,041.24	18,113,041.24
Construction in process					
Construction in process	20,509,921.48		20,509,921.48	2,551,577.19	2,551,577.19
Construction in process	19,946,322.14		19,946,322.14		
Construction in process	13,709,276.81		13,709,276.81	13,445,465.12	13,445,465.12
Construction in process					
Construction in process	8,197,929.75		8,197,929.75		
Construction in process					
Construction in process	7,198,439.98		7,198,439.98	17,760,396.32	17,760,396.32
Construction in process	6,484,453.74		6,484,453.74	5,214,776.45	5,214,776.45
Construction in process	2,468,686.98		2,468,686.98		
Construction in process					
Construction in process	1,298,349.11		1,298,349.11	1,298,349.11	1,298,349.11
Construction in process					
Construction in process	11,915.08		11,915.08	3,271,985.13	3,271,985.13
Construction in process				29,405,143.51	29,405,143.51
Construction in process				11,684,618.51	11,684,618.51
Construction in process				10,679,437.44	10,679,437.44
Construction in process				8,401,709.40	8,401,709.40
Construction in process					
Construction in process				2,051,282.07	2,051,282.07
Construction in process				1,173,273.26	1,173,273.26
Construction in process				708,240.47	708,240.47
Construction in process	29,913,960.02	569,610.88	29,344,349.14	30,174,643.63	569,610.88
Construction in process					
Construction in process	658,281,844.60	569,610.88	657,712,233.72	860,619,492.32	569,610.88

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(XVII) Construction in process (Continued)

3. Significant items

Project	Budget	Opening balance	Increase in the period	Amount transfer to fixed assets in the period	Other decreased amount in the period	Closing balance	Ratio of accumulated contribution to the construction to budget (%)	Construction process	Interest on the accumulative amount of the capitalization	Including: the amount of interest capitalization in the current period	Current interest capitalization rate (%)	Sources of funds
Nanchang Airport	913,800,000.00	447,354,691.76	47,442,244.09	220,539,564.66		274,257,371.19	93.83	95	65,136,494.28	20,622,944.28	3.56	Government grants, etc.
Lanzhou Airport	457,000,000.00	181,332,226.29		31,308,710.26		150,023,516.03	42.88	42.88				Government grants, etc.
Kunming Airport	183,400,000.00	40,912,277.76	34,914,756.09	5,873,233.83		69,953,800.02	89.14	89.14				Government grants, etc.
Macau Airport	41,880,000.00	35,086,357.66	2,980,745.72	2,978,281.83		35,088,821.55	90.90	90.90				Government grants, etc.
CPA1400 (Macau)												
4050	40,500,000.00	29,405,143.51		29,405,143.51		-	72.61	100				Government grants, etc.
Guangzhou Airport	23,599,353.83	18,113,041.24	26,218,549.76	20,732,237.17		23,599,353.83	100	99				Government grants, etc.
Egypt Airport	31,250,000.00	17,760,396.32	2,000,313.57	12,562,269.91		7,198,439.98	67.23	67.23				Government grants, etc.
Nanchang Airport (N. 1813)	768,000,000.00	13,445,465.12	263,811.69			13,709,276.81	2.15	2.15				Government grants, etc.
Baobac Airport	14,589,100.58	11,694,618.51	2,200,081.42	388,451.00	13,496,248.93	-	95.17	100				Government grants, etc.
ERP	39,000,000.00	10,679,437.44	12,525,673.40	23,205,110.84		-	67.58	100				Government grants, etc.
813 16 1 1	18,000,000.00	8,401,709.40		8,401,709.40		-	46.68	100				Government grants, etc.
CAP1400 Saudi Arabia	8,500,000.00	5,214,776.45	7,547.17			5,222,323.62	61.44	61.44				Government grants, etc.
Egypt Airport	4,210,000.00	3,271,985.13	806,254.70		4,066,324.75	11,915.08	96.87	96.87				Government grants, etc.
PMS	590,000,000.00	2,551,577.19	31,752,002.33	13,613,462.71	73,435.90	20,616,680.91	10.88	10.88				Government grants, etc.
Japan Science	2,400,000.00	2,051,282.07		2,051,282.07		-	85.47	100				Government grants, etc.
HQC D15 2017 EQ006		1,298,349.11				1,298,349.11						Government grants, etc.
CNC Ga M Mac												
Japan Railway												
UdGa												
Road												
P												
Ca	16,850,000.00	1,173,273.26	1,863,021.70	3,036,294.96		-	80.99	100				Government grants, etc.
SD	35,000,000.00	83,773.59	34,738,051.60	33,697,130.25		1,124,694.94	99.49	99				Government grants, etc.
Egypt Airport	36,942,110.28		27,697,157.78	27,697,157.78		-	74.97	100				Government grants, etc.
EQWS JS2009007			19,946,322.14			19,946,322.14	66.49	66.49				Government grants, etc.
EPC												
OD	30,799,110.51	118,169,288.04	93,661,254.32	19,076,164.84		36,230,979.39						
Total	3,224,920,564.69	860,619,492.32	363,525,821.20	529,151,294.50	36,712,174.42	658,281,844.60			65,136,494.28	20,622,944.28		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(XVII) Construction in process (Continued)

4. *Property, plant and equipment*

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

5. *Construction in process*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in millions of RMB unless otherwise specified)

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

(XVIII) Intangible assets

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

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

(XIX) Development disbursements

Item	Original amount	Increase		Decrease		Closing balance
		Internal development expenditure	Confirmed as intangible assets	Recorded into the profits and losses of the current period	Recognized as fixed assets	
Key Software Development CAP1400 Record	231,354,185.98	30,789,141.87		13,479,598.76		248,663,729.09
SAP Service Pack Support		7,640,639.65				7,640,639.65
ERP Project IP Service Fee		3,447,169.82				3,447,169.82
1733002 Industrial Data Acquisition		2,334,905.67				2,334,905.67
1712001 Service - Data Acquisition		2,205,128.21				2,205,128.21
Network Equipment Lab	592,901.37	631,898.76				1,224,800.13
Hardware	1,039,614.59					1,039,614.59
Development 282180112019		764,957.28				764,957.28
Development - Service		1,260,155.56		715,543.50		544,612.06
Development - Service	418,341.03	102,372.13		102,372.13		418,341.03
Acquisition	68,119.66	103,060.35				171,180.01
Development AP1000MSR	1,380,000.00	239,852.60	1,380,000.00	239,852.60		-
Hardware	64,102.56		64,102.56			-
Capital	4,288,584.48	14,441,255.93		12,086,572.52	1,036,111.11	5,607,156.78
Total	239,205,849.67	63,960,537.83	1,444,102.56	26,623,939.51	1,036,111.11	274,062,234.32

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in CNY)

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

(XX) Long-term deferred expenses

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

(XXI) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets

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

2. Deferred tax liabilities

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan)

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

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

3. Non-current deferred tax assets

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

(XXII) Short-term borrowings

1. Short-term borrowings

Item	Closing balance	Original balance
Prepaid interest		
Medium-term notes	15,900,000.00	15,900,000.00
Guaranteed deposits		330,000,000.00
Current deposits	1,557,008,534.19	2,737,668,542.78
Total	1,572,908,534.19	3,083,568,542.78

(XXIII) Placement from banks and other financial institutions

Item	Closing balance	Original balance
Fixed deposits	300,000,000.00	
Fixed deposits - bank deposits		
Total	300,000,000.00	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XXIV) Deposits and placements from other financial institutions

Item	Closing balance	Opening balance
Current deposits	1,537,676,986.58	632,131,884.34
Fixed deposits	41,123,100.00	1,600,000.00
Call deposits	122,764,275.35	169,264,275.35
L/G (including advance)	252.36	31,590.00
Other deposits (including deposits from subsidiaries and other entities)		
Total	1,701,564,614.29	803,027,749.69

(XXV) Notes payable and accounts payable

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

1. Notes payable

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

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

(XXV) Notes payable and accounts payable (Continued)

2. Accounts payable

(1) Long-term accounts payable

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

(2) Short-term accounts payable

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XXV) Notes payable and accounts payable (Continued)

2. Accounts payable (Continued)

(2) Significant accounts payable (Continued)

Item	Closing balance	Reason for outstanding or not paying back
China Construction Bank	13,101,307.19	Trade payables
China Xida Taiping Insurance Co., Ltd.	12,832,605.00	Trade payables
Japan Construction Engineering Co., Ltd.	12,752,249.39	Trade payables
Yantai Haohai Industrial (Group) Co., Ltd.	12,452,132.82	Trade payables
Zhejiang Daohai Industrial Machinery Co., Ltd.	12,163,330.00	Trade payables
Wuhan Tianfa Engineering Co., Ltd.	12,059,783.28	Trade payables
China National Petroleum and Natural Gas Co., Ltd.	11,200,270.71	Trade payables
Saia Engineering Services Co., Ltd.	11,100,000.00	Trade payables
Said Taac Engineering Co., Ltd.	11,004,997.44	Trade payables
Saia X Mac Factory Co., Ltd.	10,607,644.51	Trade payables
Enca DMDI Industrial Systems S.A.	10,117,113.18	Trade payables
Total	804,595,861.68	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in CNY)

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

(XXVI) Employee benefits payable

1. Long-term employee benefits payable

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

2. Short-term employee benefits payable

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(XXVI) Employee benefits payable (Continued)

3. Employee benefits payable (Continued)

Item	Opening balance	Increase	Decrease	Closing balance
Basic employee benefits payable		332,990,376.12	332,990,376.12	
Unfunded pension liabilities		9,578,456.86	9,578,456.86	
Contractual bonuses		62,514,400.61	62,514,400.61	
Total		405,083,233.59	405,083,233.59	

(XXVII) Taxes and surcharges payable

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

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

(XXVIII) Other payables

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

1. Interest payable

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

2. Dividend payable

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XXVIII) Other payables (Continued)

2. Deferred tax liabilities (Continued)

The following table shows the details of deferred tax liabilities:

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

3. Other payables

(1) Other payables

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(XXVIII) Other payables (Continued)

3. Other payables (Continued)

(2) Significant other payables

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

(XXIX) Current portion of non-current liabilities

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

Note: On February 18, 2013, the Company issued a RMB 200 million "Secured Recourse Corporate Bond" [2013] No. 159, which was registered with the China Securities Regulatory Commission. The bond was issued at a coupon rate of 4.9% and has a maturity date of March 11, 2018. The bond is secured by the company's assets and is subject to the terms and conditions of the bond prospectus. The bond is listed on the Shanghai Stock Exchange.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(XXX) Other current liabilities

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

(XXXI) Long-term borrowings

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

(XXXII) Long-term payables

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

1. L i a ab i

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan)

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

(XXXII) Long-term payables (Continued)

2. Significant items

Items	Opening balance	Increase in this period	Decrease in this period	Closing balance	Reason of formation
Dividend payable	380,589,200.00	2,799,700.00	1,640,000.00	381,748,900.00	Dividend payable
Interest payable	53,590,000.00			53,590,000.00	Interest payable
Share-based payment	22,420,000.00			22,420,000.00	Share-based payment
Other long-term payables	5,665,000.00			5,665,000.00	Other long-term payables
Other	22,689,794.29		2,270,000.00	20,419,794.29	Other
Total	484,953,994.29	2,799,700.00	3,910,000.00	483,843,694.29	

(XXXIII) Long-term employee benefits payable

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in million RMB unless otherwise specified)

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

(XXXIV) Provisions

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

Note 1: The provision for doubtful accounts is calculated based on the aging method with a provision ratio of 0.3% to 0.5% for different categories of accounts receivable.

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

Note 3: Others include provisions for various items, such as provisions for doubtful accounts, provisions for bad debts, and provisions for other receivables.

(XXXV) Deferred income

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(XXXV) Deferred income (Continued)

Unit: RMB million

Liabilities items	Original amount	New addition	Accounted for as non-operating income amount	Other changes	Closing balance	Associated with the asset/related to earnings
Guarantee fee						Related to earnings
Job	39,104,038.89		1,363,566.66		37,740,472.23	Related to earnings
Construction contract	14,894,523.04	5,390,000.00	896,152.57		19,388,370.47	Related to earnings
Debt of 600MW	16,917,876.42		10,080.10		16,907,796.32	Related to earnings
Tax	22,500,000.00		5,625,000.00		16,875,000.00	Related to earnings
Lease	8,346,800.00				8,346,800.00	Related to earnings
Patent	7,400,000.00				7,400,000.00	Related to earnings
Share of profit of associated companies	5,290,000.00				5,290,000.00	Related to earnings
Share of profit of subsidiary	5,000,000.00		356,412.92		4,643,587.08	Related to earnings
Deferred income	4,236,600.00			-712,400.00	3,524,200.00	Related to earnings
Labour	3,727,633.33		212,133.34		3,515,499.99	Related to earnings
Other	27,339,143.03	16,852,402.96	13,018,327.59	-9,870,000.00	21,303,218.40	
Total	154,756,614.71	22,242,402.96	21,481,673.18	-10,582,400.00	144,934,944.49	

Note: Other items include the following: (1) Job: related to earnings; (2) Construction contract: related to earnings; (3) Debt of 600MW: related to earnings; (4) Tax: related to earnings; (5) Lease: related to earnings; (6) Patent: related to earnings; (7) Share of profit of associated companies: related to earnings; (8) Share of profit of subsidiary: related to earnings; (9) Deferred income: related to earnings; (10) Labour: related to earnings; (11) Other: related to earnings.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands of RMB unless otherwise specified)

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

(XXXVI) Share capital

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

(XXXVII) Capital reserve

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

Note: Total capital reserve decreased by RMB 2,584,736.05 thousand during the period from January 1, 2017, to December 31, 2017, due to the conversion of accumulated earnings into shares.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(XXXIX) Specialized reserve

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

(XL) Surplus reserve

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

(XLI) Retained earnings

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

Note: The Company's dividend distribution policy is to distribute cash dividends to shareholders. In 2017, the Company distributed cash dividends of RMB 1,706,523,000.00 on May 25, 2018. Balance at the end of the period is RMB 8,698,026,738.58. The Company's dividend distribution policy is to distribute cash dividends to shareholders. In 2017, the Company distributed cash dividends of RMB 1,706,523,000.00 on May 25, 2018. Balance at the end of the period is RMB 8,698,026,738.58.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in CNY)

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

(XLII) Operating revenue and operating cost

Operating revenue and operating cost

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Chinese Yuan unless otherwise specified)

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

(XLII) Operating revenue and operating cost (Continued)

(Continued from page 10)

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

Project item	Contracted value	Total Cost of the project	Progress of Completion (%)	Accumulated revenue recognized	Accumulated cost recognized	Accumulated gross profit recognized	Settlement price	Revenue recognized in current period	Cost recognized in current period
1. Fixed-asset construction									
Daba Haer CAPP									
P#	16,024,280,541.38	15,990,956,366.35	43.39	6,952,581,307.29	6,938,122,683.97	14,458,623.32	5,323,707,141.71	5,264,932,220.70	5,224,944,849.51
Hada J #4	598,450,000.00	442,565,524.68	100.00	515,905,172.41	442,565,524.68	73,339,647.73	598,450,000.00	515,905,172.41	442,565,524.68
Daba L# 1#	573,660,000.00	430,732,629.66	100.00	494,534,482.76	430,732,629.66	63,801,853.10	573,660,000.00	494,534,482.76	430,732,629.66
Paola L 1223MW									
C b d C c P #	3,633,172,621.03	3,803,045,690.80	96.08	3,490,644,098.55	3,653,853,087.04	-163,208,988.49	3,094,668,118.51	456,861,914.29	474,274,884.50
Daba L# 2#	573,660,000.00	430,730,000.00	83.12	408,686,677.98	358,022,410.71	50,664,267.27	451,368,900.00	408,686,677.98	358,022,410.71
W Pa #1	435,110,000.00	311,481,119.96	100.00	372,347,480.01	311,481,119.96	60,866,360.05	435,110,000.00	372,347,480.01	311,481,119.96
Paola B a 1180MW									
C b d C c P #	3,483,995,495.45	3,530,297,219.39	94.9	3,306,347,557.64	3,350,288,369.87	-43,940,812.23	2,774,289,592.38	234,273,658.20	237,117,138.83
Ec ad Ma d									
#	3,653,488,740.85	3,569,210,762.78	84.87	3,100,618,270.84	3,029,093,802.81	71,524,468.03	3,653,488,740.85	217,125,572.76	218,297,037.98
C a P #1									
Ba #1	334,745,000.00	231,721,800.00	69.75	201,279,859.91	161,626,920.13	39,652,939.78	200,635,250.00	201,279,859.91	161,626,920.13
N X #1	359,760,000.00	265,709,400.00	63.25	196,162,241.38	168,061,210.67	28,101,030.71	197,880,000.00	196,162,241.38	168,061,210.67
Total	29,670,322,398.71	29,006,450,513.62		19,039,107,148.77	18,843,847,759.50	195,259,389.27	17,303,257,743.45	8,362,109,280.40	8,027,123,726.63

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(XLIII) Interest income and interest expense

Item	Current period	Last period
Interest income	422,786,538.17	440,314,100.89
Deposits	405,729,913.62	426,929,921.87
Discounts	11,223,948.75	12,832,809.58
Loans	4,172,777.80	194,444.44
Leases	1,474,198.55	129,816.62
Other interest income		
Cash		
Discounts	1,467,212.25	129,816.62
Bills	6,986.30	
Other	185,699.45	227,108.38
Other interest income		
Leases	20,736,138.63	24,780,211.04
Interest expense	20,736,138.63	24,780,211.04
Deposits		
Bills		
Other	20,736,138.63	24,780,211.04
Other interest expense		
REPO		
Other		
Net interest income	401,168,108.21	415,533,889.85

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Item	Current period	Last period
Revenue from handling charges and commission	63,030.58	9,091.93
Service charges		
Agency charges		
Commission		
Bank charges		
Advertising		
Commission on foreign exchange		
Other	63,030.58	9,091.93
Handling charges and commission expenses	27,263.79	15,292.72
Handling charges	27,263.79	15,292.72
Commission		
Net handling charges and commission income	35,766.79	-6,200.79

(XLV) Taxes and surcharges

Item	Current period	Last period
Corporate income tax	72,358,108.72	52,668,666.68
Education surcharge	37,354,742.20	27,697,758.47
Local education surcharge	14,500,164.28	9,982,015.83
Stamp duty	12,520,941.52	20,126,937.74
Property tax	41,059,101.89	37,861,675.67
Tax on interest	25,319,648.15	29,709,121.47
Value-added tax	87,136.80	68,060.42
Other	40,946.01	510,612.88
Total	203,240,789.57	178,624,849.16

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

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

(XLVI) Selling expenses

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in million RMB unless otherwise specified)

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

(XLVII) Administrative expenses

Item	Current period	Last period
Salaries and wages	789,422,392.92	912,691,025.61
Participating profit distribution	17,227,024.91	
Depreciation and amortization	151,454,472.32	156,185,688.65
Manufacturing costs	125,539,743.24	131,225,125.14
Tax and social security charges	39,888,582.14	73,558,640.36
Share-based payment	40,943,234.05	44,800,268.99
Office expenses	32,076,274.80	39,732,877.44
Office rent	25,395,351.75	19,297,468.58
Manufacturing expenses	8,750,990.78	12,270,270.49
Utilities	12,079,776.60	14,108,527.82
Transportation	18,744,051.84	15,482,229.12
Finance expenses	9,969,050.03	9,396,518.27
Entertainment	16,370,855.98	28,137,684.13
Debt interest	13,776,452.68	12,733,794.34
Advertising	4,751,285.17	11,297,272.97
Asset impairment	2,358,490.57	2,358,490.57
Asset disposal costs	4,347,388.20	3,916,929.16
Commission	3,949,919.82	7,547,220.37
Visiting	4,105,810.23	4,492,751.60
Interest	5,705,010.46	8,333,349.96
Liability	2,825,157.26	969,067.47
Travel	33,677.19	99,321.87
Bad debts	488,867.32	297,032.38
Share-based payment	3,146,262.12	3,897,940.28
Other	131,812,013.25	182,197,052.52
Total	1,465,162,135.63	1,695,026,548.09

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(XLVIII) Research and development expenses

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

(XLIX) Financial expenses

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

(L) Impairment on assets

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in million RMB unless otherwise specified)

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

(LI) Credit impairment losses

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

(LII) Other income

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(LII) Other income (Continued)

Amounts are in RMB unless otherwise specified

Item	Current period	Related to assets/related to income
Dividend income	61,620,000.00	Related to income
Copyrights, trademarks, patents, etc. income	40,529,271.91	Related to income
Interest income	21,133,864.94	4,832,981.66 Related to income
Income from the disposal of non-current assets	8,000,000.00	Related to income
Income from the disposal of financial assets	6,253,411.44	Related to income
Income from the disposal of CAP1400 Ha-S and Sa-S	5,877,588.50	Related to income
Income from the disposal of 820 00 1104	5,625,000.00	5,625,000.00 Related to income
Income from the disposal of other assets	5,000,000.00	Related to income
Income from the disposal of other assets	4,030,000.00	Related to income
Income from the disposal of other assets	2,017,145.99	2,553,566.00 Related to income
Income from the disposal of other assets	1,363,566.66	Related to income
Income from the disposal of other assets	1,249,946.18	Related to income
Income from the disposal of other assets	1,245,218.03	Related to income
Income from the disposal of other assets	1,106,200.00	1,768,865.63 Related to income
Income from the disposal of other assets	833,928.45	Related to income
Income from the disposal of other assets	799,553.65	Related to income
Income from the disposal of other assets	750,000.00	Related to income
Income from the disposal of other assets	700,000.00	Related to income
Income from the disposal of other assets	644,620.19	Related to income
Income from the disposal of other assets	600,000.00	Related to income
Income from the disposal of other assets	508,616.08	Related to income

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(LII) Other income (Continued)

The following table provides a breakdown of other income (in CNY)

Item	Current period	Related to assets/related to income
Tax income: Tax on Habima Bank Ltd. (EITC Reciprocity)	500,000.00	Related to income
Tax income: Tax on	450,000.00	Related to income
Income tax: Tax on	450,000.00	Related to income
Income tax: Tax on	356,412.92	Related to income
Subsidy: Subsidy	320,000.00	Related to income
Academy: Academy	300,000.00	Related to income
Entertainment: Entertainment	280,000.00	Related to income
Miscellaneous: Miscellaneous	266,666.64	266,666.64 Related to income
Labour: Labour	212,133.34	Related to income
Tax: Tax	200,000.00	Related to income
Patent: Patent	200,000.00	Related to income
Interest: Interest	183,244.00	Related to income
Labour: Labour	165,674.56	165,674.63 Related to income
PDM: PDM	159,760.52	159,760.52 Related to income
Copyright: Copyright	100,500.00	Related to income
Share: Share	100,000.00	Related to income
Household: Household	96,750.00	Related to income
Entertainment: Entertainment	69,999.97	Related to income
Patent: Patent	55,000.00	Related to income
Recreation: Recreation	50,000.00	Related to income
Labour: Labour	49,105.50	Related to income

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in CNY)

Item	Current period	Related to assets/related to income
2011BAF03B03 (Yearly)	45,461.45	45,461.46
Depreciation and amortization	36,690.00	
Warranty	27,757.35	
Manufacturing overhead	26,320.18	
Manufacturing overhead (containing)	23,276.04	
Inventory	21,709.10	
Inventory	20,794.09	
Research and development	20,779.29	9,216.00
Research and development	18,000.06	
Debt	17,302.93	
Inventory	15,359.22	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

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

(LII) Other income (Continued)

(In addition to the figures in CNY)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

(LIII) Investment income

Item	Current period	Last period
Long-term equity investments accounted for by the cost method	33,832,648.30	26,360,761.31
Long-term equity investments accounted for by the cost method - Investment income	-408,962.33	25,721,172.72
Long-term equity investments accounted for by the cost method - Dividend income	55,459,397.94	
Long-term equity investments accounted for by the cost method - Dividend income	49,367,161.06	
Long-term equity investments accounted for by the cost method - Dividend income	1,275,000.00	
Long-term equity investments accounted for by the cost method - Dividend income		69,195,981.50
Long-term equity investments accounted for by the cost method - Dividend income		271,077.79
Long-term equity investments accounted for by the cost method - Dividend income		
Long-term equity investments accounted for by the cost method - Dividend income	138,342.61	
Long-term equity investments accounted for by the cost method - Dividend income		
Long-term equity investments accounted for by the cost method - Dividend income		
Available-for-sale financial assets - Investment income		
Available-for-sale financial assets - Dividend income		
Financial assets measured at fair value through profit or loss - Investment income		
Financial assets measured at fair value through profit or loss - Dividend income		-82,275.23
Total	139,663,587.58	121,466,718.09

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add 100% in CNY)

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

(LIV) Gain on foreign exchange

Item	Current period	La 100%
E c a 100%	-4,285.22	496.06
T 100%	-4,285.22	496.06

(LV) Net exposure hedging returns

Sources of net exposure hedging gains	Current period	La 100%
T 100% acc 100% a 100% d 100% a 100% d 100% d 100%	812,129.03	
T 100% ca 100% d 100% a 100% d 100% d 100%		
T 100%	812,129.03	

(LVI) Gain from fair-value changes

Sources of income from changes in fair value	Current period	La 100%
F a c a a 100% a 100% d 100% a 100% 100%	-12,995,817.33	-12,995,817.33
c d : a c a 100% a 100% a 100% d 100%		-12,995,817.33
F a c a a b 100% a 100% d 100% a 100% 100%	-12,995,817.33	
I 100% 100% a 100% a 100% d 100% a 100%		
T 100%	-12,995,817.33	

N 100%: F a c a a 100% a d a c a a b 100% a 100% d 100% a 100% 100% a 100% a d 100% c a 100% 100% c 100% d b 100% c a 100% a d 100% c a 100% a d 100% , b a 100% d 100% b a a c 100% d a d a d 100% c a 100% b a a c 100% d a d 100% . F a 100% c a c a 100% a c a 100% a 100% a 100% .

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

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

(LVII) Proceeds from asset disposal

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

(LVIII) Non-operating income

1. N - a c d

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in CNY)

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

(LVIII) Non-operating income (Continued)

2. Government subsidies

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in CNY)

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

(LVIII) Non-operating income (Continued)

2. Government subsidies (Continued)

Items	Current period	Related to assets/ Launched related to income
Research and development subsidies	250,000.00	Related to income
Enterprise research and development subsidies	239,880.74	Related to income
Industrial research and development subsidies	213,500.00	Related to income
High-tech research and development subsidies	200,000.00	Related to income
High-tech research and development subsidies	200,000.00	Related to income
Scientific research subsidies	130,000.00	Related to income
High-tech research and development subsidies	100,000.00	Related to income
High-tech research and development subsidies	100,000.00	Related to income
High-tech research and development subsidies	50,000.00	Related to income
High-tech research and development subsidies	43,000.00	Related to income
High-tech research and development subsidies	38,250.00	Related to income
High-tech research and development subsidies	30,500.00	Related to income
High-tech research and development subsidies	12,000.00	Related to income
Total	640,000.00	1,325,915.92
Total	4,876,415.01	50,539,789.12

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in millions of RMB unless otherwise specified)

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

(LIX) Non-operating expenses

Item	Amount for this period	Amount for the corresponding period	Including the amount of non-recurring gains and losses of the current period
Total	3,066,608.59	3,695,842.30	3,066,608.59
Included:	3,066,608.59	3,695,842.30	3,066,608.59
Losses on disposal of long-term investments	38,647,346.91		38,647,346.91
Net gains on disposal of available-for-sale financial assets	500,000.00		500,000.00
Exchange differences on translation of foreign currency financial statements	60,598,842.15	156,360,284.89	60,598,842.15
Others	60,598,842.15	2,905,518.01	60,598,842.15
Total	102,812,797.65	162,961,645.20	102,812,797.65

(LX) Income tax

1. Deferred income tax assets and liabilities

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan)

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

(LX) Income tax (Continued)

2. Accrued income tax

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in million RMB unless otherwise specified)

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

(LXI) Cash flow statement supplementary information

1. Cash and cash equivalents

Item	Amount for this period	At the end of the period
1. Restricted cash	102,687,637.61	260,968,593.90
Add: Increase in cash	179,934,482.68	1,017,128,616.56
Less: Decrease in cash	491,545,231.57	
Decrease in cash, net of additions	700,770,755.75	696,372,060.51
Adjusted for: Decrease in cash	59,338,862.80	50,953,111.61
Adjusted for: Increase in cash	13,846,896.33	12,017,505.45
Decrease in cash, net of adjustments	-2,283,473.35	-3,627,423.23
Less: Cash and cash equivalents	-531,928.61	3,695,842.30
Less: Cash and cash equivalents (at the end of the period)		12,995,817.33
Factors: Increase in cash (at the end of the period)	93,554,407.87	439,256,686.96
Less: Factors: Decrease in cash (at the end of the period)	-139,663,587.58	-121,466,718.09
Decrease in cash, net of factors	-59,724,224.57	-80,861,025.97
Decrease in cash, net of factors and adjustments	1,744,434,904.99	579,269,657.41
Revised cash and cash equivalents (at the end of the period)	3,992,977,723.18	-1,274,536,453.37
Less: Cash and cash equivalents (at the end of the period)	-7,860,180,988.23	-4,275,691,999.21
Other	7,293,652.03	-8,723,349.80
Net cash and cash equivalents	-675,999,647.53	-2,692,249,077.64
2. Marketable securities		
Cost		
Cost of securities		
Fair value		
3. Net cash and cash equivalents		
Cost	11,705,681,448.94	15,206,290,892.00
Less: Other	15,206,290,892.00	17,204,139,648.41
Less: Cost of securities		
Less: Other		
Net cash and cash equivalents	-3,500,609,443.06	-1,997,848,756.41

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan)

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

(LXI) Cash flow statement supplementary information (Continued)

2. Cash and cash equivalents:

Item	Closing balance	Opening balance
1. Cash	11,705,681,448.94	15,206,290,892.00
Included: Cash	7,192,181.04	6,045,527.87
Balance of cash and cash equivalents at the beginning of the period	11,426,169,264.16	14,826,342,631.29
Other cash and cash equivalents		
Cash and cash equivalents at the end of the period	50,692,260.02	107,027,977.01
Cash and cash equivalents at the beginning of the period	221,627,743.72	266,874,755.83
Cash and cash equivalents at the end of the period		
2. Cash equivalents		
Included: Balance of cash equivalents at the beginning of the period		
3. Cash and cash equivalents	11,705,681,448.94	15,206,290,892.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the consolidated financial statements in CNY)

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

(LXIII) Foreign Currency Items

Items	Closing balance	Exchange rate	Closing balance
Ca			722,756,490.94
I c d : USD	100,018,947.34	6.8632	686,450,039.32
EUR	726,853.71	7.8473	5,703,839.12
Pa t i R	149,836,502.72	0.0495	7,424,398.71
U t d A ab E a D a	12,214,529.68	1.8679	22,815,519.99
S da d	2,516,435.21	0.1441	362,693.80
Acc t a ab			442,839,296.91
I c d : USD	63,591,390.03	6.8632	436,440,428.04
EUR	791,805.90	7.8473	6,213,538.44
S da d	1,285,856.05	0.1441	185,330.43
O t a ab			409,509,843.09
I c d : USD	46,330,802.15	6.8632	317,977,561.32
EUR	4,000.00	7.8473	31,389.20
Pa t i R	1,502,209,869.69	0.0495	74,434,498.77
D a	2,592,900.26	1.8679	4,843,278.40
I d a R a	25,841,681,551.45	0.0005	12,223,115.40
Acc t a ab			312,157,496.59
I c d : USD	45,482,791.78	6.8632	312,157,496.59
O t			
O t a ab			28,450,922.11
I c d : USD	4,145,431.01	6.8632	28,450,922.11
O t			
Ab b d d t			7,700,344.38
I c d : USD	1,121,975.81	6.8632	7,700,344.38
I t a ab			129,688.61
I c d : USD	18,896.23	6.8632	129,688.61

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

VII. CHANGE OF SCOPE

(I) Entities newly included in and no longer included in the scope of consolidation in this period

1. Entities newly included in the scope of consolidation

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

2. Entities no longer included in the scope of consolidation

(1) Baco (巴科) Co., Ltd.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

VIII. EQUITY IN OTHER ENTITIES

(I) Equity in subsidiaries

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

Name	Main operating place	Registration	Main business country	Nature	Share holding proportion (%)		Method
					Direct	Indirect	
Harbin Baobao Chemical Industry Co., Ltd.	Harbin	Harbin	China	Manufacturing	92.08		Subsidiary
Harbin Electric Machinery Co., Ltd.	Harbin	Harbin	China	Manufacturing	89.63		Subsidiary
Harbin Tiesha Co., Ltd.	Harbin	Harbin	China	Manufacturing	70.91		Subsidiary
Harbin Electric Industry Group Co., Ltd.	Harbin	Harbin	China, Ecuador, Thailand	Manufacturing	100		Wholly owned subsidiary
Harbin Power Equipment Manufacturing Co., Ltd.	Harbin	Harbin	China	Service	75		Wholly owned subsidiary
Harbin Power Equipment & Technology Co., Ltd. (N 1)	Harbin	Harbin	China	Engineering	55.56	41.82	Wholly owned subsidiary
Harbin Electric Group (Qaida) Heavy Equipment Co., Ltd. (N 2)	Qaida	Qaida	China	Manufacturing	34.15	55.45	Wholly owned subsidiary
Harbin Electric Power Equipment Co., Ltd.	Harbin	Harbin	China	Manufacturing	100		Wholly owned subsidiary
Harbin Power Equipment Co., Ltd.	Harbin	Harbin	China	Manufacturing	100		Wholly owned subsidiary
Harbin Electric Co., Ltd. (N 3)	Harbin	Harbin	China	Finance	55.00	33.16	Subsidiary

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(I) Equity in subsidiaries (Continued)

1. Total equity in subsidiaries (Continued)

Name	Main operating place	Registration	Main business country	Nature	Share holding proportion (%)		Method
					Direct	Indirect	
Chid Sa aTc C., Ltd. (Note 4)	Chid	Chid	China	Manufacturing	40.7		Long-term investment
Sizi Had a ch a Ltd. & Tad; C., Ltd. (Note 5)	Sizi	Sizi	China	Trading	60		Long-term investment
Hab E d c (H.E) C.	Hab	Hab	China	Operating and management	100		Business combination
Hada C a Sa E P E C., Ltd.	Yc	Yc	China	Warehousing, distribution and management	51	45.12	Long-term investment

Total equity in subsidiaries: _____

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(I) Equity in subsidiaries (Continued)

1. Subsidiaries (Continued)

The following table shows the ownership structure of the subsidiaries:

1. The ownership structure of Harbin Power Transmission Equipment Co., Ltd. is as follows: Harbin Electric Group Co., Ltd. holds 55.55% of the equity, Harbin Electric Group Co., Ltd. holds 27.77% of the equity, Harbin Electric Group Co., Ltd. holds 27.77% of the equity, Harbin Electric Group Co., Ltd. holds 5.56% of the equity, and Harbin Electric Group Co., Ltd. holds 97.38% of the equity.

2. The ownership structure of Harbin Electric Group Co., Ltd. (Qingdao) Harbin Electric Co., Ltd. is as follows: Harbin Electric Group Co., Ltd. holds 34.15% of the equity, Harbin Electric Group Co., Ltd. holds 21.95% of the equity, Harbin Electric Group Co., Ltd. holds 89.60% of the equity, and Harbin Electric Group Co., Ltd. holds 21.95% of the equity.

3. The ownership structure of Harbin Electric Group Co., Ltd. (Fujian) Harbin Electric Co., Ltd. is as follows: Harbin Electric Group Co., Ltd. holds 55.00% of the equity, Harbin Electric Group Co., Ltd. holds 18.00% of the equity, Harbin Electric Group Co., Ltd. holds 6.00% of the equity, and Harbin Electric Group Co., Ltd. holds 88.16% of the equity.

The following table shows the ownership structure of the subsidiaries:

4. The ownership structure of Harbin Electric Group Co., Ltd. (Sichuan) Harbin Electric Co., Ltd. is as follows: Harbin Electric Group Co., Ltd. holds 40.70% of the equity, Harbin Electric Group Co., Ltd. holds 40.70% of the equity, Harbin Electric Group Co., Ltd. holds 40.70% of the equity, and Harbin Electric Group Co., Ltd. holds 40.70% of the equity.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB unless otherwise specified)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(I) Equity in subsidiaries (Continued)

2. Investment in subsidiaries -

Name	Share holding of minority shareholders (%)	Gain and loss attributable to minority shareholders during the current period	Distribute dividends to minority shareholders in this period	Balance of Minority Interests at the End of the Period
Hab E d c Mac i C ., Ltd.	10.37	2,962,129.01	463,002.77	545,932,566.49
Hab B i C a L Ltd	7.92	14,619,560.64	4,244,130.00	461,470,522.03
Hab T b i C ., Ltd.	29.09	1,498,204.66		8,950,812.99
Hab E d c C a F a c i C a L Ltd	9.00	15,627,859.16	27,000,000.00	173,428,062.08

3. Investment in subsidiaries -

Subsidiary's name	Closing balance					
	Current asset	Non-current asset	Total asset	Current liabilities	Non-current liabilities	Total liabilities
Hab E d c Mac i C ., Ltd.	10,016,741,264.15	1,731,974,128.75	11,748,715,392.90	6,187,910,897.84	296,266,727.54	6,484,177,625.38
Hab B i C a L Ltd	16,171,678,617.49	1,926,171,653.20	18,097,850,270.69	11,876,201,512.78	360,678,289.37	12,236,879,802.15
Hab T b i C ., Ltd.	9,258,213,246.30	2,147,774,247.65	11,405,987,493.95	11,112,173,064.45	263,045,048.32	11,375,218,112.77
Hab E d c C a F a c i C a L Ltd	10,067,827,591.59	2,401,548,555.19	12,469,376,146.78	10,542,397,679.23		10,542,397,679.23

Other subsidiaries

Subsidiary's name	Current asset	Non-current asset	Total asset	Current liabilities	Non-current liabilities	Total liabilities
Hab E d c Mac i C ., Ltd.	10,490,823,587.40	1,801,738,581.52	12,292,562,168.92	6,756,004,877.38	297,120,641.27	7,053,125,518.65
Hab B i C a L Ltd	18,749,066,406.17	1,883,282,508.24	20,632,348,914.41	14,599,932,353.09	310,304,139.72	14,910,236,492.81
Hab T b i C ., Ltd.	9,794,830,023.87	2,255,535,355.09	12,050,365,378.96	11,901,780,374.67	125,219,559.21	12,026,999,933.88
Hab E d c C a F a c i C a L Ltd	14,040,276,749.79	779,739,011.95	14,820,015,761.74	12,767,749,775,247.65	53,856,888,283,246,071,977,432,490,624,406.07	(11,900,000,000.00)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(I) Equity in subsidiaries (Continued)

3. Management - - - - - (Continued)

Subsidiary's name	Amount for this period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Harbin Electric Macao Co., Ltd.	3,751,901,632.19	28,564,407.00	28,564,407.00	898,401,430.76
Harbin Electric Canada Ltd.	7,044,365,518.45	186,520,492.48	186,520,492.48	-475,981,061.89
Harbin Electric Co., Ltd.	4,700,442,718.76	5,150,239.48	5,150,239.48	-410,584,118.89
Harbin Electric Co. Ltd. Finance Co., Ltd.	485,520,811.01	173,642,879.52	174,134,129.52	-4,240,206,294.16

Subsidiary's name	Amount for this period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Harbin Electric Macao Co., Ltd.	3,546,878,139.25	29,662,689.14	29,662,689.14	349,981,865.72
Harbin Electric Canada Ltd.	8,679,103,061.65	298,044,238.05	298,044,238.05	-820,381,815.30
Harbin Electric Co., Ltd.	6,103,657,734.41	103,178,857.61	103,178,857.61	-938,163,638.30
Harbin Electric Co. Ltd. Finance Co., Ltd.	458,653,543.63	198,669,768.59	219,622,234.90	-818,606,504.20

(II) Equity in joint venture arrangements or associates

1. Investment in associates

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

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

2. Ma Fa Cai a l i J V i

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan unless otherwise specified)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in CNY)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

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

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

IX. RELATED RISKS OF FINANCIAL INSTRUMENTS

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

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

(I) Credit risks

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan unless otherwise specified)

IX. RELATED RISKS OF FINANCIAL INSTRUMENTS (CONTINUED)

(II) Market risks

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

(1) Interest rate risk

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

(2) Foreign currency risk

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

(III) Liquidity risk

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in CNY)

IX. RELATED RISKS OF FINANCIAL INSTRUMENTS (CONTINUED)

(III) Liquidity risk (Continued)

The table below summarizes the contractual maturity of the financial assets and liabilities. The maturity is based on the contractual maturity of the financial assets and liabilities.

	Within 1 year
Financial assets and liability:	
Monetary assets	12,543,251,700.19
Non-monetary assets	3,112,281,635.68
Accounts receivable	11,238,171,927.04
Other receivables	1,500,449,011.44
Short-term borrowings	1,572,908,534.19
Non-current assets	5,836,028,015.25
Accounts payable	13,215,819,754.05
Warrant liabilities	296,206,737.79
Other liabilities	273,191,841.18
Non-current liabilities	188,548.80

X. FAIR VALUE DISCLOSURE

The table below summarizes the fair value of the financial assets and liabilities:

The table below summarizes the fair value of the financial assets and liabilities.

The table below summarizes the fair value of the financial assets and liabilities.

The table below summarizes the fair value of the financial assets and liabilities.

The table below summarizes the fair value of the financial assets and liabilities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

X. FAIR VALUE DISCLOSURE (CONTINUED)

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

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

XI. RELATED PARTY AND TRANSACTION

(All amounts are in RMB unless otherwise specified)

(I) Parent company information

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

(II) The company's subsidiary

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

(III) Joint ventures and associates of Company

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(IV) Information of other related parties

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

(V) Transaction information for related party

The Company has entered into various transactions with related parties during the reporting period. The nature and amount of these transactions are as follows:

1. C C d Ta ad

The Company's related party transactions are as follows: On January 29, 2016, the Company entered into a purchase agreement with Ha b Ha b E d c l d a D C for the purchase of certain assets. On December 9, 2016, the Company entered into a purchase agreement with Ha b Ha l d a D C for the purchase of certain assets. On February 22, 2017, the Company entered into a purchase agreement with Ha b Sa a l d a D C for the purchase of certain assets. On March 23, 2016, the Company entered into a purchase agreement with Ha b E d c G Ac R a C ., Ltd. for the purchase of certain assets. On May 1, 2017, the Company entered into a purchase agreement with Ja M Fa C ., Ltd. for the purchase of certain assets. On December 31, 2019, the Company entered into a purchase agreement with Ha b E d c C a Ja E d c Mac C ., Ltd. for the purchase of certain assets. On December 31, 2016, the Company entered into a purchase agreement with Ha b Q a E d c Ma a C ., Ltd. for the purchase of certain assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. Continued Transaction (Continued)

(1) Transaction with related party

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

The above transactions are conducted in accordance with the "Company Law" and "Company Accounting Policy" of the Company. The transactions are conducted in accordance with the relevant provisions of Article 14A of the "Company Law" and the "Company Accounting Policy".

(2) Transaction with related party

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB unless otherwise specified)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. *China Construction Taobao (Company)*

(3) *Interest income from deposits*

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

(4) *Finance charges*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. Company's transactions with related parties (Continued)

(5) Transactions with related parties

Related party	Amount for this period	Amount at the end of the reporting period
Harbin Electric Group Corporation Limited	7,728,101.25	7,802,504.72
Total	7,728,101.25	7,802,504.72

The transactions with related parties (5) are as follows: Company's transactions with Harbin Electric Group Corporation Limited. The transactions are conducted in accordance with the provisions of Article 14A of the Listing Rules.

(6) Transactions with related parties

Related party	Content of related party	Amount for this period	Amount at the end of the reporting period
Harbin Electric Group Corporation Limited	Company's transactions with Harbin Electric Group Corporation Limited	3,280,000.00	3,280,000.00
Total		3,280,000.00	3,280,000.00

The transactions with related parties (6) are as follows: Company's transactions with Harbin Electric Group Corporation Limited. The transactions are conducted in accordance with the provisions of Article 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. Compensation of Directors and Supervisors (Continued)

(7) Director, Supervisor and Chairman of the Board

The following table shows the compensation of the Director, Supervisor and Chairman of the Board in 2018 as follows:

Unit: million RMB

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. *China Construction Taobao (Company)*

(7) *Director, Senior Advisor, Manager (Company)*

Name	Wages and other benefits	Retirement benefit plan contributions	Total
3. <i>Sun Jiaji</i>			
M. L. Z. a	558,730.00	91,721.00	650,451.00
M. X. W. a (2018.11.9)	60,660.00	10,160.00	70,820.00
M. L. Z. a (2018.11.9)	60,660.00	26,200.00	86,860.00
M. Wa D.	727,100.00	209,100.00	936,200.00
M. Z. a. Ha. a	770,145.00	87,881.00	858,026.00
M. Q. Z.	770,145.00	87,881.00	858,026.00
M. A. L. (Company)	314,684.00	65,522.00	380,206.00
<i>Sun Jiaji</i>	3,262,124.00	578,465.00	3,840,589.00
Total	6,589,896.00	1,071,534.00	7,661,430.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in CNY)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. **Continued Transaction (Continued)**

(7) **Director, Supervisor and Senior Management (Continued)**

As of December 31, 2017, the company's directors, supervisors, and senior management members' remuneration and retirement benefits are as follows:

Unit: CNY

S/N	Position	Wages and other benefits	Retirement benefit plan contributions	Total
1	Director: Mr. Han Bin, Chairman	1,024,500.00	190,688.00	1,215,188.00
2	Director: Mr. Han Bin, Chairman, Vice Chairman and General Manager	982,600.00	189,581.00	1,172,181.00
3	Director: Mr. Guo Jiaman, Chairman	823,700.00	139,004.00	962,704.00
4	Supervisor: Mr. Dong Jia, Chairman	806,900.00	147,367.00	954,267.00
Total		3,637,700.00	666,640.00	4,304,340.00

The company's directors (7) received a total remuneration and retirement benefits of RMB 14A.33 million.

2. **Continued Transaction**

On September 4, 2017, the company's director Mr. Han Bin (1) continued to receive remuneration and retirement benefits from the company (2) as a director and general manager of Habeco Group Co., Ltd. The company's director Mr. Han Bin received a total remuneration and retirement benefits of RMB 14A.33 million.

Related party	Current period	Period
Habeco Group Co., Ltd.		1,270,000,000

The company's director received a total remuneration and retirement benefits of RMB 14A.33 million.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(VI) Accounts receivable and payable for related party

1. Accounts receivable

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

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

2. Accounts receivable

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan unless otherwise specified)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

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

2. Accounts receivable (Continued)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in million RMB unless otherwise specified)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(VII) Related party commitments

Nil

(VIII) Others

Nil

XII. COMMITMENTS AND CONTINGENCIES

(I) Important commitments

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

XII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(II) Contingencies

1. Guarantees

No.	Guarantee company	Guaranteed			Category	Anti-guarantee method	Amount	Increasing in this year	Situation of Guaranteed	Overdue situation	Sued situation
		Name	Nature	Method							
						2,035,420,477.68	917,210,956.67				
1	Harbin Electric Macroeconomic Consulting Co., Ltd.	Harbin Telecom Co., Ltd.	Guarantee	Letter of Guarantee	Pre-shipment	330,000,000.00	0.00	Normal	None	None	
2	Harbin Electric Macroeconomic Consulting Co., Ltd.	Harbin Electric Macroeconomic Consulting Co., Ltd.	Guarantee	Letter of Guarantee	Pre-shipment	130,000,000.00	0.00	Normal	None	None	
3	Harbin Telecom Co., Ltd.	Harbin Bell Canada Ltd.	Guarantee	Letter of Guarantee	Pre-shipment	174,870,800.00	14,716,200.00	Normal	None	None	
4	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Pre-shipment	70,473,875.00	0.00	Normal	None	None	
5	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Pre-shipment	155,386,300.00	0.00	Normal	None	None	
6	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Pre-shipment	175,061,534.22	0.00	Normal	None	None	
7	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Other	21,007,384.14	0.00	Normal	None	None	
8	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Other	30,175,665.99	0.00	Normal	None	None	
9	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Other	7,548,136.28	0.00	Normal	None	None	
10	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Other	7,548,136.28	0.00	Normal	None	None	
11	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Other	20,615,296.10	0.00	Normal	None	None	
12	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Pre-shipment	558,657,400.38	558,657,400.38	Normal	None	None	
13	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Pre-shipment	10,164,428.72	10,164,428.72	Normal	None	None	
14	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Pre-shipment	7,561,361.40	7,561,361.40	Normal	None	None	
15	Harbin Electric Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Other	326,111,566.17	326,111,566.17	Normal	None	None	
16	Harbin Electric Power Equipment Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Pre-shipment	4,290,000.00	0.00	Normal	None	None	
17	Harbin Electric Power Equipment Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Pre-shipment	5,220,852.00	0.00	Normal	None	None	
18	Harbin Electric Power Equipment Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Letter of Guarantee	Pre-shipment	727,741.00	0.00	Normal	None	None	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I add RMB in CNY)

XIII. EVENTS AFTER BALANCE SHEET DATE

At December 31, 2018, the Board of Directors has approved the financial statements for the year ended December 31, 2018.

XIV. OTHER IMPORTANT EVENTS

(I) Segment information

1. The following table provides a breakdown of the company's operations into segments:

According to the company's management, the segments are defined as the following: (1) the segment that provides various services, including the design, construction, and operation of power plants, and (2) the segment that provides various services, including the design, construction, and operation of power plants. Each segment is a distinct business activity that is managed separately. The segments are defined based on the company's internal management structure and the way the company reports financial information internally. The segments are defined based on the company's internal management structure and the way the company reports financial information internally.

The following table provides a breakdown of the company's operations into segments. The segments are defined based on the company's internal management structure and the way the company reports financial information internally. The segments are defined based on the company's internal management structure and the way the company reports financial information internally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

XIV. OTHER IMPORTANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Restricted Assets

(1) Specially managed assets

Items	Thermal power equipment	Hydropower host equipment	Power station engineering services	Power station auxiliary equipment and ancillary products	Nuclear products	AC and DC motors and other	Total
Closing balance							
Balance at the beginning of the period	38,060,046,043.09	4,981,546,381.13	5,900,713,218.18	2,224,798,407.05	5,918,287,179.76	6,783,336,804.67	63,868,728,033.88
Decrease during the period	166,286,437.12	33,271,531.75		3,461,068.88	48,118,232.00	122,108,436.70	373,245,706.45
Increase during the period	37,055,011.52	5,563,549.63	3,113,450.72	3,749,449.78	41,635,536.57	32,934,371.17	124,051,369.39
Balance at the end of the period	30,909,471,437.62	2,886,382,078.26	5,424,335,500.65	1,612,693,371.77	4,168,102,585.60	5,536,702,477.71	50,537,687,451.61
Amount during this period							
Specialized management							
Decrease during the period	11,877,253,493.44	1,704,635,327.78	7,411,068,070.00	899,959,203.92	1,338,543,115.52	2,648,001,639.96	25,879,460,850.62
Decrease during the period	2,445,150,561.55					25,907,149.35	2,471,057,710.90
Decrease during the period	14,322,404,054.99	1,704,635,327.78	7,411,068,070.00	899,959,203.92	1,338,543,115.52	2,673,908,789.31	28,350,518,561.52
Decrease during the period	1,688,416,137.54	151,307,340.39	253,427,300.43	90,244,697.64	279,757,718.61	762,349,542.38	3,225,502,736.99

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

XIV. OTHER IMPORTANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Restricted Disposal of Assets (Continued)

(1) Significant Disposal of Assets (Continued)

	Total	Holding	Purchased	Disposal	Net	Addition	Total
Operating Assets							
Restricted Disposal of Assets	41,212,539,999.63	4,621,011,351.10	6,651,596,886.48	3,020,134,669.35	8,114,465,554.50	6,582,095,472.16	70,201,843,933.22
Disposal of Assets							
Disposal of Assets	205,698,456.10	11,100,895.65	15,746,976.00	12,736,227.18	502,590,983.75	81,402,678.44	829,276,217.12
Disposal of Assets	39,551,824.68	18,813,052.57	205,009,241.96	985,708.73	25,456,422.56	39,193,899.47	329,010,149.97
Restricted Disposal of Assets	34,634,317,661.74	2,229,206,421.05	5,884,095,242.01	2,316,900,005.18	6,304,818,582.81	4,993,809,765.82	56,363,147,678.61
Assets							
Significant Disposal of Assets							
Disposal of Assets	13,871,644,397.96	1,146,212,806.36	10,704,840,383.96	1,339,075,625.77	2,032,575,585.70	2,445,975,056.63	31,540,323,856.38
Disposal of Assets	2,534,289,826.09		-141,400,613.00			22,799,084.22	2,415,688,297.31
Restricted Disposal of Assets	16,405,934,224.05	1,146,212,806.36	10,563,439,770.96	1,339,075,625.77	2,032,575,585.70	2,468,774,140.85	33,956,012,153.69
Restricted Disposal of Assets	2,371,509,963.21	182,328,452.21	490,768,642.94	195,206,172.08	519,357,241.58	594,919,083.22	4,354,089,555.24

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan unless otherwise specified)

XIV. OTHER IMPORTANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Restricted Assets (Continued)

(2) Statement of Financial Position

Items	Closing balance	Opening balance
Asset		
Restricted Assets	63,868,728,033.88	70,201,843,933.22
Other Assets	-19,044,229,265.34	-20,122,713,238.83
Restricted Assets	44,824,498,768.54	50,079,130,694.39
Depreciation	490,142,216.40	430,581,741.83
Other -c		
Financial Assets		
Restricted Assets		
Bad Debt	8,730,639,860.30	12,155,831,808.52
Contract Assets	635,145,558.72	747,561,319.78
Contract Liabilities	50,694,420.76	107,033,625.67
Unclassified Assets	1,810,861,851.34	1,317,953,882.79
Total Assets	56,541,982,676.06	64,838,093,072.98
Liability		
Restricted Liabilities	50,537,687,451.61	56,363,147,678.61
Other Liabilities	-12,683,916,496.00	-8,721,527,596.46
Non-current Liabilities	37,853,770,955.61	47,641,620,082.15
Tax Liabilities	374,043,503.79	240,442,949.52
Deferred Tax Liabilities		7,280,974.79
Unclassified Liabilities	2,005,137,618.23	806,597,387.90
Total Liabilities	40,232,952,077.63	48,695,941,394.36

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in millions of RMB unless otherwise specified)

XIV. OTHER IMPORTANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Revenue by Segment (Continued)

(2) Segment information (Continued)

Items	Amount for this period	Amount at the end of the period
Revenue		
Information and communication services	25,879,460,850.62	31,540,323,856.38
Information services	2,471,057,710.90	2,415,688,297.31
Real estate services	28,350,518,561.52	33,956,012,153.69
Real estate services	3,225,502,736.99	4,354,089,555.24
Other services	33,572,806.15	81,719,926.20
Real estate services	3,191,929,930.84	4,272,369,629.04
Liabilities		
Liabilities	33,832,648.30	26,360,761.31
Liabilities	485,064,692.65	488,136,436.30
Current liabilities	179,653,758.71	96,282,405.05
Financial assets		
Financial assets		-11,399,680.48
Financial assets		
Financial assets	145,030,891.91	266,495,807.13
Financial assets		
Financial assets		29,642,866.59
Financial assets	151,370,514.79	97,359,627.28
Financial assets	3,739,966,519.15	4,329,604,099.85
Total	156,854,134.23	343,366,404.93

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

XIV. OTHER IMPORTANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Revenue from external customers (Continued)

(3) Revenue from external customers

Items	Revenue from external customers	
	2018	2017
1. Domestic (Continued)	18,482,059,253.38	20,937,172,169.16
2. Other (Continued):		
Purchased materials	940,501,828.49	3,883,858,635.49
Rental	292,124,872.39	1,771,972,533.17
Transportation	5,275,085,949.28	1,687,649,086.59
Rental	382,959,581.28	1,164,629,635.62
Borrowing	139,432,199.33	617,243,022.29
Rental	66,947,781.02	314,662,168.56
Other	300,349,385.45	1,163,136,605.50
Other	7,397,401,597.24	10,603,151,687.22
Total	25,879,460,850.62	31,540,323,856.38

(II) There are no other important issues that have an impact on investor decision-making in this period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES

(The accompanying notes are in CNY unless otherwise indicated)

(I) Notes receivable and accounts receivable

Item	Closing balance	Original balance
Notes receivable	54,264,153.84	109,863,832.00
Accounts receivable	882,242,918.55	814,954,732.15
Total	936,507,072.39	924,818,564.15

1. Notes receivable

(1) Category: Notes receivable

Category	Closing balance			Original balance	
	Book balance	Bad debt allowance	Book value	Original balance	Bad debt allowance
Bank accounts receivable	47,770,000.00		47,770,000.00	109,863,832.00	
Commercial accounts receivable	6,494,153.84		6,494,153.84		
Total	54,264,153.84		54,264,153.84	109,863,832.00	109,863,832.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(1 add) (1) (2) (3) (4) (5) (6) (7) (8) (9) (10) (11) (12) (13) (14) (15) (16) (17) (18) (19) (20) (21) (22) (23) (24) (25) (26) (27) (28) (29) (30) (31) (32) (33) (34) (35) (36) (37) (38) (39) (40) (41) (42) (43) (44) (45) (46) (47) (48) (49) (50) (51) (52) (53) (54) (55) (56) (57) (58) (59) (60) (61) (62) (63) (64) (65) (66) (67) (68) (69) (70) (71) (72) (73) (74) (75) (76) (77) (78) (79) (80) (81) (82) (83) (84) (85) (86) (87) (88) (89) (90) (91) (92) (93) (94) (95) (96) (97) (98) (99) (100)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(I) Notes receivable and accounts receivable (Continued)

2. Accounts receivable

(1) Category accounts receivable

Category	Closing balance				0: ba a c:					
	Book balance		Bad debt allowance		B ba a c:	Bad d:ba a c:				
	Amount	Rate (%)	Amount	Provision rate (%)	A	Rate (%)	A P	B a i		
Acc: ab: ca : a d: a bad d:	-	-	-	-	-	-	-	-		
Re: ab: bad d: ba: d a c b c: c a a c:	1,145,527,296.60	100.00	263,329,378.05	22.99	882,197,918.55	1,055,134,925.97	99.99	240,265,193.82	22.77	814,869,732.15
Re: ab: ca: a b: a bad d:	45,000.00				45,000.00	85,000.00	0.01			85,000.00
Total	1,145,527,296.60	-	263,329,378.05	-	882,242,918.55	1,055,219,925.97		240,265,193.82		814,954,732.15

1) (2) (3) (4) (5) (6) (7) (8) (9) (10) (11) (12) (13) (14) (15) (16) (17) (18) (19) (20) (21) (22) (23) (24) (25) (26) (27) (28) (29) (30) (31) (32) (33) (34) (35) (36) (37) (38) (39) (40) (41) (42) (43) (44) (45) (46) (47) (48) (49) (50) (51) (52) (53) (54) (55) (56) (57) (58) (59) (60) (61) (62) (63) (64) (65) (66) (67) (68) (69) (70) (71) (72) (73) (74) (75) (76) (77) (78) (79) (80) (81) (82) (83) (84) (85) (86) (87) (88) (89) (90) (91) (92) (93) (94) (95) (96) (97) (98) (99) (100)

Age	Closing balance			0: ba a c:		
	Account receivables	Bad debt allowance	Provision rate	Acc: ab:	Bad d:ba a c:	P
With 1 a	648,907,084.80	32,445,354.23	5.00	780,373,308.67	39,018,665.44	5.00
1 2 a	304,288,486.50	76,072,121.62	25.00	48,638,470.52	12,159,617.63	25.00
2 3 a	33,980,470.52	16,990,235.26	50.00	25,105,353.96	12,552,676.98	50.00
3 4 a	25,105,353.96	20,084,283.17	80.00	108,403,995.25	86,723,196.20	80.00
4 5 a	77,542,585.25	62,034,068.20	80.00	14,013,800.00	11,211,040.00	80.00
Over 5 a	55,703,315.57	55,703,315.57	100.00	78,599,997.57	78,599,997.57	100.00
Total	1,145,527,296.60	263,329,378.05		1,055,134,925.97	240,265,193.82	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(I) Notes receivable and accounts receivable (Continued)

2. Accounts receivable (Continued)

(2) Receivable from related parties: bad debt

Account receivables	Closing balance	
	Account receivables	Bad debt

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(I) Notes receivable and accounts receivable (Continued)

2. Accounts receivable (Continued)

(5) Receivable due from related parties

Notes receivable due from related parties

(6) Trade accounts receivable

Trade receivables are measured at fair value less expected credit losses. The expected credit losses are estimated based on the historical credit loss experience of customers with similar credit characteristics and the current and expected economic conditions.

(II) Other receivables

Items	Closing balance	Opening balance
Other receivables		
Due from related parties	103,848,325.26	75,124,995.11
Other receivables	1,712,642,997.30	987,349,656.17
Total	1,816,491,322.56	1,062,474,651.28

1. Due from related parties

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

2. Other receivables

(1) Closing balance

Category	Closing balance					Other receivables				
	Book balance		Bad debt allowance		Book value	Amount	Rate (%)	Bad debt allowance		Book value
	Amount	Rate (%)	Amount	Provision rate (%)				Amount	Provision rate (%)	
Other receivables arising from the disposal of subsidiaries	1,652,073,093.34	95.90	-	-	1,652,073,093.34	983,385,410.19	97.90	12,438,741.38	1.26	970,946,668.81
Other receivables arising from the disposal of subsidiaries - accounts receivable	26,927,135.05	1.56	4,205,971.56	15.62	22,721,163.49	13,318,739.89	1.33	2,842,449.37	21.34	10,476,290.52
Other receivables arising from the disposal of subsidiaries - other receivables	43,726,896.15	2.54	5,878,155.68	13.44	37,848,740.47	7,818,352.20	0.78	1,891,655.36	24.20	5,926,696.84
Total	1,722,727,124.54	-	10,084,127.24	-	1,712,642,997.30	1,004,522,502.28		17,172,846.11		987,349,656.17

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

2. Other receivables (Continued)

(2) Other receivables are classified into various categories based on the nature of the receivables and the risk of non-payment. The closing balance of other receivables is as follows:

Other receivables	Closing balance			Provision reason
	Other receivable	Bad debt preparation	Provision rate (%)	
Ha b E d c Mac i C ., Ltd.	213,078,880.00			Related parties are not accrued
Ha b B i C a L i d	200,362,880.00			Related parties are not accrued
Ha b P i T c & T ad i I c.	10,168,577.33			Related parties are not accrued
Ha b T b i C ., Ltd.	290,684,896.97			Related parties are not accrued
C i d S A a C ., Ltd.	16,386,473.85			Related parties are not accrued
Ha b E d c P i E i C ., Ltd.	276,602,347.97			Related parties are not accrued
Ha b P i G Ha b P i S i Va i C ., Ltd.	21,669,316.10			Related parties are not accrued
Ha b E d c G (Q a da) H a i E i C ., Ltd.	623,119,721.12			Related parties are not accrued
Total	1,652,073,093.34			

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in million RMB unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

2. Other receivables (Continued)

(3) In the reporting period, the company's other receivables are mainly composed of bad debt provisions and other receivables.

Age	Closing balance			Other receivables		
	Other receivables	Bad debt allowance	Provision rate	Other receivables	Bad debt allowance	Provision rate
Within 1 year	19,865,750.16	993,287.50	5.00	9,257,523.87	463,353.19	5.00
1 to 2 years	4,831,215.87	1,207,803.97	25.00	2,234,005.49	558,501.37	25.00
2 to 3 years	442,322.49	221,161.25	50.00	8,293.45	4,146.73	50.00
3 to 4 years	8,293.45	6,634.76	80.00	12,345.00	9,876.00	80.00
4 to 5 years	12,345.00	9,876.00	80.00			
Over 5 years	1,767,208.08	1,767,208.08	100.00	1,806,572.08	1,806,572.08	100.00
Total	26,927,135.05	4,205,971.56		13,318,739.89	2,842,449.37	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

2. Other receivables (Continued)

(4) Other receivables are measured at amortized cost less expected credit losses. The expected credit losses are measured based on the probability-weighted average of the different outcomes, which is determined by the credit risk of the receivables. The expected credit losses are measured based on the probability-weighted average of the different outcomes, which is determined by the credit risk of the receivables.

Other receivables	Closing balance	
	Bad debt allowance	Provision rate (%)
Other receivables		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in million RMB unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

2. Other receivables (Continued)

(7) The following table shows the aging analysis of other receivables at the end of the reporting period:

Company	Nature	Closing balance	Age	Proportion of total accounts receivable at year-end balance (%)	Impairment preparation Closing balance
Hangzhou E-commerce Group (Qanda) Holding Co., Ltd.	Accounts receivable	623,119,721.12	1-2 years, 2-3 years, 3-4 years, 4-5 years, 5+ years	36.17	
Hangzhou T-bao Co., Ltd.	Accounts receivable	290,684,896.97	1-2 years, 2-3 years, 3-4 years, 4-5 years, 5+ years	16.87	
Hangzhou E-commerce Platform Co., Ltd.	Accounts receivable	276,602,347.97	1-2 years, 2-3 years, 3-4 years, 4-5 years, 5+ years	16.06	
Hangzhou E-commerce Mac Co., Ltd.	Accounts receivable	213,078,880.00	1-2 years, 2-3 years, 3-4 years, 4-5 years, 5+ years	12.37	
Hangzhou Baidu Co., Ltd.	Accounts receivable	200,362,880.00	3-4 years	11.63	
Total		1,603,848,726.06		93.10	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(III) Long term equity investments

Item	Closing balance			Opening balance		
	Booking balance	Impairment preparation	Booking value	Booking balance	Impairment preparation	Booking value
Long-term equity investments	5,343,528,202.18	3,000,000.00	5,340,528,202.18	5,293,548,202.18	3,000,000.00	5,290,548,202.18
Long-term equity investments	125,762,839.40		125,762,839.40	135,003,849.87		135,003,849.87
Total	5,469,291,041.58	3,000,000.00	5,466,291,041.58	5,428,552,052.05	3,000,000.00	5,425,552,052.05

1. Long-term equity investments

Investee Company	Opening balance	Current increase	Current loss	Closing balance	Current impairment provision	Impairment preparation Closing balance
Hab E c G F a c C ., Ltd.	837,122,531.11			837,122,531.11		
Hab B i Fac C ., Ltd.	716,178,892.28			716,178,892.28		
Hab T b i C ., Ltd.	692,422,891.68			692,422,891.68		
Hab E c P i E i C ., Ltd.	1,022,652,962.02			1,022,652,962.02		
Hab E c Mac i C ., Ltd.	678,546,878.74			678,546,878.74		
Hab E c G (Q a da) H a i E i C ., Ltd.	571,568,274.84			571,568,274.84		
Hab E c I i a C ., Ltd.	500,000,000.00			500,000,000.00		
Hab P i E i Na a E i P i a c C i C ., Ltd.	120,004,550.35			120,004,550.35		
Hab P i G Hab P i S V a i C ., Ltd.	97,002,844.08			97,002,844.08		
Hab E c (H.E) C a H a b P i T i c & T a d i l c .	25,780,234.61			25,780,234.61		
C i d S A a C ., Ltd.	15,000,000.00			15,000,000.00		
C i d S A a C ., Ltd.	14,268,142.47			14,268,142.47		
S i z i Had H a l d a d T a d i C ., Ltd.	3,000,000.00			3,000,000.00		3,000,000.00
H a d a G S a E i P i E i C ., Ltd.		49,980,000.00		49,980,000.00		
Total	5,293,548,202.18			5,343,528,202.18		3,000,000.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts in million RMB unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(III) Long term equity investments (Continued)

2. Long term equity investments

Investee	Original investment	Impairment	Add investment	Changes in current period						Closing balance	Write-off impairment	Closing balance for impairment
				Reduce investment	Confirmed under the equity method Investment gains and losses	Other comprehensive income adjustment	Changes in other equity	Declare cash Dividend or profit	Other			
1.A GE-Ha P (Q a da) C . L .	135,003,849.87				30,101,873.68				45,342,884.15		119,762,839.40	
Ha b R i N i E i C . L .			6,000,000.00								6,000,000.00	
Total	135,003,849.87		6,000,000.00		30,101,873.68				45,342,884.15		125,762,839.40	

E a , d b d N VI.(XIII).

(IV) Operating income and cost

Item	Current income		Total	
	Income	Cost	Income	Cost
Main business	3,065,361,504.82	2,974,211,430.68	3,005,553,573.93	2,861,617,494.39
T a i i i	2,460,464,620.38	2,369,675,273.59	1,939,362,906.38	1,799,962,083.25
N c a P P d	604,896,884.44	604,536,157.09	1,066,190,667.55	1,061,655,411.14
Other business	12,637,622.12	5,092,994.64	28,240,545.08	18,931,297.49
U c i i	796,927.13		373,609.12	
O i	11,840,694.99	5,092,994.64	27,866,935.96	18,931,297.49
Total	3,077,999,126.94	2,979,304,425.32	3,033,794,119.01	2,880,548,791.88

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

VII. ADDITIONAL MATERIALS

(I) Current non-recurring profit and loss schedule

Item	Amount	Explain
P...-c...a...d...a Ta...d...d...d...a...z...d...-a...d... d...c...	2,564,309.20	
T...b...d...c...d...d...c...a...d... (c...b...d...a...c...d... b...c...a...a...d...d...a...d... acc...d...a...a...d...d...	179,653,758.71	
l...c...d...d...c...c...a...d...-...a...c... c...d...d...c...a...d...		
T...b...d...a...d... b...d...b...a...a... a...a...d...ab...a... b...d...		
N...a...c...a...a...d... Ga...a...a... D...b...a...d...c...a... a...b...d...a...d...a...	-37,027,178.91	
D...b...d...a...a...d... C...a...d...c...c...a...d... a...c... T...a...a...a...a...d...c...c...d...a...a...a... a...a...a...a...d...		
N...a...d...c...d...b... c...a...b...c...b...a...c...b...d...d... a...c...		
Ga...a...d...c...a...a...d... a...b...c...a...		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in CNY)

XVI. ADDITIONAL MATERIALS (CONTINUED)

(I) Current non-recurring profit and loss schedule (Continued)

Item	Amount	Explain
E c i t e d b a d c a a b a c a a d a c a d- a c a a d- a c a a b a d a a c a a d a c a a b a d a b - a c a a		
I c b d R a a a b a d d a d a		
E a a a d a G a a d a c a a a a b a d a a d		
A c c d a a d a c a a a d a c c a d a c a a d a c a		
T c O - a c a d O a d a d a d a - c a d	-23,681,226.82	
T o t a l n o n - o p e r a t i n g p r o f i t o r l o s s i m p a c t o n t o t a l p r o f i t	150,535,453.38	
I c a d	-25,933,020.77	
T a d a d ' i	-15,357,287.32	
N o n - r e c u r r i n g p r o f i t a n d l o s s i m p a c t a t t r i b u t a b l e t o p a r e n t c o m p a n y	109,245,145.29	

(II) Return on equity and earnings per share

Profit	Weighted average return on net assets (%)	Earning per share (a)	
		Basic earning per share	Diluted earnings per share
N a b c a d c a	0.48	0.04	0.04
N a b c a d c a a a d d - c a a d	-0.25	-0.02	-0.02

DISCLOSURE OF SIGNIFICANT EVENTS

PRODUCTS & SERVICES

On 1 February, Japan's Utility 2 (U2) announced that it will purchase 1,000MW of power from the La Puente Power Plant (萊蕪電廠) in Shandong Province, China, under a 10-year power purchase agreement (PPA) starting in 2018.

On 4 August, the "d" brand of the company's products was awarded the "China Quality Award" (CQA) for the first time, marking a significant milestone in the company's quality management system.

On 27 September, the company's "C" brand of products was awarded the "China Quality Award" (CQA) for the first time, marking a significant milestone in the company's quality management system.

On 22 October, the company's "C" brand of products was awarded the "China Quality Award" (CQA) for the first time, marking a significant milestone in the company's quality management system.

On 27 October, the company's "B" brand of products was awarded the "China Quality Award" (CQA) for the first time, marking a significant milestone in the company's quality management system.

"China Quality Award" (CQA) is a national-level award established by the State Administration for Market Regulation (SAMR) to recognize the quality of products and services.

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DISCLOSURE OF SIGNIFICANT EVENTS (CONTINUED)

SIGNIFICANT CONTRACTS

Significant contracts entered into by the Group in 2018 are as follows:

Effective time	Name of project
January	Contract for the construction of two 350MW gas turbines in Harbin (華潤)
February	Contract for the construction of 173 MW gas turbines in Harbin (華潤)

DISCLOSURE OF SIGNIFICANT EVENTS (CONTINUED)

OTHER EVENTS

On 9 October, the Company and HPI entered into a Share Purchase Agreement (the "SPA") with the National Basic Insurance Company of China, Limited ("N-BIC") to acquire 76,335,877 shares of N-BIC (the "Shares") at a price of RMB6.55 per share (equivalent to approximately 90% of the closing price of N-BIC's shares on the Shanghai Stock Exchange on the date of the SPA), for a total consideration of RMB499,999,994.35 (equivalent to approximately HK\$568,188,268.05).

On 24 December, the Board of Directors of Habeco Capital Company, Limited ("HECO") has approved the acquisition of 100% of the shares of Gaba Ma AAL, a subsidiary of HECO, from HE, for a total consideration of HK\$4.56 million.

On 24 December, HE has entered into a Share Purchase Agreement with the Company to acquire 172 million shares of PRC Company Limited, a subsidiary of the Company, for a total consideration of approximately HK\$1.2 billion.

INFORMATION ON THE COMPANY

REGISTERED NAME OF THE COMPANY

哈爾濱電氣股份有限公司

ENGLISH NAME OF THE COMPANY

Harbin Electric Company Limited

REGISTERED ADDRESS OF THE COMPANY

Block 3
Nanhai District High Tech Park Baohab
Harbin
Heilongjiang Province
Tianping Road
Urgency contact: 91230100127575573H

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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M. S. Zhang

AUTHORISED REPRESENTATIVES

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M. L. Zhang

COMPANY SECRETARY

M. A. Li

JOINT COMPANY SECRETARY

M. T. Tang, M. Cai

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Tianping Road
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Shanghai
Shanghai: 1133

INFORMATION ON THE COMPANY (CONTINUED)

DEPOSITARY

Trust Bank of New York
America Depositary Receivable
22nd Floor, West
110 Broadway Street
New York, NY 10286 USA

SHARE REGISTRAR AND TRANSFER OFFICE

Harbin Electric Company Limited
Suite 1712, 1716, 1718 F
Harbin Electric Company
183 Queen Road East
Wanchai
Hong Kong

INFORMATION ON THE COMPANY

Available at the Secretariat of the Board of Directors of
Harbin Electric Company Limited

1399 Canton Road
Shek Doo
Harbin
T: PRC

SHAREHOLDERS RECEPTION TIME

On 8th, 18th, and 28th (excluding public holidays)
From 9:00 a.m. to 11:00 a.m. and
From 2:00 p.m. to 4:00 p.m.
Tel: 86-451-82135727 58590070
Fax: 86-451-82162088

DOCUMENTS AVAILABLE FOR INSPECTION

1. T i a c 2018 A a R i C a
2. T i a c C a ' a d d a c a i

