哈电集团
HARBIN ELECTRIC CORPORATION

HARBIN ELECTRIC COMPANY LIMITED

Stock Code: 1133

2023 ANNUAL REPORT

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OVERVIEW OF THE COMPANY

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

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

As at 31 December 2023, the total share capital of the Company comprised of 2,236,276,000 shares of which 675,571,000 were H shares traded on the HKSE.

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

thermal power main equipment: boilers, steam turbines and steam turbine generators with single unit capacity up to 1,000 MW class, accounting for one-third of the installed capacity of thermal power in China;

hydro power main equipment: hydro power generators units with single unit capacity up to 1,000 MW, accounting for 50% of the installed capacity of hydro power in China;

nuclear power main equipment: nuclear island and conventional islands equipment for nuclear power plants with single unit capacity up to 1,400 MW class;

complete set of steam power equipment: 9F/9H class gas turbine and combined gas and steam cycle set;

clean energy: R&D and production of products such as solar energy, tidal power and desalination;

other products: ancillary equipment for power stations, industry boilers, industrial steam turbines, control devices, valves for power stations, pressure vessels, etc.;

turnkey construction of power station projects;

service for complete sets of thermal and hydro power equipment;

import and export of equipment for power stations;

after-sales service for power station equipment products;

R&D of engineering technology for complete sets of power equipment;

R&D of power equipment and its ancillary products;

environmental protection engineering services, such as desulfurization, denitrification and dust removal.

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

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

FINANCIAL HIGHLIGHTS

	Unit	**2023**	2022	2021	2020	2019
Operating Income	*RMB'000*	**28,840,864.27**	24,643,794	21,225,313	23,760,400	22,515,591
Total Profits	*RMB'000*	**769,006.75**	205,777	-4,200,267	76,958	217,143
Net profits attributable to owners of parent	*RMB'000*	**574,760.04**	98,638	-4,142,448	-7,281	106,173
Total assets	*RMB'000*	**71,296,954.27**	63,283,531	60,610,193	57,961,256	55,082,667
Total liabilities	*RMB'000*	**56,709,158.68**	50,909,669	48,415,507	41,761,206	39,226,502
Minority interests	*RMB'000*	**723,093.44**	645,912	625,992	522,836	276,526
Interests attributable to owners of parent	*RMB'000*	**13,864,702.15**	11,727,950	11,568,694	15,677,215	15,579,639
Net assets per share	*RMB*	**6.200**	6.872	6.779	9.187	9.129
Earnings per share	*RMB*	**0.257**	0.058	-2.427	-0.004	0.062

	Year ended 31 December 2023		Year ended 31 December 2022	
	Income	Contribution to operating profit	Income	Contribution to operating profit
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
New electric power equipment	**15,746,848**	**2,018,847**	11,745,985	1,664,397
New power system with new energy as the main body	**703,229**	**42,555**	1,217,460	-42,598
Clean and efficient industrial system	**5,905,260**	**192,498**	5,157,594	66,600
Project general contracting and trade	**3,792,971**	**162,024**	3,147,200	118,964
Modern manufacturing service industry	**2,202,381**	**770,897**	3,178,913	991,104
Others	**490,175**	**-67,040**	196,642	64,964
Total	**28,840,864**	**3,119,781**	24,643,794	2,863,431
Expenses not allocated to major products		**-2,350,774**		-2,657,654
Total Profits		**769,007**		205,777

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board, I hereby present the 2023 annual report of Harbin Electric Company Limited (the "Company") and its subsidiaries.

The year 2023 is the first year for the Company to fully implement the spirit of the 20th National Congress of the CPC as well as a crucial year for its "three steps" work arrangement to "achieve results". The majority of cadres and workers worked hard in unity, forged ahead and overcome difficulties, and promoted the enterprise to embark on the fast track of high-quality development; the workers' morale was refreshed, the momentum of progress was significantly increased, with continuous improvement in development quality, and the economic operation continued to improve. During the Reporting Period, the Company achieved operating revenue of RMB28,841 million, representing a year-on-year increase of 17.03%; net profit attributable to the owner of the parent company of RMB574.76 million, representing a year-on-year increase of RMB476.12 million; and value of formal contracts signed of RMB43,565 million, representing a year-on-year increase of 29.53%, demonstrating the continuous upswing of enterprise development trend.

During the Reporting Period, the Company insisted on political leadership, fulfilled the "Two Upholds" more consciously and resolutely, focused on its new mission and positioning as a state-owned central enterprise, further improved the development strategy, and introduced more than 20 systems and programmes in scientific and technological innovation, quality enhancement, digital transformation, etc. Focusing on the annual targets and tasks, we intensified our efforts to improve quality and increase efficiency, achieving double-digit growth in major economic indicators, with operating income, overall labour productivity and market orders reaching the best level in history. We insisted on being innovation-driven, achieved key breakthroughs in scientific and technological innovation, increased investment in research and development, and set up seven innovation consortiums through the restructuring of two key national laboratories, with the completion rate of the second phase of the key core technology research project and the task nodes of SINOMACH innovation consortium reaching 100% and multiple technologies reaching the international leading level. We made every effort to develop the market, maintaining a leading position in the market for large hydropower main units and achieving a significant breakthrough in the market development of nuclear steam turbine generator units, with a substantial year-on-year increase in orders for large-capacity and high-parameter coal power generator units. We insisted on serving the national strategy with the construction of major projects, helping the Baihetan Hydropower Station to win the 2023 FIDIC Award for Engineering Excellence, and all four units of the Hasyan Clean Coal-fired Power Plant Project were put into commercial operation and won the 2023 International Security Prize. We made every effort to transform and upgrade by completing one digital workshop, two digital production lines and four digital units and passing the acceptance of the special digital twin project, with four scenarios being selected as excellent demonstration scenarios of intelligent manufacturing by the Ministry of Industry and Information Technology and revenue from the digital industry increasing by 112% year on year.

At present, China's economic and social development with high quality continues to deepen, and power demand will continue to grow. In the context of the "dual carbon" goal, green low-carbon transformation is accelerating, the advancement of clean energy substitution is unstoppable, the traditional power system is evolving into a new power system, and hydropower, nuclear power and other industries are developing rapidly. The Company will maintain strategic focus and boost development confidence, grasp the rare opportunity of industrial development, definitely identify the urgent need for transformation and upgrade, and steadily carry out the arduous task of being first-class by insisting on constant attention to technology, quality and service, continuing to deepen the "seven key points for strong enterprises" of manufacturing, technology, quality, digital, reform, service and talent to strengthen the enterprise as well as the "seven key points for enterprise development" of learning, solidarity, collaboration, branding, style, hard work and dedication, and comprehensively improve the abilities of innovation, governance and value creation, so as to build a century-old enterprise in China's equipment manufacturing industry.

In 2024, the Company will insist on the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, thoroughly carry out the spirit of the 20th Party Congress, carry out the spirit of the Central Economic Work Conference, persist in seeking progress while maintaining stability, promoting stability through progress, and establishing after progress, strengthen the strategic leadership, accelerate the reform and innovation, focus on strengthening core capabilities and improving core competitiveness, give full play to the roles of scientific and technological innovation, industrial control, and security support, focus on building excellent and strong heavy equipment manufacturing bases to accelerate the optimisation of spatial layout, and strive to sprint to a higher goal on the basis of ensuring the growth of main economic indicators, so as to accelerate high-quality development in the construction of a world-class equipment manufacturing enterprise.

Manufacturing industry is the very foundation and fundamental for building and strengthening China, as well as the lifeblood of the national economy. Comrade Xi Jinping attaches great importance to the development of the manufacturing industry, clearly defines the strategic position of the manufacturing industry in the construction of a strong nation and the national rejuvenation, and stresses that manufacturing industry is an indispensable part in China at any time, greatly enhancing our confidence and determination to promote the development of manufacturing. With more than 70 years of experience in equipment manufacturing, the Company has been leading and promoting China's power generation equipment to achieve a new leap from Made in China to Created in China. With our excellent talent resources, strong technological research and development capabilities, a complete manufacturing and marketing system, and the strong support of many strategic partners, we are confident and capable of accelerating the enhancement of our core competitiveness and market influence, and we will continue to promote and lead the development of the equipment manufacturing industry in the manner of high-end, intelligent and green development, and reward our shareholders with better results.

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

Chai man

Cao Zhi-an

Harbin, the PRC, 28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Unless otherwise stated, all amounts are denominated in Renminbi.

MACRO-ECONOMY AND INDUSTRY DEVELOPMENT

In 2023, in the face of an unusually complex international environment and the challenging tasks of advancing reform and development and ensuring stability at home, the Party Central Committee with Comrade Xi Jinping at its core brought together the Chinese people of all ethnic groups and led them in withstanding external pressures and overcoming internal difficulties with dedicated efforts. China secured a smooth transition in epidemic response following a major, decisive victory in the fight against Covid-19. The main goals and tasks for economic and social development in 2023 were accomplished, and China made steady progress in pursuing high-quality development, maintained overall social stability, and made solid advances in building a modern socialist country in all respects.

In 2023, the green, low-carbon transformation was accelerated in the energy sector. As China strengthened the overall planning and policy support, the non-fossil energy maintained a strong development momentum, continuing laying a solid foundation for the green development. According to the relevant statistics from China Electricity Council, throughout the 2023,

PRODUCTION AND OPERATION

In 2023, the Company earnestly studied and implemented a series of important statements by General Secretary Xi Jinping, and thoroughly implemented the decisions and deployments of the CPC Central Committee and the State Council. With all employees working together, the Company forged ahead with determination and tacked difficulties to boost the high-quality development, as shown by the continuous improvement of the production and operation, stronger growth momentums and higher development quality across the Company.

New contracts

In 2023, the orders of the Company realized RMB43.565 billion worth of duly signed contracts, representing a year-on-year increase of 29.53%, of which RMB24.59 billion for new-type power equipment, a year-on-year increase of 44.32% (RMB13.973 billion for thermal power equipment, a year-on-year increase of 101.66%; RMB5.873 billion for hydropower equipment, a year-on-year increase of 38.81%; RMB1.982 billion for nuclear power equipment, a year-on-year decrease of 41.77%; RMB1.687 billion for steam equipment, a year-on-year decrease of 16.81%); RMB994 million for green and low carbon driven equipment, a year-on-year decrease of 27.76%; RMB5.936 billion for clean and efficient industrial system, a year-on-year increase of 23.00%; RMB6.957 billion for EPC and trading, a year-on-year increase of 22.68%; and RMB5.088 billion for modern manufacturing and service industry, a year-on-year increase of 7.8%.

New-type power equipment: Driven by the good momentum of the thermal power market, the formal contract value of the Company's thermal power equipment increased significantly; the pumped storage market continued the robust development trend, and the formal contract value in the hydropower industry rose by a large margin.

Green and low carbon driven equipment: The Company saw an increase in the orders from the marine equipment industry.

Clean and efficient industrial system: The Company saw an increasing orders in the industrial petrochemical business and pump valve, with the formal contract value increasing steadily.

EPC and trading: The Company continued to increase its efforts in developing the overseas EPC market and secured orders for a number of EPC projects in Central Asia and Southeast, among others, resulting in an increase in the formal contract value.

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

Production

In order to ensure the Company's sustainable and healthy development and reasonably control operational risks, taking into account the orders on hand, the market situation, customer demand and project progress of the Company, the output of the Company's power generation equipment amounted to 26.93 million kilowatts in 2023, up by 76.4% over the same period last year, of which 6.44 million kilowatts were produced by water turbine generator units, up by 138.7% over the same period last year; and 20.49 million kilowatts were produced by steam turbine generators, up by 63.0% over the same period last year. Output of steam turbines for power stations was 13.69 million kilowatts, up by 35.6% over the same period last year and that of boilers for power stations was 15.16 million kilowatts, up by 8.1% over the same period last year.

Scientific research and innovation

In 2023, the Company invested RMB1.584 billion in science and technology in total, with the R&D investment intensity of 5.53%, and completed 300 scientific research projects and development of 210 new products. The Company received 33 scientific and technological awards at or above the ministerial and provincial-level throughout the year, including: the research and application of the 700m head 400MW high-speed pumped storage unit and the 600-1,000MW ultra-supercritical secondary reheating boiler won the China Good Design Award (Gold) granted by the Innovative Design Alliance of China and the Chinese Mechanical Engineering Society; the critical technology for the installation of the giant mixed-flow units and its application won the First Prize of Electric Power Science and Technology Award issued by the Chinese Society of Electrical Engineering; the research on high temperature gas-cooled reactor steam generator manufacturing technology and engineering application won the Second Prize in Science and Technology from the Hebei Provincial Government. The Company completed 331 patent licenses, including 148 invention patents.

In 2023, the Company continued to make progress in traditional advantageous products such as hydropower, nuclear power, steam power, thermal power and general equipment, and achieved remarkable results in solar PV, new energy storage and energy efficiency. The Company's "million kilowatt hydroelectric generator unit" was included into the catalog of recommended technological innovation achievements of central enterprises; the "large-scale impulse water turbine generation unit" was selected by the Ministry of Industry and Information Technology and the State-owned Assets Supervision and Administration Commission as a "one-stop" application demonstration direction; "the technology of large-scale coal-to-natural gas pressurized fluidized bed for heat recovery and key equipment", and "the new efficient and flexible coal-fired power generation unit" was approved by the National Energy Administration as the first of the third-batch major technical equipment projects in the energy sector. The Company successfully signed contracts for the construction of the Zala 500MW giant impact water turbine generator unit with the world's largest single-unit capacity and the Huizhou Zhongdong 400MW variable-speed pump-turbine unit with the largest single-unit capacity in China, maintaining its leading performance in the hydropower segment; the demonstration High Temperature Gas-Cooled Reactor Module, a major technology project built by the Company as a part and operated by China Huaneng Group at the Shidao Bay, was put into commercial operation, marking that China's fourth-generation nuclear power technology has reached the world's leading level; the Company successfully signed the solar PV power projects including Three Gorges CTGR Henderson Energy Guazhou, Qingyu DC and Xinhua Bozhou, achieving the breakthroughs in key equipment such as tower receiver systems, steam generators, molten salt storage tanks; the Company secured the contract of providing the air turbine equipment to the world's largest 60,000 kilowatt/600,000 kWh liquid air energy storage demonstration project in Golmud of Qinghai, making new progress in compressed air energy storage.

Capital expenditure and significant investment held

In 2023, the Company injected a total of capital expenditures worth RMB1.501 billion for major construction and technological transformation projects. The major projects include:

Basic Nuclear Power Capability Improvement Project, Pumped Storage Capacity Improvement Project and the state-level power generation equipment research center R&D base construction project, all of which are steadily progressing.

In 2024, the Company intends to commit an investment of RMB2.563 billion in key construction and technological transformation projects, mainly for the technical measures and technological transformation projects of subsidiaries, Basic Nuclear Power Capability Improvement Project, Pumped Storage Capacity Improvement Project, the state-level power generation equipment research center R&D base construction project, and the construction of digital workshops.

MAJOR ACQUISITIONS AND SALES OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 18 July 2023, the Company entered into the Asset Purchase Agreement with Jiadian Co. Ltd, in which the Company conditionally agreed to sell and Jiadian Co. Ltd conditionally agreed to purchase 51% equity interest in Harbin Electric Power Equipment Company Limited. On 28 November 2023, all the conditions precedent to the disposal under the Asset Purchase Agreement were fulfilled and Harbin Electric Power Equipment Company Limited ceased to be a subsidiary of the Company. For further details, please refer to the Company's announcements dated 18 July 2023 and 28 November 2023.

MAJOR FINANCIAL INDEXES

Profit

In 2023, net profit attributable to the owner of the parent company realized by the Company registered RMB574.76 million, representing an increase of RMB476.12 million over the same period last year; earnings per share were RMB0.26. The increase in profit of the Company was mainly due to the Company's significant YoY revenue growth driven by its achievement in expanding markets as well as the incomes from selling its 51% equities in Harbin Electric Power Equipment Company Limited.

Operating revenue

In 2023, the Company recorded an operating revenue of RMB28,840.86 million, representing an increase of 17.03% over the same period last year, of which: RMB15,746.85 million for new-type power equipment, a year-on-year increase of 34.06% (RMB8,013.58 million for thermal power equipment, a year-on-year increase of 17.79%; RMB3,443.63 million for hydropower

Expenses for the period

In 2023, the Company incurred expenses of RMB3,481.48 million in the period, an increase of RMB700.50 million or 25.19% year-on-year. Firstly, the accumulated administrative expenses amounted to RMB1,561.03 million, an increase of RMB265.71 million year-on-year, primarily due to factors such as the rise in employee salary levels and the fulfillment of performance-based compensation for 2022; secondly, the accumulated selling expenses amounted to RMB622.17 million, a decrease of RMB1.74 million year-on-year; thirdly, the accumulated finance expenses amounted to RMB299.65 million, an increase of RMB164.54 million year-on-year, mainly due to the year-on-year loss from the forward exchange settlement; fourthly, the accumulated research and development expenses amounted to RMB998.63 million, an increase of RMB271.98 million year-on-year. The Company maintained a high level of investment in research and development.

Funding source and borrowing status

The Company financed its operation and development with four major funding sources, namely shareholder's funds, trade receivables from customers, bank borrowings and state-funded entrusted loans. The Company arranges borrowings based on each specific project. Except for some exceptions, loans are usually raised by each of the Company's subsidiaries respectively within the annual financing budget. As of 31 December 2023, the balance of the Company's borrowings amounted to RMB6,147.79 million (31 December 2022: RMB7,606.82 million), all of which amounts were borrowed from various financial institutions, such as commercial banks and state-funded entrusted loans, at LPR, and the decrease in the borrowings was mainly due to the fact that the Company effectively supplemented the working capital through issuing domestic shares. Among those borrowings, the amount repayable within one year amounted to RMB4,399.81 million, representing a decrease of RMB815.11 million as compared with the beginning of the year; the borrowings repayable after one year amounted to RMB1,747.98 million, representing a decrease of RMB643.92 million as compared to the beginning of the year. As of 31 December 2023, the Company's borrowings were primarily in RMB and there was no amount due. The repayment plan has been made for the borrowings that were not due, with no risk of default.

Monetary capital and cash flow

As of 31 December 2023, the monetary capital of the Company was RMB18,677.32 million, representing an increase of RMB1,376.53 million as compared with the beginning of the year. During the period, the net cash flow generated from operating activities of the Company was RMB2,284.20 million; the net cash flow from investing activities was RMB-1,708.54 million; the net cash flow from financing activities was RMB521.88 million. The Company experienced a significant increase in its monetary capital due to factors such as increase in recoveries of payments for goods.

Asset structure and movement

As of 31 December 2023, the total assets of the Company amounted to RMB71,296.65 million, representing an increase of RMB8,013.42 million or 12.66% as compared to the beginning of the year, out of which RMB60,626.58 million was current assets, accounting for 85.03% of total assets; and RMB10,670.37 million was non-current assets, accounting for 14.97% of total assets.

Liabilities

As of 31 December 2023, total liabilities of the Company amounted to RMB56,709.16 million, representing an increase of RMB5,799.49 million as compared to the beginning of the year, out of which RMB52,869.37 million was current liabilities, accounting for 93.22% of the total liabilities; and RMB3,839.79 million was non-current liabilities, accounting for 6.78% of the total liabilities. As of 31 December 2023, the gearing ratio of the Company was 79.54%. The scale of liabilities increased to some extent due to factors such as increase in accounts payable and contract liabilities.

Owners' interests

As of 31 December 2023, the total equity attributable to the owners of the parent company of the Company amounted to RMB13,864.70 million, representing an increase of RMB2,136.75 million as compared to the beginning of the year; the net asset value per share was RMB6.20, representing a decrease of RMB0.67 as compared with the beginning of the year. During the period, the return rate on net assets of the Company was 4.6%.

GEARING RATIO

As of 31 December 2023, the Company's gearing ratio (non-current liabilities over total shareholders' equity) was 0.26:1, compared with that of 0.41:1 at the beginning of the year.

CONTINGENT LIABILITIES AND PLEDGES

As of 31 December 2023, the Company had guarantees to the Company's subsidiaries and guarantees between the Company's subsidiaries totaling RMB1,332.26 million, and there were no guarantees outside the Company. As of 31 December 2023, the Company pledged its assets of RMB86.84 million to secure loans for liquidity.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE

Some of the deposits of the Company are denominated in foreign currencies. As at 31 December 2023, the amount of the Company's deposits in foreign currencies was equivalent to RMB703.95 million. The export business and businesses settled in foreign currencies expose the Company to certain exchange risk.

USE OF FUND-RAISING PROCEEDS

As of 31 December 2023, the funds raised from the domestic share subscription conducted by the Company in 2017 (the "2017 Proceeds") had an unused amount of RMB96 million (the "Related Proceeds") for a nuclear power technology upgrade project that had been clarified. Such Related Funds were originally expected to be used up before 31 December 2023, which has been postponed to 31 December 2024 in accordance with the progress of the project.

The use of the 2017 Proceeds is as follows:

Intended use of the 2017 Proceed	Intended amount of the 2017 Proceed used *(RMB100 million)*	Amount of the 2017 Proceed used *(RMB100 million)*	Remaining amount of the 2017 Proceed *(RMB100 million)*	Intended time
Investment in a joint venture project on gas turbine	1.8	1.8	0	
Investment in a nuclear power technology upgrading project	4.86	3.9	0.96	By 31 December 2024
Purchase of raw materials for the production and operation of the nuclear power business	3	3	0	
Purchase of raw materials for the production and operation of the gas turbine business	1.47	1.47	0	
Conducting financial leasing business	1.54	1.54	0	
Total	12.67	11.71	0.96	

As of 31 December 2023, RMB697 million of the funds raised from the domestic share subscription conducted by the Company in 2023 (the "2023 Proceeds") had been used, and the remaining RMB1 billion will be used as planned for the working capital of the Company's daily operations over the next two years.

The use of the proceeds in 2023 was as follows:

Intended use of the proceed in 2023	Intended amount of the proceed used in 2023 *(RMB100 million)*	Amount of the proceed used in 2023 *(RMB100 million)*	Remaining amount of proceed in 2023 *(RMB100 million)*	Intended time
Daily administrative expenses and loan repayment	1.97	1.97	0	
Working capital supplement	15	5	10	By 31 December 2025
Total	16.97	6.97	10	

The Company has fully utilized its remaining proceeds from issuance of shares and bonds in previous years.

OUTLOOK

In the Analysis and Forecast Report on the Situation of Electricity Supply and Demand in China for 2024 released by China Electricity Council, it is pointed out that, driven by the rapid development of new energy power generation, the total installed capacity of power generation newly put into operation in 2024 will again exceed 300 million kilowatts, which is basically the same as that in 2023. By the end of 2024, the total installed capacity of power generation is estimated to reach 3,250 million kilowatts, a YoY increase of 12%. Specifically, the installed capacity of thermal power will be 1,460 million kilowatts, including about 1,200 million kilowatts from coal-fired power, with its share in the total installed capacity declining to 37%. The installed capacity of non-fossil energy power generation is estimated to reach 1,860 million kilowatts, with its share in the total installed capacity increasing to approximate 57%. The installed capacity of wind power and solar power generation is estimated to reach 530 million kilowatts and 780 million kilowatts respectively and the combined installed capacity of wind power and solar power will exceed that of the coal power, with the combined share in the total installed capacity up to approximate 40%.

The year 2024 is a crucial year for the Company to achieve the objectives and tasks laid down in the 14th Five-Year Plan, and an important year for the Company to realize a high level of development. The Company will adhere to the guidance by Xi Jinping's thought of socialism with Chinese characteristics in the new era, fully implement the new development philosophy, support the construction of the new development pattern, coordinate the high-quality development and the high-level security. The Company will stick to the general principle of seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abolishing the old. While making efforts to transform the growth model, make structural adjustments, improve quality, and enhance performance, the Company will strive to reinforce core functions and core competitiveness, and anchor the development goal of building itself into a world-class equipment manufacturing enterprise. Adhering to the direction of high-end, intelligent and green development of the industry, the Company will accelerate the building of the "three systems" industrial layout, and implement the "three steps" work arrangement, striving to "achieve results" in a high-level manner and open a new chapter of high-quality development. First, the Company will coordinate the high-quality development and the high-level security, improve the quality of economic operation, strengthen market exploration, enhance the ability to fulfill commitments, and build a strong defense line against risks; second, the Company will accelerate scientific and technological innovation to create new productivity, strengthen the national strategic scientific and technological forces, speed up the breakthroughs in the R&D of core technologies, continue to improve the innovation mechanism, and strengthen the training of the talent team; third, the Company will focus on the construction of a good and strong manufacturing base for heavy equipment to accelerate the industrial upgrade, accelerate the optimization and improvement of the industrial system, vigorously develop strategic emerging industries and future industries, and continue to promote industrial technology upgrade; fourth, the Company will accelerate the digitalization to build new competitive advantages, comprehensively enhance the effectiveness of intelligent manufacturing, make every effort to improve the level of product digitization, and enhance the level of information management in an all-round manner; fifth, the Company will vigorously deepen the reform to stimulate the endogenous impetus, take active actions, constantly improve the corporate governance and the market-based business operation mechanism; sixth, the Company will promote lean operation and management, emphasize the lean cost management and comprehensively improve product quality and services. While accelerating the high-quality development to grow into a world-class enterprise, the Company will strive to make greater contributions to China's ambitious blueprint of building a modern socialist country in all respects and advancing the great rejuvenation of the Chinese nation on all fronts.

DIRECTORS

Executive Directors

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

Mr. Huang Wei (Mr. Huang) born in 1965, holds a doctor's degree and the title of senior engineer, and is currently an executive Director, President and deputy secretary of the Party Committee of the Company, as well as a director, general manager and deputy secretary of the Party Committee of Harbin Electric Corporation. Mr. Huang graduated from the Department of Power and Mechanical Engineering at Shanghai Jiaotong University with a bachelor's degree in marine power machinery, graduated from the Department of Thermal Engineering at Chongqing University with a master's degree in thermal engineering, and later obtained a doctor's degree from Southwestern University of Finance and Economics. Mr. Huang successively served as a key technician of the complete set design department of Dongfang Power Equipment Union Company Limited (東方電站成套設備公司), deputy manager of the thermal power department of importation and exportation branch of Dongfang Electric Corporation (中國東方電氣集團進出口公司), and deputy general manager and general manager of importation and exportation branch of Dongfang Electric Corporation. He served as deputy general manager of Dongfang Electric Corporation (中國東方電氣集團有限公司) from June 2000 to February 2007. He served as deputy general manager and a member of the Party Committee of State Nuclear Power Technology Corporation from February 2007 to September 2008. From September 2008 to April 2021, he successively served as deputy general manager, a member of the Party Committee, deputy general manager, deputy secretary of the Party Committee, director, deputy secretary of the Party Committee of Dongfang Electric Corporation (during June 2009 to April 2021, he also served as a director of Dongfang Electric Corporation Limited (東方電氣股份有限公司), and during August 2017 to May 2019, he also served as senior vice president of Dongfang Electric Corporation Limited). From April 2021 to March 2023, he served as a director and the deputy secretary of the Party Committee of Dongfeng Motor Corporation (東風汽車集團有限公司), and from June 2021 to May 2023, he concurrently served as a non-executive director of Dongfeng Motor Group Company Limited (東風汽車集團股份有限公司). Since March 2023, he has served as a director, general manager and deputy secretary of the Party Committee of Harbin Electric Corporation. Since April 2023, he has served as the deputy secretary of the Party Committee of the Company. He has been an executive Director and President of the Company since May 2023.

Mr. Zhang Ying-jian (Mr. Zhang), born in 1964, holds a master's degree and is a senior engineer. He currently resigned as the executive Director of the Company. Mr. Zhang graduated from the Department of Thermal Engineering at Tsinghua University with a bachelor's degree in gas turbines and subsequently obtained a master's degree from Harbin Institute of Technology. Mr. Zhang joined HE in 1991. He was formerly a project engineer, project manager, business representative, deputy Director of Harbin Power Station Equipment Import and Export Company, deputy chief engineer, deputy manager of financial planning division and deputy general manager of Harbin Power Engineering Company Limited. He became the deputy general manager of HE in September 2007, a non-executive Director of the Company in January 2013, an executive Director of the Company from March 2013 to January 2021 and a senior vice president of the Company from March 2013 to August 2021. He has been a director and the deputy secretary of the Party Committee of HE since July 2022 and the executive director and the deputy secretary of the Party Committee of the Company since August 2022. He resigned as the executive Director and deputy secretary of the Party Committee of the Company in March 2024.

Mr. Wu Wei-hang (Mr. Wu), born in 1962, is a senior engineer at researcher level with a doctor's degree, and has retired. Majoring in Hydraulics and River Dynamics, Mr. Wu graduated from Tsinghua University with a master's degree and subsequently obtained a doctorate degree at Tsinghua University. Mr. Wu has been a deputy Director and deputy head of the turbine department of Electrical Machinery Institute of the Harbin Electrical Machinery Plant, a deputy factory manager of hydropower workshop, a deputy chief engineer and a deputy manager of the product design department of the Electrical Machinery Company. Mr. Wu was appointed as the deputy general manager of the Electrical Machinery Company in 1999 and then the chairman and general manager in October 2000 respectively. He also holds various social posts, including a member of academic committee of National Key Laboratory of Hydroelectric Power Generating Equipment (水力發電設備國家重點實驗室) and the vice chairman of the seventh session of council of China Energy Research Society (中國能源研究會). He was appointed as an executive Director of the Company since September 2000 and has been serving as the general manager of the Company since February 2010. He has been the President of the Company since March 2013, and resigned as an executive Director and the President of the Company in May 2023.

Independent Non-Executive Directors

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

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

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

M . Pan Qi-long (M . Pan) born in February 1965, holds a bachelor's degree, is a research librarian and currently a non-executive Director of the Company, a full-time external director of a central enterprise, an external director of China RongTong Asset Management Group Corporation Limited* (中國融通資產管理集團有限公司) and an external director of China Iron & Steel Research Institute Group. Mr. Pan graduated from Wuhan University with a bachelor's degree in library science. Mr. Pan successively served as a cadre of the institute of nuclear intelligence, deputy director of the development research department of the policy research office of China National Nuclear Company* (中國核工業總公司), director of the department of policy research and reform of China National Nuclear Corporation (CNNC)* (中國核工業集團公司) ("CNNC"), general manager and deputy secretary of the Party Group of China Baoyuan Industry and Trade Company* (中國寶原工貿公司), general manager and deputy secretary of the Party Group of China National Nuclear Instrument and Equipment Corporation* (中國核儀器設備總公司), general manager and deputy secretary of the Party Committee of China National Nuclear Baoyuan Assets Holding Company* (中國中核寶原資產控股公司), president and secretary of the Party Committee of Nuclear Science and Technology Information and Economics of China* (中國核科技信息與經濟研究院), chairman and secretary of the Party Committee of China National Nuclear Strategic Planning and Research Institute Co., Ltd.* (中核戰略規劃研究總院有限公司) and deputy chief economist of CNNC, and during such period, he also served as the vice chairman of the board of directors of CNNC SUFA Technology Industries Co., Ltd.* (中核蘇閥科技實業股份有限公司) from November 2010 to February 2016. He has served as a full-time external director of a central enterprise since September 2022, an external director of China RongTong Asset Management Group Corporation Limited since November 2022, and an external director of China Iron & Steel Research Institute Group Co., Ltd.* (中國鋼研科技集團有限公司) since June 2023. He has served as an independent non-executive Director of the Company since August 2023.

M . Chen G o- ing (陳 M . Chen) born in 1964, a senior engineer with postgraduate qualifications. He currently resigned as the independent non-executive Director of the Company. Mr. Chen graduated from Chongqing University and had served as deputy Director and member of the party committee of the Three Gorges Dam Hydropower Station, assistant to the general

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

SENIOR MANAGEMENT

M . L Zhi- iang (M . L) born in 1973, is a holder of a doctoral degree in engineering and a senior engineer of researcher level. He is currently a deputy secretary of the Party Committee and senior vice president of the Company, and a deputy secretary of the Party Committee of HE. Mr. Lu graduated from Harbin Institute of Technology with a degree in thermal turbine, and obtained a Ph.D. in dynamical machinery and engineering from Harbin Institute of Technology. Mr. Lu has served as a deputy head of the design research center, vice principal of the research institute, head of the technical management department and deputy chief engineer of Turbine Company. He served as the assistant to the general manager of Turbine Company in September 2009, deputy general manager of Turbine Company in June 2011, executive deputy general manager of Turbine Company in March 2015, general manager and deputy secretary of the Party Committee of Turbine Company in January 2016, chairman and secretary of the Party Committee of Harbin Turbine Company Limited in March 2017, standing committee member of the Party Committee and deputy general manager of HE since August 2018, and a senior vice president and standing committee member of the Party Committee of the Company since November 2018. He has served as a deputy secretary of the Party Committee of HE and a deputy secretary of the Party Committee of the Company since March 2024.

M . Shen Tong (M . Shen) born in 1972, is a professor level senior engineer with a postgraduate degree. He now serves as a senior vice president and standing member of the Party committee of the Company, and deputy general manager and standing member of the Party committee of Harbin Electric Corporation. Mr. Shen graduated from Tsinghua University, and subsequently received his master's degree from Tsinghua University. Mr. Shen has successively served as director and deputy head of the production department of Qiqihar Power Bureau, secretary to the Party group of the general manager's department of Northeast China Power Grid Company Ltd., head of Jinzhou Ultra High Voltage Bureau, director of the general manager's department and director of the press center of Northeast China Power Grid Company Ltd., secretary to the committee of the Communist Youth League and deputy director of the ideological and political work department of State Grid Corporation, deputy general manager and member of the Party group of State Grid Shanxi Electric Power Company*, director, general manager and deputy secretary to the Party committee of State Grid Shaanxi Electric Power Company*, chairman of the board of directors and secretary to the Party committee of State Grid Qinghai Electric Power Company*. He has served as deputy general manager and standing member of the Party committee of Harbin Electric Corporation since February 2021, and served as a senior vice president and standing member of the Party committee of the Company since August 2021.

M . D Xing-kai (M . D) born in 1967, holds a bachelor's degree and title of senior accountant at professor level, and is currently the senior vice president and the member of the Standing Committee of the Party Committee of the Company, the chief accountant and the Standing Committee member of the Party Committee of HE. Mr. Du graduated from the Department of Management Engineering, Northeast Institute of Technology with a bachelor's degree in industrial accounting. Since then, Mr. Du has served as deputy director and director of the capital operation department of the financial planning division of Angang, director, deputy general manager and general manager of Angang Financial Company Limited, general manager of the capital operation department of Angang Group Company Limited, and director of Angang Group (Hong Kong) Holdings Limited. In November 2020, he was appointed as assistant general manager and general manager of the capital operation department of Ansteel Group Company Limited, and in February 2021, he was appointed as chairman of Ansteel Capital Holding Co., Ltd.. He has been the chief accountant and a member of the Standing Committee of the Party Committee of HE since July 2022, and a senior vice president and a member of the Standing Committee of the Party Committee of the Company since August 2022.

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

M . Wang G i (M . Wang) born in 1967, is a senior engineer at researcher level with a doctorate's degree. He is currently the vice president of the Company, chairman and the party committee secretary of Electric Machinery Company. Mr. Wang graduated from Changchun Institute of Optics and Fine Mechanics and obtained a doctorate's degree in engineering from the Harbin Institute of Technology. Mr. Wang had served as the deputy chief economist and head of project management department, manager of hydropower workshop of Electric Machinery Company. He also served as the director and general manager, chairman and general manager of Electric Power Equipment Company, deputy general manager of Electric Machinery Company, head of technology and quality department of the Company. Since August 2018, he has served as chairman and the party committee secretary of Electric Machinery Company and the vice president of the Company since January 2021.

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

M . Chen Dong- hi (M . Chen–) born in June 1971, holds a master's degree and the title of senior engineer, is currently the vice president of the Company, the general manager of marketing department and general manager of safety, environment and quality control department of HE. Mr. Chen graduated from Shenyang Institute of Technology majoring in metal corrosion and protection, and later obtained a master's degree in engineering from Harbin Engineering University majoring in project management. He successively served as a craftsman, deputy director of the cadre office of the organization department of the Party Committee, deputy director and director of the steam turbine branch (汽發分廠) of Harbin Electric Machinery Co., Ltd.* (哈爾濱電機廠有限責任公司), head of the organization department of HE and the Company, deputy general manager of Harbin Boiler Co., Ltd.* (哈爾濱鍋爐廠有限責任公司),(

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The Company is mainly engaged in the manufacture and sales of various kinds of power generation equipment and provision of power station engineering services, and its major businesses currently include: New-type power equipment, mainly including thermal power equipment, hydropower equipment, nuclear power equipment, steam equipment, energy storage equipment, etc.; green and low carbon driven equipment, mainly including marine equipment, etc.; clean and efficient industrial system, mainly including environmental protection products, industrial petrochemical equipment, etc.; EPC and trading, including general contracting of power systems, drive systems, etc.; modern manufacturing and service industry, including energy equipment renovation, spare parts sales, operation and maintenance, inspection and other related businesses. There were no significant changes in the Company's principal activities during the Reporting Period.

The operations of the Company are mainly located in China, with approximate four-fifth of its revenue deriving from China during 2023. In 2023, the revenue from export of the Company amounted to RMB4,662.18 million, representing 16.17% of the Company's operating income, representing a year-on-year decrease of RMB9.13 million. The Company's major regions for export included Asia, North America, Europe and other regions, which respectively amounted to RMB3,485.07 million to Asia, RMB882.94 million to North America and RMB204.68 million to Europe.

BUSINESS REVIEW

Details of a fair review of the Company's business in 2023, key financial performance indicators and possible future developments of the Company are set out in the section headed "Management Discussion and Analysis" of this annual report.

Principal Risk and Uncertainties

In 2023, with the goal of "strengthening internal control, preventing risks, and promoting compliance", the Company coordinated high-quality development and high-level safety, fully committed to constructing a compliance and risk control system that covers the entire group, all staff, all fields, and all systems, with "horizontal coordination and vertical integration" as its core, strived to institutionalize and normalize the efforts of preventing and mitigating major risks, continued to improve the risk management mechanism, strengthened risk assessment and response, focused on preventing and resolving major systemic risks, and strived to improve enterprise risk management and control capabilities. The Company ensured the operation and management of the year were legal and compliant, and major risks were under control. During the year, the principal risks and countermeasures of the Company were as follows:

1. International operation risk: At present, the uncertainty of the world economy is significantly increasing, and the possibility of risks caused by changes in the political and economic situation of the countries where foreign-related business is located continues to rise. Moreover, foreign-related contracts are usually denominated in US dollars, and exchange rate fluctuations may have a certain impact on the Company's operating performance. In this regard, the Company conducted in-depth research and analysis of overseas market policies and environment. When selecting projects, the Company tried to avoid countries or regions with greater risks in the political environment and natural environment; in the process of project implementation, the Company strictly followed the requirements of risk management and control, and did a good job of project risk assessment, identification and response, as well as safeguarded its legitimate rights and interests according to law; the Company continued to consolidate the management foundation for hedging foreign exchange transaction risks, and strictly controlled the risks that may be caused by exchange rate fluctuations.

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

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

Compliance with Relevant Laws and Regulations

In 2023, none of non-compliant events occur to the Company with respect to relevant laws and regulations that have a significant impact on the business of the Company. Relevant laws and regulations are listed as follows:

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

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

Employee, Major Customers and Suppliers

1. Employees

As of 31 December 2023, the Company had 11,283 employees, of which female employees totaled 1,773, accounting for 15.71%, 1,005 employees aged above 55, accounting for 8.91%; 1,238 employees aged 51–54, accounting for 10.97%, 3,418 employees aged 41–50, accounting for 30.29%, 2,318 employees aged 36-40, accounting for 20.54%; and 3,304 employees aged below 35, accounting for 29.28%.

In 2023, the Company organized 1,397 classes in total for various trainings, with 31,300 persons participating in.

2. Major suppliers

In 2023, the contract value of the Company's top five suppliers was RMB2,765 million, accounting for 8.48% of the total procurement volume (RMB32,590 million). Among them, the largest supplier had a contract value of RMB1,274 million, accounting for 3.91% of the total procurement volume of the Company.

3. Major customers

During 2023, the Company's top five customers contributed 15.93% of total operating revenue, of which the largest customer accounted for 3.50% of total operating revenue.

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

RESULTS

As of 31 December 2023, the operating income of the Company amounted to RMB28,840.86 million, and net profit attributable to the owners of the parent company was RMB574.76 million. The results of the Company for the year ended 31 December 2023 are set out in the consolidated income statement of this annual report.

DIVIDEND

Based on the Company's total share capital of 2,236,276,000 shares, the board of directors recommends a final dividend of RMB0.052 per share (tax inclusive) for the year 2023, representing 20.23% of the Company's earnings per share for the year 2023, for a total dividend of RMB116,286,352.00.

The dividends of H-share shareholders will be paid in HKD at the market exchange rate of RMB against HKD published by the People's Bank of China five days prior to 28 March 2024, that is, RMB1 is equivalent to HK$1.1021, and the dividend of H-share shareholders will be HK$0.0573 per share.

The Company will review and approve the 2023 final dividend distribution plan at the 2023 Annual General Meeting of Shareholders to be held on 24 May 2024.

No shareholder has told the Company to waive or agree to waive any dividend as of 31 December 2023.

CLOSURE OF REGISTER FOR THE PURPOSE OF DIVIDEND PAYMENT

The final dividend for the year of 2023 of the Company will be distributed on 24 July 2024, and the register of members of the Company will be closed from 17 June 2024 to 21 June 2024 (both dates inclusive). Final dividends for the year of 2023 of the Company will be distributed to shareholders whose names appear in the register of members of the Company on 17 June 2024.

In order to be qualified for the final dividends for 2023, all duly completed transfers of shares together with the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's share registrar in Hong Kong, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for the holders of the H Shares only) or the Company's principal place of business in the PRC at 1399 Chuangxinyi Road, Songbei District, Harbin, Heilongjiang Province, the PRC (for the holders of the Domestic Shares only) not later than 4:30 p.m. on 14 June 2024.

DIVIDEND TAX

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

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

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As of 31 December 2023, none of the directors, supervisors and senior management of the Company had any interest or short position in the shares, underlying shares and debentures (as the case may be) of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (SFO)) which was required to be notified to the Company and the Hong Kong Stock Exchange (including interest or short position which any such director, supervisor or senior management is taken or deemed to have under such provisions of the SFO) pursuant to the SFO or which was required to be recorded in the Register kept by the Company pursuant to section 352 of the SFO or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 to the Listing Rules.

REMUNERATION OF DIRECTORS AND SUPERVISORS

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

The remuneration of the directors and supervisors of the Company as of 31 December 2023 is as follows:

Unit: RMB

	Fee	Salaries and other benefits	Contributions to retirement benefits scheme	Total
Executive Directors				
Mr. Cao Zhi-an	0.00	0.00	0.00	0.00
Mr. Huang Wei (Appointed in May 2023)	0.00	360,288.00	27,171.84	387,459.84
Mr. Zhang Ying-jian	0.00	561,000.00	37,036.80	598,036.80
Mr. Wu Wei-zhang (Resigned in May 2023)	0.00	303,028.00	12,345.60	315,373.60
Total	0.00	1,224,316.00	76,554.24	1,300,870.24
Independent Non-Executive Directors				
Mr. He Yu	0.00	100,000.00	0.00	100,000.00
Mr. Hu Jian-min	0.00	80,000.00	0.00	80,000.00
Mr. Tang Zhi-hong	0.00	80,000.00	0.00	80,000.00
Mr. Pan Qi-long (Appointed in August 2023)	0.00	0.00	0.00	0.00
Mr. Chen Guo-qing (Resigned in August 2023)	0.00	0.00	0.00	0.00
Total	0.00	260,000.00	0.00	260,000.00
Supervisors				
Mr. Liu Wei-min	0.00	562,450.00	37,036.80	599,486.80
Mr. Zhang Jun	0.00	967,056.00	33,816.96	1,000,872.96
Mr. Yang Yu-long	0.00	755,770.00	37,036.80	792,806.80
Mr. Zhao Xin	0.00	808,412.00	37,036.80	845,448.80
Total	0.00	3,093,688.00	144,927.36	3,238,615.36

FIVE HIGHEST PAID PERSONNEL

As of 31 December 2023, the five highest paid personnel in the Company are all senior management of the Company and its subsidiaries, with four of them having remuneration over HK$1 million but below HK$1.5 million and one of them having remuneration over HK$1.5 million but below HK$2 million.

Unit: RMB

	Fee	Salaries and other benefits	Contributions to retirement benefits scheme	Total
Total remuneration of the five highest paid personnel	0.00	5,472,699.00	182,083.20	5,654,782.20

CONTINGENT LIABILITIES GUARANTEES

As of 31 December 2023, total internal guarantees in favour of the Company made by the Company and its subsidiaries amounted to RMB1,332.26 million. No external guarantee was provided.

PERMITTED INDEMNITY PROVISION

As provided by applicable laws, each director of the Company is entitled to be indemnified by respective companies for all costs, charges, losses, fees and liabilities which arise from or are connected to the execution and performance of their duties according to the Articles of Association of the Company. The provision becomes effective in the financial year ended 31 December 2023 and remains in effect as at the date of this report.

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

SIGNIFICANT INVESTMENT IN SECURITIES

During the year ended 31 December 2023, the Company had no significant investment in securities of subsidiaries.

STAFF REMUNERATION, RETIREMENT AND BENEFITS SCHEME

In 2023, the total salaries of the Company amounted to RMB1,784.72 million.

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

The employees of the Company participate in the government-established and state-managed retirement benefits schemes of the PRC. At the same time, the Company has adopted an enterprise annuity system in accordance with the relevant regulations, and the Company was required to contribute a certain percentage of its employees' remuneration to the retirement benefits scheme. The Company is not allowed use the forfeited contributions (if any) to reduce the existing contribution level, and no contributions to any retirement benefit schemes have been forfeited during the year ended 31 December 2023.

FIXED ASSETS

As of 31 December 2023, the fixed assets of the Company amounted to RMB4,995.48 million.

PROFITS AVAILABLE FOR DISTRIBUTION

As of 31 December 2023, the total undistributed profits of the Company amounted to RMB5,255.69 million. Movements in the undistributed profits of the Company during the year are set out in the consolidated statement of changes in equity to the financial statements.

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

As of 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

MAJOR LITIGATION

On 17 October 2023, the company received an "Enforcement Order" issued by the People's Court of Shihe District, Xinyang City, Henan Province, demanding the Company to refund RMB128.1 million (equivalent to approximately HKD139.24 million) to the account of the Enforcement Bureau of the People's Court of Shihe District, Xinyang City, within ten days from the date of receiving the order. Failure to comply within the specified period will result in the freezing or transfer of RMB128.1 million from the Company's bank account or the seizure and sealing of other equivalent assets of the Company. For further details, please refer to the announcement published by the Company on 19 October 2023. The Company has made provisions for the estimated liabilities related to this matter.

TAX POLICIES

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

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

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

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

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

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

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

As of 31 December 2023, the Company carried out the following connected transactions and continuing connected transactions (other than connected transactions that are exempted under Rule 14A.33 of the Listing Rules):

Connected Transaction

1. *Asset Purchase Agreement between the Company and Jiamusi Electric Machine Co., Ltd.*

   On 18 July 2023, the Company entered into an asset purchase agreement with Jiamusi Electric Machine Co., Ltd., a subsidiary of the controlling shareholder, Harbin Electric Company Limited. The Company conditionally agreed to sell and Jiamusi Electric Machine Co., Ltd. agreed to purchase 51% equity interest (The total consideration was RMB400,697,400 in cash.) of Harbin Electric Power Equipment Company Limited. On 28 November 2023, all the prerequisites for the sale transactions under the asset purchase agreement were fulfilled, and Harbin Electric Power Equipment Company Limited was no longer a subsidiary of the Company. For further details, please refer to the announcements published by the Company on 18 July and 28 November 2023.

2. *Research and Development Project and Asset Transfer Agreement among HE Power Generation Equipment National Engineering Research Center Co., Ltd., Jiamusi Electric Machine Co., Ltd. and Harbin Electric Science & Technology Co., Ltd.*

   On 22 September 2023, HE Power Generation Equipment National Engineering Research Center Co., Ltd. entered into a Research and Development Project and Asset Transfer Agreement I with Jiamusi Electric Machine Co., Ltd., whereby HE Power Generation Equipment National Engineering Research Center Co., Ltd. agreed to sell and Jiamusi Electric Machine Co., Ltd. agreed to purchase the Research and Development Project and Asset I for a transfer price of RMB15.7395 million. On the same day, HE Power Generation Equipment National Engineering Research Center Co., Ltd. entered into a Research and Development Project and Asset Transfer Agreement II with Harbin Electric Science &

Continuing Connected Transaction

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

On 20 December 2022, the Company entered into a product and service framework agreement with HE, pursuant to which, the Company and its subsidiaries and HE and its subsidiaries would provide products and services to each other during the three financial years from 1 January 2023 to 31 December 2025.

During the financial year from 1 January to 31 December 2023, the transaction cap for providing services by the Company and its subsidiaries to HE and its subsidiaries was RMB4 million, while the actual transaction amount was RMB0 million; the transaction cap for selling products was RMB100 million, while the actual transaction amount was RMB14.466 million; the transaction cap for receiving services from HE and its subsidiaries was RMB230 million, while the actual transaction amount was RMB75.978 million; the transaction cap for purchasing products was RMB230 million, while the actual transaction amount was RMB21.306 million. The amounts of such transactions did not exceed the cap.

2. Financial Service Framework Agreement between the Company and HE

On 20 December 2022, the Company entered into a financial service framework agreement with HE, pursuant to which, HE Finance Company Limited (the "Finance Company"), a subsidiary of the Company, would provide financial services including depository services, loan services and other financial services to the HE and its subsidiaries, from 31 December 2022 to 30 December 2025.

During the financial year from 1 January to 31 December 2023, the accumulated maximum daily balance of loan services provided by Finance Company to the HE and its subsidiaries was RMB230 million, while the actual transaction amount was RMB225 million; the transaction cap of service fees and handling fees for other financial services provided by the Finance Company to HE and its subsidiaries was RMB4 million, while the actual transaction amount was nil. The amount of such transaction did not exceed the cap.

3. Products and Services Framework Agreement between the Company and Harbin Power Equipment National Engineering Research Centre Co., Ltd. ("Engineering Research Centre")

On 22 September 2023, the Company entered into a products and services framework agreement with Engineering Research Centre, a related subsidiary of the Company, pursuant to which, the Company and its subsidiaries and Engineering Research Centre would provide products and services to each other in accordance with the terms and conditions contained in the products and services framework agreement, from 22 September 2023 to 31 December 2025.

During the financial year from 22 September to 31 December 2023, the cap for the provision of products and services by the Company and its subsidiaries to Engineering Research Centre amounted to RMB150,000,000, while the actual transaction amount was nil; the cap for the provision of products and services by Engineering Research Centre to the Company and its subsidiaries amounted to RMB150,000,000, while the actual transaction amount was RMB21,964,200. The amounts of such transactions did not exceed the caps.

Confirmation on Continuing Connected Transaction

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

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

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

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

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

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

DETAILS OF SHARE CAPITAL

Shareholding Structure

As of 31 December 2023, the total share capital of the Company comprised 2,236,276,000 shares, of which 1,560,705,000 Domestic Shares (state-owned corporate shares) were held by the HE (representing 69.79% of the entire share capital) and 675,571,000 H shares were held by overseas holders of H shares (representing 30.21% of the entire share capital).

Equity Interests of Substantial Shareholders

As of 31 December 2023 and up to the date of this annual report, the shareholders having an interest and short positions in 5% or more of the issued share capital of the Company of the relevant classes as recorded in the register of interests in shares and short positions required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the "SFO") were as follows:

Long positions in the shares of the Company:

Date	Name of shareholder	Class of shares	Number of shares	Capacity	Percentage of the relevant class of share capital	Percentage of entire share capital
As of 31 December 2023	Harbin Electric Corporation	State-owned legal person shares	1,560,705,000	Beneficial Owner	100%	69.79%

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as of 31 December 2023.

Holding Range of Shareholde

The Company has sufficient public float. As at 31 December 2023, the top ten registered shareholders holding the largest quantity of shares were as follows:

No.	Name of Shareholde	Number of Share	Percentage of Share Held	Remark
1	HARBIN ELECTRIC CORPORATION	1,560,705,000	69.79%	Shares owned by stated owned legal person
2	HKSCC NOMINEES LIMITED	655,647,805	29.32%	H share
3	TANG'S INVESTMENTS LIMITED	17,000,000	0.76%	H share
4	LI CHI SING	376,000	0.02%	H share
5	YIP CHOK CHIU	360,000	0.02%	H share
6	CHEUNG YUM TIN	200,000	0.01%	H share
7	HO YUN HUNG	200,000	0.01%	H share
8	LEE LAI HAR	140,000	0.01%	H share
9	NG KAM WAN	110,000	0.00%	H share
10	CHEN CHUNG HSUAN	100,000	0.00%	H share

Anal i of Sha eholding of Holde of H Sha e

Based on the register of members as at 31 December 2023, the shareholding of holders of H shares as follows:

Range	N mbe of Sha eholde	N mbe of Sha e Held	Pe cen age o I ed H Sha e

I e P ice

The final subscription price is HKD3.60 per new domestic share.

The Ne P ice of Each Sha e Ce ifica e

The net amount received from the subscription of domestic shares is approximately RMB1.697 billion, with a net price per security of approximately RMB3.20.

De c ip ion of S b c ibe

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

Ma ke P ice of The Sec ie on he Da e of I e

On 13 October 2023, the securities of the Company were priced at HKD2.39 per share, which was the price on the day of the announcement regarding the issuance of new domestic shares based on special authorization.

U e of P oceed

It is the intention of the Company to use the net proceeds from the Domestic Share Subscription for replenishing the general working capital of the Group, such that the asset-liability ratio and capital structure can be improved and the financial expenses and financial risks can be reduced. From 2023 to 2025, the Company intends to use net proceeds of approximately RMB500 million per annum as liquidity for the Group's daily operations in such areas. In addition, given the decrease in the Group's gearing ratio (i.e. total assets divided by total liabilities) in recent years, the remaining net proceeds of approximately RMB197 million are intended to be used for ordinary administrative expenses and repayment of borrowings.

MODEL CODE

The Company, having made specific enquiry to the Directors, confirms that all directors complied with the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules throughout the period.

ENVIRONMENT, SOCIETY AND GOVERNANCE

In 2023, the Company fully complied with the C2 Environmental, Social, and Governance Reporting Guidelines, continued to realize its social responsibility of "Friendly environment, Warm Home". The Company attached great importance to the harmony and unity of economy and ecology, deeply implemented the concept of green development, strictly carried out relevant environmental protection policies, vigorously promoted energy conservation and emission reduction, deepened development in the environmental protection industry, and actively promoted the development of new energy industries; adhered to people-oriented, scientifically built the staff team, protected the rights and interests of its employees, and cared for the lives of employees; maintained effective communication with suppliers, customers, market investors and other stakeholders, took into account the interests of related parties, created a mutually beneficial and win-win relationship, and continued to promote the healthy development of the Company; insisted on giving back to the society and vigorously supported social welfare undertakings, establishing a responsible corporate image.

The Company has been, in strict accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and other relevant requirements, in full compliance with the rules set out in the Corporate Governance Code contained in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and, where appropriate, has adopted the recommended best practices as specified therein.

Details of which are set out in Corporate Governance Report of the annual report and Environmental, Social and Governance Report 2023.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial statements, continuing connected transactions, internal control and risk management of the Company for the year ended 31 December 2023, and discussed with the Board the financial reporting procedures as well as the internal control system of the Company.

AUDITOR

The financial statements of the Company for the year ended 31 December 2023 have been audited by Da Hua Certified Public Accountants LLP ("Da Hua Certified Public Accountants"), and the remuneration for its audit services was RMB2.20 million. The financial statements of the Company for the past three years have all been audited by Da Hua Certified Public Accountants.

Da Hua Certified Public Accountants is qualified and willing to continuously serve as an auditor of the Company, and the Board proposed to re-appoint Da Hua Certified Public Accountants as the auditor for the Company's 2024 financial statements at the general meeting. A resolution in relation to re-appointing the firm and authorizing the Board to fix their remuneration is to be proposed at the 2023 annual general meeting of the Company.

REPORT OF THE BOARD OF SUPERVISORS

To all shareholders:

For the year ended 31 December 2023, all members of the Board of Supervisors ("the Board of Supervisors") of the Company duly performed their functions with taking the interests of the Company and all shareholders into account in accordance with the relevant regulations of the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association of the Company. The Board of Supervisors

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

4. The Board of Supervisors has reviewed the Company's private placement memorandum for the issuance of new Domestic Shares to the controlling shareholder and confirmed that the private placement memorandum for this issuance is true, accurate and complete, and contains no false record, misleading statements or material omissions.

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

In 2024, the Board of Supervisors will continue to effectively perform its supervisory duties in accordance with the relevant regulations of the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association of the Company to ensure the operation of the Company in accordance with the law, and protect the interests of the Company and Shareholders.

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

Harbin Electric Company Limited
The Board of Supervisors
28 March 2024

CORPORATE GOVERNANCE PRACTICES

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

In 2023, the Company has fully complied with provisions set out in the Corporate Governance Code in Appendix C1 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and, where appropriate, adopted the recommended best practices as specified therein.

The Board of the Company is responsible for the corporate governance functions. In 2023, the Board has strictly observed the policies and practices in compliance with laws and regulatory requirement, and also enacted and amended its regulations with reference to those policies and practices, with an aim to perfect our corporate governance policies and practices. The Company continues to focus on the training and continuous professional development of directors and senior management, and actively carries out internal review and rectification work to improve the level of the Company's governance.

As of the date of this announcement, the term of office for the 9th Board of Directors and the 9th Board of Supervisors of the Company expired on 28 January 2024. Since HE, the controlling shareholder of the Company, is still deliberating on the selection of members for the new Board of Directors and Board of Supervisors, the transition of the Board of Directors and Board of Supervisors has been delayed. On 20 March 2024, Mr. Zhang Ying-jian resigned as an executive director of the Company due to a change in position, so the number of the Board members is temporarily below the quorum as required under the Articles of Association of the Company.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules as the code of conduct regarding directors' securities transactions. In response to a specific enquiry by the Company, all Directors confirmed that they complied with the Model Code for Securities Transactions by Directors of Listed Issuers at all applicable times during 2023.

BOARD OF DIRECTORS

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

Composition of Board of Directors

As at the beginning of 2023, the ninth session of the Board of Directors had 7 directors, of whom 4 were independent nonexecutive directors. Members of the Board of Directors of the Company were:

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

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

On 8 May 2023, Mr. Wu Wei-zhang resigned as an executive Director of the Company due to reaching the statutory retirement age. On 25 May 2023, in accordance with the authorization of the annual general meeting of shareholders, the Board of the Company appointed Mr. Huang Wei as an executive Director of the Company; On 25 August 2023, Mr. Chen Guo-qing resigned from his position as an independent non-executive Director of the Company due to change of work arrangements. At the same time, the Board of the Company appointed Mr. Pan Qi-long as an independent non-executive Director in accordance with the authorization of the annual general meeting. The members of the Board of the Company have been changed to:

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

Independent non-executive directors: Mr. He Yu, Mr. Hu Jian-min, Mr. Tang Zhi-hong, Mr. Pan Qi-long

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

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

Independent non-executive directors

In 2023, the independent non-executive directors of the Company were: Mr. He Yu, Mr. Hu Jian-min, Mr. Chen Guo-qing (resigned on 25 August 2023), Mr. Tang Zhi-hong, Mr, Pan Qi-long (Appointed on 25 August 2023).

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

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

Meeting of the Board of Directors

During 2023, the Board convened 9 meetings to discuss and make decision on the major issues in the production and operation of the Company, including the Company's overall strategy, investment plan, operation and financial performance, 4 of which were regular meetings that directors presented in person or by authorized proxy. The Independent non-executive Directors of the Company did not have dissenting opinions regarding any of the Company's decisions. Attendances of the meetings are as follows:

Attendance of Directors at meeting of the Board of Directors in 2023

Name of Directors	Attendance Required	Attendance in Person	Attendance by Alternate Director
Mr. Cao Zhi-an	9	7	2
Mr. Huang Wei	6	6	0
Mr. Zhang Ying-jian	9	7	2
Mr. He Yu	9	9	0
Mr. Hu Jian-min	9	8	1
Mr. Tang Zhi-hong	9	9	0
Mr. Pan Qi-long	3	3	0
Mr. Wu Wei-zhang	3	3	0
Mr. Chen Guo-qing	6	6	0

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

Shareholders' General Meeting

On 12 April 2023, the Company held an extraordinary general meeting of shareholders and an H share general meeting, attended by Mr. Cao Zhi-an, Mr. He Yu, Mr. Hu Jian-min, Mr. Chen Guo-qing and Mr. Tang Zhi-hong; On 25 May 2023, the Company held the annual general meeting of shareholders, the general meeting of H shares class and the general meeting of domestic shares, and Mr. Cao Zhi-an, Mr. He Yu, Mr. Chen Guo-qing and Mr. Tang Zhi-hong attended the meeting; On 31 October 2023, the Company held an extraordinary general meeting of shareholders, attended by Mr. Cao Zhi-an, Mr. Huang Wei, Mr. Zhang Ying-jian, Mr. He Yu, Mr. Hu Jian-min and Mr. Tang Zhi-hong.

Attendance of Directors at general meeting in 2023

Name of Director	Attendance Required	Attendance in Person
Mr. Cao Zhi-an	3	3
Mr. Huang Wei	1	1
Mr. Zhang Ying-jian	3	1
Mr. He Yu	3	3
Mr. Hu Jian-min	3	2
Mr. Tang Zhi-hong	3	3
Mr. Pan Qi-long	1	0
Mr. Wu Wei-zhang	1	0
Mr. Chen Guo-qing	2	2

Da Hua Certified Public Accountants (special general partnership), the auditor of the Company sent representatives as scrutineers to attend the above-mentioned annual general meetings, and Beijing HAIWEN & PARTNERS, the PRC legal advisor of the Company sent representatives to witness the above-mentioned annual general meetings.

Term of Director

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

Duties and Performance of the Board and the Management

The Board of Directors shall exercise its functions and powers under authorization by the relevant laws and regulations and general meetings, including convening general meetings, reporting in general meeting, implementing the resolutions of the general meeting, determining the Company's business plan and investment plan, preparing the Company's annual financial budget, final accounts, profit distribution plan, and the appointment and removal of major personnel. In 2023, the Board of the Company made decisions discreetly after solemn discussions, and encouraged all directors to commit their duties by different methods, such as holding board meetings and communication. The Company encourages the directors with different opinions to express their own concerns and discuss these matters in sufficient depth. Every Director has devoted sufficient time and effort to explore the development of the Company, ensuring the correctness of the Company's development strategy and direction, so as to safeguard the interests of shareholders.

The management of the Company is authorized by the Board to be responsible for the management of the Company's operations and day-to-day affairs, and to report to the Board. In 2023, the management of the Company took its responsibilities seriously and conscientiously by strictly implementing the resolutions passed by the Board and actively promoting various works on the production and operation of the Company, achieving positively improving corporate operation while remaining stable as well as new results in various works on the reform and development of the Company.

Training of the Directors

During 2023, the Company actively organized the trainings for the Directors, and reported the daily business briefing and market information of the Company, which greatly strengthened the knowledge and skills necessary for all the Directors, to ensure the Directors continue to contribute to the Board with comprehensive information and where necessary.

During 2023, the directors of the Company have participated in more than 100 training hours organized by the State-owned Assets Supervision and Administration Commission of the State Council, the Hong Kong Chartered Governance Institute and other organizations. These courses further enhanced the directors' skills and knowledge, enabling them to make greater contributions to the development of the Company.

CHAIRMAN AND PRESIDENT

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

On 8 May 2023, Mr. Wu Wei-zhang resigned as the President of the Company due to reaching the statutory retirement age; On 25 May 2023, the Board of Directors appointed Mr. Huang Wei as the President of the Company.

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

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

SPECIAL COMMITTEES UNDER THE BOARD

The Board has established the Nomination Committee, the Remuneration Committee, the Audit Committee (Supervisory Committee) and the Strategy Development Committee, whose members are all Directors of the Company.

During 2023, the meetings convened by the special committees under the Board included 2 Nomination Committee meeting, 3 Remuneration Committee meetings, 9 Audit Committee meetings, and 6 Strategy Development Committee meetings. Each Director has attended the meetings of the committee in which he/she acted as a member in person, and had a thorough

In 2023, the Nomination Committee convened two meetings and accomplished the following key tasks:

No.	Summary of Work
1	Nominating Executive Directors and Presidents of the Company
2	Nominating independent non-executive directors and vice presidents of the Company

Remuneration Committee

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

Prior to 25 August 2023, the members of the Remuneration Committee were Mr. He Yu, Mr. Hu Jianmin, Mr. Chen Guo-qing and Mr. Tang Zhi-hong, all of whom are independent non-executive Directors, and Mr. He Yu, an independent non-executive director, being the chairman of the Committee. Mr. Chen Guo-qing resigned as a member of the Remuneration Committee and Mr. Pan Qi-long was appointed as a member of the Remuneration Committee on 25 August 2023. As of 31 December 2023, the members of the Remuneration Committee included Mr. He Yu, Mr. Hu Jianmin, Mr. Tang Zhi-hong and Mr. Pan Qi-long; and all the members of the Remuneration Committee were independent non-executive directors, the independent non-executive director, Mr. He Yu being the chairman of the Committee.

In 2023, the Remuneration Committee convened a total of 3 meetings and accomplished the following key tasks:

No.	Summary of Work
1	Considering the implementation of remunerations for heads of subsidiaries for 2022
2	Considering the implementation of the Company's H share appreciation rights incentive plan
3	Considering the assessment and the implementation of remunerations for the head of the Company for 2022

Audit Committee

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

Prior to 25 August 2023, the members of the Audit Committee were Mr. Tang Zhi-hong, Mr. He Yu, Mr. Hu Jianmin, and Mr. Chen Guo-qing, all of whom are independent non-executive Directors, and Mr. Tang Zhi-hong, an independent non-executive director, being the chairman of the Committee. Mr. Chen Guo-qing resigned as a member of the Audit Committee and Mr. Pan Qi-long was appointed as a member of the Audit Committee on 25 August 2023. As of 31 December 2023, the members of the Audit Committee included Mr. Tang Zhi-hong, Mr. He Yu, Mr. Hu Jianmin, and Mr. Pan Qi-long; and all the members of the Audit Committee were independent non-executive directors, the independent non-executive director, Mr. Tang Zhi-hong being the chairman of the Committee.

In 2023, the Audit Committee convened a total of 9 meetings and accomplished the following key tasks:

No.	Summary of Work
1	Considering the budget of the Company for 2023
2	Considering the Annual Report of the Company for 2022
3	Considering the Company's profit distribution plan for 2022
4	Considering the renewal of appointing the 2023 accounting firm by the Company
5	Considering the Company's self-assessment report of 2022 on internal control and risk management
6	Considering the summary of the Company's audit work for 2022 and the audit work plan for 2023
7	Considering the Company's Interim Results Report of 2023
8	Considering the Company and its subsidiaries' loan matters
9	Considering the matters in relevant Connected Transactions
10	Considering the legal construction and compliance risk control work of the Company

The Audit Committee has reviewed the financial statements included in the 2023 Annual Report, confirmed that these financial statements were prepared in accordance with China Accounting Standards and fairly presented the financial positions and results of the Company for the year ended 31 December 2023.

Strategy Development Committee

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

Prior to 8 May 2023, the members of the Strategy Development Committee were Mr. Wu Wei-zhang, Mr. He Yu, Mr. Hu Jianmin, Mr. Chen Guo-qing and Mr. Tang Zhi-hong and Mr. Wu Wei-zhang, an executive director, being the chairman of the Committee. Mr. Wu Wei-zhang resigned as a member of the Strategy Development Committee on 8 May 2023 and Mr. Huang Wei was appointed as a member of the Strategy Development Committee on 25 May 2023. Mr. Chen Guo-qing resigned as a member of the Strategy Development Committee and Mr. Pan Qi-long was appointed as a member of the Strategy Development Committee on 25 August 2023. As of 31 December 2023, the members of the Strategy Development Committee included Mr. Huang Wei, Mr. He Yu, Mr. Hu Jianmin, Mr. Tang Zhi-hong and Mr. Pan Qi-long, and Mr. Huang Wei, an executive director, being the chairman of the Committee.

In 2023, the Strategy Development Committee held a total of 6 meetings and accomplished the following key tasks:

No.	Summary of Work
1	Considering the Company's strategic development plan
2	Considering the Company and its subsidiaries' investment matters
3	Considering the 2022 Corporate Governance Report of the Company
4	Considering the disposal of equity interests in subsidiaries
5	Considering the assessment of the organizational restructuring of the Company's headquarters

The Strategy Development Committee has reviewed this report and confirmed that: the Company strived to maintain corporate governance of high standard and believed that quality governance is a key to long-term success and sustainable development of the Company's business. In 2023, the Company fully complied with the provisions in the Corporate Governance Code contained in Appendix C1 of the Listing Rules of the Stock Exchange of Hong Kong and, when appropriate, adopted the recommended best practices as specified therein.

AUDITORS AND THEIR REMUNERATION

In 2023, the audit business remuneration of Da Hua Certified Public Accountants (special general partnership), the auditor of the Company, was RMB2.2 million. Save for that, Dahua Certified Public Accountants issued a capital verification report on the fundraising for the issuance of new domestic shares by the Company, with a remuneration of RMB20,000. An independent verification report was prepared regarding the valuation of the sale of a 51% equity interest in Harbin Electric Power Equipment Company Limited, based on the discounted future estimated cash flows. The remuneration for this service was RMB140,000. A review report was issued for the audit report on the sale of a 51% equity interest in Harbin Electric Power Equipment Company Limited, and the remuneration for this service was RMB140,000. A review report was also issued for the audit report on Harbin Electric Machinery Company Limited, a subsidiary of the Company, and the remuneration for this service was RMB118,000.

Da Hua Certified Public Accountants (special general partnership), together with the Audit Committee of the Board have reviewed the financial statements included in the 2023 Annual Report and been convinced that the financial statements were prepared in accordance with the PRC Accounting Standards and fairly presented the financial positions and performance of the Company for the year ended 31 December 2023.

The Board proposed to the general meeting to renew the appointment of Da Hua Certified Public Accountants (special general partnership) as the auditor of the financial statements of the Company in 2024.

COMPANY SECRETARY

In 2023, Mr. Ai Li-song was appointed as the Company Secretary of the Company, and Mr. Tung Tat Chiu, Michael, Joint Secretary of the Company, will assist Mr. Ai Li-song to carry out the duties as the Company Secretary. In 2023, Mr. Ai Li-song participated in no less than 15 hours of professional training.

SHAREHOLDERS RIGHTS

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

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

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

(2) If the Board fails to issue a notice of convening the meeting within 30 days after receiving the above written request, the shareholders who put forward the request may convene the meeting by themselves within 4 months after the Board receives the request.

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

Shareholders can contact the Company via various channels, such as telephone, fax and e-mail. The recommendations of shareholders can be smoothly fed back to the Board of the Company. The copies of the minutes of general meeting are available for inspection during the business hours of the Company free of charge. Shareholders of the Company can request a

Amendments to the Articles of Association

In accordance with the authorization of the extraordinary general meeting of shareholders on 12 April 2023, the Company amended the Articles of Association on 13 October 2023. Details of the amendments are as follows:

	Before Amendments	After Amendments
Article 16	After approval from the Company's regulatory department authorized by the State Council, the total number of ordinary shares issued by the Company is 1.706523 billion, with a par value of RMB1 per share, of which: (I) At the time of the Company's establishment, 720 million domestic shares were issued to the founders. During the additional issuance in December 2005, 8.53 million domestic shares were reduced, resulting in the founders holding 711.47 million domestic shares, accounting for 55.83% of the total shares of the Company. During another additional issuance in March 2007, 10.235 million domestic shares were further reduced, resulting in the founders holding 701.235 million domestic shares, accounting for 50.93% of the total shares of the Company. During another additional issuance in 2017, 329.717 million domestic shares were increased, resulting in the founders holding 10.30952 billion domestic shares, accounting for 60.41% of the total shares of the Company. (II) After its establishment, the Company initially issued 469.151 million overseas listed foreign shares, and 93.83 million additional overseas listed foreign shares in December 2005, totaling 562.981 million overseas listed foreign shares, accounting for 44.17% of the Company's total shares; In March 2007, 102.355 million overseas listed foreign shares were issued, totaling 675.571 million overseas listed foreign shares, accounting for 49.07% of the Company's total shares; After the issuance of additional domestic shares in 2017, there were totally 675.571 million overseas listed foreign shares, accounting for 39.59% of the Company's total shares. The Company's share capital structure consists of 1.706523 billion ordinary shares, of which the founders hold 1.030952 billion domestic shares, and overseas listed foreign shareholders hold 675.571 million overseas listed foreign shares.	After approval from the Company's regulatory department authorized by the State Council, the total number of ordinary shares issued by the Company is 2.236276 billion, with a par value of RMB1 per share, of which: (I) At the time of the Company's establishment, 720 million domestic shares were issued to the founders. During the additional issuance in December 2005, 8.53 million domestic shares were reduced, resulting in the founders holding 711.47 million domestic shares, accounting for 55.83% of the total shares of the Company. During another additional issuance in March 2007, 10.235 million domestic shares were further reduced, resulting in the founders holding 701.235 million domestic shares, accounting for 50.93% of the total shares of the Company. During another additional issuance in 2017, 329.717 million domestic shares were increased, resulting in the founders holding 10.30952 billion domestic shares, accounting for 60.41% of the total shares of the Company; During additional issuance in 2023, 529.753 million domestic shares were issued, resultin3.6 (2ting ins)13.9 (hold8%(2)6.3 (3)6.23 (3)6575gr)2

	Before Amendment	After Amendment
Article 17	The registered capital of the Company is RMB1.706523 billion. The Company can increase its capital as required for its operations and development in accordance with relevant provisions of the Articles of Association. Capital can be increased in the following ways: (I) Raising new shares for unspecified investors; (II) Placing new shares to existing shareholders; (III) Distributing new shares to existing shareholders; (IV) Any other means permitted by Chinese laws and administrative regulations.	The registered capital of the Company is RMB2.236276 billion. The Company can increase its capital as required for its operations and development in accordance with relevant provisions of the Articles of Association. Capital can be increased in the following ways: (I) Raising new shares for unspecified investors; (II) Placing new shares to existing shareholders; (III) Distributing new shares to existing shareholders; (IV) Any other means permitted by Chinese laws and administrative regulations.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

In 2023, the Company has reviewed the risk management and internal control system as well as risks and has completed its self-assessment report on internal control and risk management and then approved by the Audit Committee of the Board.

The Board of Directors and the Audit Committee confirm that: as of 31 December 2023, the risk management and internal control system has operated effectively; the Company has adopted effective monitoring mechanism to rectify the issues in time; and the Company has properly complied with the provisions on the risk management and internal control system in the Corporate Governance Code.

AUDITORS' REPORT

(Unless otherwise specified, amounts are in RMB)

D.H.S.Z.[2024] 0011015632

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I. OPINION

We have audited the attached financial statements of Harbin Electric Co., Ltd (hereinafter referred to as the "Company"), which comprise the consolidated balance sheet and the parent company's balance sheet as at December 31, 2023, the consolidated income statement and the parent company's income statement, the consolidated statement of cash flows and the parent company's statement of cash flows, and the consolidated statement of changes in shareholders' equity and the parent company's statement of changes in shareholders' equity for the year then ended, as well as notes to the relevant financial statements.

In our opinion, the financial statements attached are prepared in accordance with Accounting Standards for Business Enterprises and present fairly, in all material respects, the consolidated financial position of the Company and the parent company's financial position as at December 31, 2023 and the consolidated operating results and the parent company's operating results and cash flows for the year then ended.

II. BASIS FOR OUR OPINION

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. According to the Code of Ethics for Chinese CPA, we are independent of the Company and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We determine to communicate the following key audit matters in the auditors' report.

We have determined that the following matters are key audit matters that need to be communicated in the audit report.

(I) Revenue recognition

(II) Impairment of receivables

(I) Re en e ecogni ion

1. Description of the matter

Please refer to Note 4 (29) and Note 8 Note 50 of the financial statements, Harbin Electric recognized an operating income of RMB28,631,854,390.57 in 2023. Harbin Electric recognizes revenue according to the performance period and performance time point respectively. The completeness and accuracy of revenue recognition has a significant impact on Harbin Electric's operating results. At the same time, the recognition of revenue according to the performance period involves significant judgment and estimation by the management, which may affect whether Harbin Electric recognizes revenue in the appropriate accounting period according to the performance period. As a result, we have identified the relevant revenue recognition as a key audit matter.

2. Audit response

The key audit procedures we have implemented for Harbin Electric's revenue recognition include:

(1) Understand and evaluate the design rationality of relevant internal controls, and test the effectiveness of the implementation of key controls.

(2) Inspect and review the content of relevant material contracts and key contract clauses in accordance with revenue recognition accounting policies.

(3) Sampling and checking the contract and cost budget information on which the management is based on the projected total revenue and estimated total cost, and evaluating whether the estimates made by the management are reasonable and sufficient.

(4) Sampling inspection of sales contracts, invoices, transport bills, progress confirmation forms and other supporting materials, to evaluate the authenticity and accuracy of the actual costs incurred.

(5) Sample inspection of business documents such as contracts, invoices, warehousing lists, etc., to verify the reasonableness and completeness of revenue recognition at the time of performance.

(6) Sample review the project completion schedule to check the accuracy of relevant revenue recognition.

Based on the audit work performed, we believe that management's judgments and estimates regarding revenue recognition are reasonable.

(II) Impai men of ecei able

1. Description of the matter

As mentioned in notes 4 (11) and notes 8 to note 4 (11) and note 8 to the financial statements, as of December 31, 2023, the total balance of notes receivable, accounts receivable, and other

IV. OTHER INFORMATION

The Management of the Company is responsible for other information. The other information comprises information of the 2023 annual report, but excludes the financial statements and our auditors' report.

Our opinion on the financial statements does not cover the other information, and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

VI. AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them in regard to all relationships and other matters that may reasonably be thought to affect our independence, and related safeguards (if applicable).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Da H a Ce ified P blic Acco nan
(Special General Partnership)

CPA of China: Lifei Wang

CPA of China: Tianbo Zhao

Beijing, China
March 28, 2024

CONSOLIDATION BALANCE SHEET

As at 31 December 2023

The currency of the statements are CNY

Item	*Note 8*	Closing Balance	Opening Balance
Current assets:			
Cash and bank	1	**18,677,316,557.23**	17,300,785,271.18
△Settlement reserve			
△Placements with banks and other financial institutions			
Held for trading financial assets	2	**603,149,819.44**	202,376,414.36
☆Financial assets at fair value through profit and loss			
Derivative financial assets			
Notes receivable	3	**975,331,805.68**	1,542,259,070.99
Accounts receivable	4	**7,161,224,594.18**	7,445,375,580.96
☆Receivables financing	5	**10,194,291.30**	2,145,369.50
Prepayments	6	**8,015,031,909.43**	4,893,228,667.72
△Premiums receivable			
△Reinsurance receivables			
△Provision of cession receivable			
Funds receivable centrally managed			
Other receivables	7	**1,333,103,510.85**	2,319,174,604.73
Including: dividends receivable		**260,014.64**	
△Financial assets purchased under agreements to resell	8	**1,755,000,000.00**	1,170,000,000.00
Inventories	9	**10,976,748,415.55**	9,404,890,448.68
Including: Raw material		**3,645,603,552.75**	2,696,393,901.07
Finished goods		**137,250,395.45**	261,843,643.64
Contract assets	10	**7,736,963,131.45**	8,309,814,549.85
Assets held for sale			
Non-current assets due within one year	11	**337,633,475.40**	294,952,361.15
Other current assets	12	**3,044,888,178.25**	639,006,924.66
Total current assets		**60,626,585,688.76**	53,524,009,263.78

CONSOLIDATION BALANCE SHEET (CONTINUED)

As at 31 December 2023

The currency of the statements are CNY

Item	*Note 8*	Closing Balance	Opening Balance
Non-current assets:			
△Loans and advances to customers			
Debt investments			
☆Available-for-sale financial investments			
Other debt investments	13	**299,639,400.00**	
☆Held-to-maturity investments			
Long-term receivables	14	**554,310,723.29**	398,961,054.90
Long-term equity investments	15	**856,602,278.38**	377,317,390.52
Other equity instrument investments	16	**677,013,691.76**	845,123,706.24
Other non-current financial assets			
Investment properties	17	**161,372,063.62**	172,730,282.18
Fixed assets	18	**4,995,478,509.62**	5,984,855,681.05
Including: Original price of fixed assets		**14,373,767,739.57**	16,029,713,555.55
Accumulated depreciation		**9,330,672,843.67**	9,994,028,936.15
Impairment of fixed assets		**47,708,685.42**	51,042,555.23
Construction in progress	19	**652,740,245.51**	209,898,568.77
Productive biological assets			
Oil and gas assets			
Right-of-use assets		**12,392,431.86**	
Intangible assets	20	**937,852,963.06**	889,960,351.63
Development expenditure	21	**132,539,393.71**	100,344,344.80
Goodwill	22	**34,516,403.61**	23,919,751.92
Long-term deferred expenses	23	**4,444,917.10**	2,274,060.63
Deferred tax assets	24	**625,356,125.13**	723,805,905.84
Other non-current assets	25	**726,109,437.30**	30,330,169.80
Including: Specially approved reserving materials			
Total non-current assets		**10,670,368,583.95**	9,759,521,268.28
Total assets		**71,296,954,272.71**	63,283,530,532.06

(The notes to the financial statements are attached as components of the financial statements)

*Note: The accounts with * in the table are special for consolidated accounting statements; △is for financial enterprises; # is for foreign-invested enterprises; ☆ is applicable to enterprises implementing the new income/new lease/new financial instrument standards.*

Legal Representative: *Chief Accountant:* *Head of Accounting:*

CONSOLIDATION BALANCE SHEET (CONTINUED)

As at 31 December 2023

The currency of the statements are CNY

Item	*Note 8*	Closing Balance	Opening Balance
Current liabilities:			
Short term loans	26	**3,285,133,158.88**	4,812,857,850.77
△loans from central bank			
△Deposit funds			
Held for trading financial liabilities			
☆Financial liabilities at fair value through profit and loss			
Financial Derivative liabilities			
Notes payable	27	**6,146,285,172.11**	7,048,462,096.55
Accounts payable	28	**16,202,261,315.59**	13,796,665,716.93
Advances from customers	29	**5,828,487.77**	1,422,059.69
Contract Liabilities	30	**23,127,922,261.64**	17,428,435,136.82
△Sale of repurchase financial assets			
△Absorption of deposits and interbank deposits	31	**1,149,795,320.33**	639,643,187.93
△Dealing in securities			
△Underwriting of securities			
Payroll and employee benefits payable	32	**803,131,335.59**	574,937,056.92
Including: Salaries payable		**435,130,258.92**	224,166,512.70
Welfare payable			
Among in: Employee bonus and welfare fund			
Taxes payable	33	**522,750,044.00**	656,162,164.88
Including: Taxes payable		**495,440,387.78**	641,262,128.67
Other payables	34	**499,208,747.36**	462,738,498.12
Including: dividends payables		**2,773,165.24**	3,482,983.73
△Handling fees and commissions payable			
△Payable for reinsurance			
Liabilities held for sale			
Non-current liabilities due within one year	35	**1,114,672,500.76**	402,060,308.88
Other current liabilities	36	**12,381,749.42**	35,452,401.56
Total current liabilities		**52,869,370,093.45**	45,858,836,479.05

CONSOLIDATION BALANCE SHEET (CONTINUED)

As at 31 December 2023

The currency of the statements are CNY

Item	*Note 8*	Closing Balance	Opening Balance
Non-current liabilities:			
△Insurance contract reserve			
Long-term loans	37	**1,747,981,728.52**	2,391,903,973.83
Bonds payable			
Including: Preferred stock			
Perpetual bond			
Lease liabilities	38	**11,007,012.24**	88,421,052.65
Long-term payables	39	**51,708,704.04**	22,101,896.71
Long-term employee benefits payable	40	**319,894,911.90**	345,492,088.56
Accrued liabilities	41	**1,436,167,546.71**	1,949,943,875.77
Deferred income	42	**179,966,632.50**	236,321,218.22
Deferred tax liabilities		**6,576,303.68**	10,224,586.23
Other non-current liabilities	43	**86,485,747.09**	6,423,408.10
Including: Specially approved reserving materials			
Total non-current liabilities		**3,839,788,586.68**	5,050,832,100.07
Total liabilities		**56,709,158,680.13**	50,909,668,579.12

CONSOLIDATION BALANCE SHEET (CONTINUED)

As at 31 December 2023

The currency of the statements are CNY

Item	*Note 8*	Closing Balance	Opening Balance
Shareholders' Equity:			
Paid-in capital (or Share capital)	44	**2,236,276,000.00**	1,706,523,000.00
State-owned capital			
Domestic-owned corporate capital		**1,560,705,000.00**	1,030,952,000.00
Collective capital			
Private capital			
Individual capital		**675,571,000.00**	675,571,000.00
#Less: investment returned			
Net paid-in capital (or Share capital)		**2,236,276,000.00**	1,706,523,000.00
Other equity instrument			
Preferred stock			
Perpetual debt			
Capital reserve	45	**5,496,802,270.69**	4,338,736,992.12
Less: Treasury stock			
Other comprehensive income		**-128,370,784.80**	49,765,047.57
Including: Exchange differences arising from foreign currency translation		**-6,581,764.03**	-2,714,672.67
Special reserve	46	**47,489,368.36**	45,479,801.06
Surplus reserve	47	**956,816,359.27**	888,849,702.10
Statutory reserve		**898,564,197.51**	888,849,702.10
Discretionary surplus reserve		**58,252,161.76**	
#Reserve fund			
#Enterprise expansion fund			
# Return investment by profit			
△General reserve			
Retained earnings	48	**5,255,688,935.55**	4,698,595,292.71
Equity attributable to owners of the parent		**13,864,702,149.07**	11,727,949,835.56
Non-controlling interests		**723,093,443.51**	645,912,117.38
Total shareholders' equity		**14,587,795,592.58**	12,373,861,952.94
Total liabilities and owners' equity		**71,296,954,272.71**	63,283,530,532.06

Legal Representative: *Chief Accountant:* *Head of Accounting:*

BALANCE SHEET

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

Item	*Note 16*	Closing Balance	Opening Balance
Current assets:			
Cash and bank		**2,083,906,099.24**	1,150,744,221.28
△Settlement reserve			
△Placements with banks and other financial institutions			
Held for trading financial assets			
☆Financial assets at fair value through profit and loss			
Financial derivative assets			
Notes receivable		**73,425,264.33**	64,000,000.00
Accounts receivable	1	**1,567,532,706.85**	1,748,802,187.16
Receivables financing			
Prepayments		**3,626,053,055.74**	5,002,313,977.14
△Premiums receivable			
△Reinsurance receivables			
△Provision of cession receivable			
Funds receivable centrally managed			
Other receivables	2	**449,584,851.07**	762,800,554.50
Including: dividends receivable		**1,050,000.00**	21,286,403.99
△Financial assets purchased under agreements to resell			
Inventories		**1,203,456,669.40**	775,104,571.73
Including: Raw material			
Finished goods			
Contract assets		**1,018,780,517.39**	1,274,440,765.65
Assets held for sale			
Non-current assets due within one year			
Other current assets		**355,551,600.21**	219,488,300.87
Total current assets		**10,378,290,764.23**	10,997,694,578.33

BALANCE SHEET (CONTINUED)

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

Item	*Note 16*	Closing Balance	Opening Balance
Non-current assets:			
△Loans and advances to customers			
Debt investments			
☆Available-for-sale financial investments			
Other debt investments			
☆Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	3	**9,757,527,131.90**	8,813,359,042.57
Other equity instrument investments		**152,000,000.00**	152,000,000.00
Other non-current financial assets			
Investment properties		**2,279,074.59**	6,482,298.44
Fixed assets		**628,020,829.66**	637,482,663.77
Including: Original price of fixed assets		**950,540,601.15**	923,654,692.38
Accumulated depreciation		**322,519,771.49**	286,172,028.61
Impairment of fixed assets			
Construction in progress		**2,522,123.90**	
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		**107,309,911.30**	89,772,412.72
Development expenditure		**120,358,649.71**	70,123,208.19
Goodwill			
Long-term deferred expenses			
Deferred tax assets			
Other non-current assets			
Including: Specially approved reserving materials			
Total non-current assets		**10,770,017,721.06**	9,769,219,625.69
Total assets		**21,148,308,485.29**	20,766,914,204.02

Legal Representative: *Chief Accountant:* *Head of Accounting:*

BALANCE SHEET (CONTINUED)

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

Item	Note 16	Closing Balance	Opening Balance
Current liabilities:			
Short term loans		398,730,000.00	398,730,000.00
△loans from central bank			
△Deposit funds			
Held for trading financial liabilities			
☆Financial liabilities at fair value through profit and loss			
Financial Derivative liabilities			
Notes payable		176,000,000.00	222,720,801.66
Accounts payable		3,835,526,951.83	4,449,159,955.49
Advances from customers			
Contract Liabilities		4,781,993,274.72	5,898,964,071.53
△ Sale of repurchase financial assets			
△ Absorption of deposits and interbank deposits			
△ Dealing in securities			
△ Underwriting of securities			
Payroll and employee benefits payable		174,236,556.86	112,667,312.52
Including: Salaries payable		167,321,601.84	105,771,601.84
Welfare payable			
Among in: Employee bonus and welfare fund			
Taxes payable		2,623,861.52	3,908,441.51
Including: Taxes payable		2,231,896.68	2,316,009.01
Other payables		295,650,552.99	315,581,328.57
Including: dividends payables		5,890.65	5,873.71
△ Handling fees and commissions payable			
△ Payable for reinsurance			
Liabilities held for sale			
Non-current liabilities due within one year		1,380,000,000.00	
Other current liabilities		926,602.35	
Total current liabilities		11,045,687,800.27	11,401,731,911.28

BALANCE SHEET (CONTINUED)

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

Item	Note 16	Closing Balance	Opening Balance
Non-current liabilities:			
△ Insurance contract reserve			
Long-term loans		**1,100,000,000.00**	2,480,000,000.00
Bonds payable			
Including: Preferred stock			
Perpetual bond			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Accrued liabilities		**179,356,970.85**	51,256,970.85
Deferred income		**53,491,526.61**	58,542,690.10
Deferred tax liabilities			
Other non-current liabilities			
Including: Specially approved reserving materials			
Total non-current liabilities		**1,332,848,497.46**	2,589,799,660.95
Total liabilities		**12,378,536,297.73**	13,991,531,572.23

BALANCE SHEET (CONTINUED)

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

Item	*Note 16*	Closing Balance	Opening Balance
Shareholders' Equity:			
Paid-in capital(or Share capital)		**2,236,276,000.00**	1,706,523,000.00
State-owned capital			
Domestic-owned corporate capital		**1,560,705,000.00**	1,030,952,000.00
Collective capital			
Private capital			
Individual capital		**675,571,000.00**	675,571,000.00
#Less: investment returned			
Net paid-in capital(or Share capital)		**2,236,276,000.00**	1,706,523,000.00
Other equity instrument			
Preferred stock			
Perpetual debt			
Capital reserve		**4,796,067,100.48**	3,625,820,100.48
Less: Treasury stock			
Other comprehensive income			
Including: Exchange differences arising from foreign currency translation			
Special reserve			
Surplus reserve		**814,337,088.84**	725,622,057.70
Statutory reserve		**756,084,927.08**	725,622,057.70
Discretionary surplus reserve		**58,252,161.76**	
#Reserve fund			
#Enterprise expansion fund			
# Return investment by profit			
△General reserve			
Retained earnings		**923,091,998.24**	717,417,473.61
Total shareholders' equity		**8,769,772,187.56**	6,775,382,631.79
Total liabilities and owners' equity		**21,148,308,485.29**	20,766,914,204.02

Legal Representative: *Chief Accountant:* *Head of Accounting:*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

The currency of the statements are CNY

Item	*Note 8*	Current Period	Prior Period
I. Gross operating income		**29,250,349,896.53**	24,984,261,415.23
Including: Revenue	49	**28,840,864,267.52**	24,643,794,215.80
△Interest income	50	**409,448,104.81**	340,467,199.43
△Premiums earned			
△Fee and commission income		**37,524.20**	
II. Total operating cost		**29,414,396,382.95**	24,746,152,616.39
Including: Cost of sales		**25,721,083,239.21**	21,780,363,716.94
△Interest expense	50	**15,755,333.62**	15,449,717.68
△Fee and commission expense	51	**200,036.62**	77,557.00
△Surrenders			
△Net policyholders' claims			
△Net change in reserves of insurance contract			
△Policyholder dividends			
△Premiums ceded to reinsurers			
Taxes and surcharges	52	**195,880,694.39**	169,280,840.08
Selling expenses	53	**622,165,587.64**	623,905,440.69
General and administrative expenses	54	**1,561,035,135.21**	1,295,326,666.40
Research and development expenses	55	**998,625,593.36**	726,641,980.52
Financial expenses	56	**299,650,762.90**	135,106,697.08
Including: Interest expenses		**200,366,923.11**	243,366,883.60
Interest income		**28,172,075.43**	39,853,821.40
Exchange gain		**72,767,678.05**	-91,282,588.56
Others			
Plus: other income	57	**231,352,604.79**	148,370,309.20
Investment income (losses are listed with "-")	58	**262,098,236.48**	39,180,200.28
Of which: Investment income from associates and joint ventures		**53,259,974.55**	10,692,995.08
☆ Financial asset derecognition income measured at amortized cost			
△Exchange gains (losses are listed with "-")		**3,302.09**	57,521.53
Hedging gains on net exposure (losses are listed with "-")			
Gains from changes in fair value (losses are listed with "-")	59	**3,149,819.44**	789,659.16
Credit impairment losses (losses are listed with "-")	60	**551,637,364.56**	-331,571,253.69
Asset impairment losses (losses are listed with "-")	61	**-43,301,135.02**	57,980,876.51
Gains from asset disposal (losses are listed with "-")	62	**2,908,649.88**	2,785,668.86
III. Operating profit (loss)		**843,802,355.80**	155,701,780.69
Add: Non-operating income	63	**90,831,415.41**	56,170,684.16
Including: Government grants		**5,495,376.15**	9,590,163.94
Less: Non-operating expenses	54	**165,627,024.85**	6,095,779.97

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2023

The currency of the statements are CNY

Item	*Note 8*	Current Period	Prior Period
IV. Profit before tax (loss)		**769,006,746.36**	205,776,684.88
Less: Income tax expense	65	**153,623,394.73**	76,348,414.01
V. Net profit (loss)		**615,383,351.63**	129,428,270.87
(I) Categorized by ownership			
Net profit attributable to owners of the parent		**574,760,038.85**	98,638,427.66
☆Net profit attributable to non-controlling interests		**40,623,312.78**	30,789,843.21
(II) Categorized by operation continuity			
Net profit from continuing operations		**631,737,479.00**	129,428,270.87
Net profit from discontinued operations		**-16,354,127.37**	
VI. Other comprehensive income, net of tax		**-173,536,642.24**	58,617,543.53
Other comprehensive income attributable to owners of the parent, net of tax	66	**-178,135,832.37**	58,664,847.53
(I) Other comprehensive income not to be reclassified to profit or loss in subsequent periods		**-152,718,675.23**	57,939,321.96
1. Changes in remeasured defined benefit obligations			
2. Equity-accounted investees share of other comprehensive income			
3. Changes in fair value of other equity instrument investments		**-152,718,675.23**	57,939,321.96
4. Changes in fair value of enterprise's credit risk			
5. Others			
(II) Other comprehensive income to be reclassified to profit or loss in subsequent periods		**-25,417,157.14**	725,525.57
1. Equity-accounted investees share of other comprehensive income			
2. Changes in fair value of other debt investments		**2,171,169.00**	-478,296.00
☆3. Changes in fair value of available-for-sale financial investments			
4. Reclassification of Financial Assets			
☆5. Reclassification of Holding to maturity investments to available-for-sale financial investments			
6. Net changes in expected credit losses of other debt investments		**44,331,753.37**	
7. Cash flow hedge (Effective part of cash-flow hedge profit and losses)		**-68,052,988.15**	-5,459,896.88
8. Exchange differences arising from foreign currency translation		**-3,867,091.36**	6,663,718.45
9. Others			
Other comprehensive income attributable to non-controlling interests, net of tax		**4,599,190.13**	-47,304.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2023

The currency of the statements are CNY

Item	Note 8	Current Period	Prior Period
VII. Total comprehensive income		**441,846,709.39**	188,045,814.40
Attributable to equity shareholders of the bank		**396,624,206.48**	157,303,275.19
☆Attributable to non-controlling interests		**45,222,502.91**	30,742,539.21
VIII. Earning per share			
Basic earnings per share		**0.313**	0.058
Diluted earnings per share		**0.313**	0.058

Legal Representative: *Chief Accountant:* *Head of Accounting:*

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

The currency of the statements are CNY

Item	*Note 16*	Current Period	Prior Period
I. Gross operating income		**5,617,575,626.82**	5,780,472,264.27
Including: Revenue	4	**5,617,575,626.82**	5,780,472,264.27
△Interest income			
△Premiums earned			
△Fee and commission income			
II. Total operating cost		**6,012,705,435.94**	6,055,578,445.04
Including: Cost of sales	4	**5,604,783,010.33**	5,724,368,531.89
△Interest expense			
△Fee and commission expense			
△Surrenders			
△Net policyholders' claims			
△Net change in reserves of insurance contract			
△Policyholder dividends			
△Premiums ceded to reinsurers			
Taxes and surcharges		**10,273,448.81**	10,731,491.15
Selling expenses		**9,931,616.64**	24,310,321.50
General and administrative expenses		**256,118,884.62**	175,269,873.42
Research and development expenses		**61,835,666.04**	50,201,166.65
Financial expenses		**69,762,809.50**	70,697,060.43
Including: Interest expenses		**80,730,457.43**	88,970,988.73
Interest income		**19,768,682.37**	25,146,592.81
Exchange gain		**199,042.20**	-10,674.93
Others			
Plus: other income		**6,525,192.43**	4,159,165.07
Investment income (losses are listed with "-")	5	**742,229,016.94**	1,634,089,624.12
Of which: Investment income from associates and joint ventures		**53,814,227.05**	11,263,147.95
☆Financial asset derecognition income measured at amortized cost			
△Exchange gains (losses are listed with "-")			
Hedging gains on net exposure (losses are listed with "-")			
Gains from changes in fair value (losses are listed with "-")			
Credit impairment losses (losses are listed with "-")		**297,140,680.12**	-447,788,783.88
Asset impairment losses (losses are listed with "-")		**46,316,884.58**	-2,412,920.90
Gains from asset disposal (losses are listed with "-")		**13,318,997.63**	
III. Operating profit (loss is listed with "-")		**710,400,962.58**	912,940,903.64
Add: Non-operating income		**724,837.59**	1,313,108.15
Including: Government grants			
Less: Non-operating expenses		**128,100,000.00**	0.02

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2023

The currency of the statements are CNY

Item	*Note 16*	Current Period	Prior Period
IV. Profit before tax (loss to be filled in with "-")		**583,025,800.17**	914,254,011.77
Less: Income tax expense		**504,182.59**	494,148.90
V. Net profit (loss to be filled in with "-")		**582,521,617.58**	913,759,862.87
Net profit from continuing operations		**582,521,617.58**	913,759,862.87
Net profit from discontinued operations			
VI. Other comprehensive income, net of tax			
(I) Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
1. Changes in remeasured defined benefit obligations			
2. Equity-accounted investees share of other comprehensive income			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of enterprise's credit risk			
5. Others			
(II) Other comprehensive income to be reclassified to profit or loss in subsequent periods			
1. Equity-accounted investees share of other comprehensive income			
2. Changes in fair value of other debt investments			
☆3. Changes in fair value of available-for-sale financial investments			
4. Reclassification of Financial Assets			
☆5. Reclassification of Holding to maturity investments to available-for-sale financial investments			
6. Net changes in expected credit losses of other debt investments			
7. Cash flow hedge (Effective part of cash-flow hedge profit and losses)			
8. Exchange differences arising from foreign currency translation			
9. Others			
VII. Total comprehensive income		**582,521,617.58**	913,759,862.87
VIII. Earning per share			
Basic earnings per share		**0.26**	
Diluted earnings per share		**0.26**	

Legal Representative: *Chief Accountant:* *Head of Accounting:*

CONSOLIDATED STATEMENT OF CASH FLOW STATEMENT

For the year ended 31 December 2023

The currency of the statements are CNY

Item	Note 8	Current Period	Prior Period
I. Cash flow from operating activities			
Cash received from sale of goods and rendering of services		**39,887,533,756.72**	30,821,412,822.45
△Net increase in deposits from customers and due from banks and other financial institutions		**510,152,132.40**	281,301,610.77
△Net increase in borrowings from central bank			-68,654,568.37
△Net increase in loans from other financial institutions			
△Cash received from receiving insurance premiums of original insurance contracts			
△Net cash received from reinsurance business			
△Net increase in deposits and investments from policyholders			
△Net increase in disposal of financial assets at fair value through profit and loss			
△Cash received from interest, fees and commission		**296,867,012.64**	215,869,310.14
△Net increase in placements from banks and other financial institutions			
△Net increase in repurchase business funds			
△ Net Cash Received from Agent Trading of Securities		**-600,000,000.00**	400,000,000.00
Refunds of taxes and surcharges		**161,639,194.50**	540,970,202.27
Cash received from other operating activities		**1,648,565,774.61**	978,684,382.48
Subtotal of cash inflow from operating activities		**41,904,757,870.87**	33,169,583,759.74
Cash paid for goods purchased and services received		**31,189,623,929.69**	23,057,949,076.85
△Net increase in loans and advances to customers		**-518,889,051.05**	39,606,983.18
△Net increase in deposits with central bank and with banks and other financial institutions		**2,771,953,496.64**	79,626,544.47
△Cash paid for original insurance contract claims			
△ Net increase in disbursed funds			-1,310,000,000.00
△Cash paid for interests, handling charges and commissions		**11,367,222.29**	-1,691,463.83
△Cash paid for policy dividends			
Cash paid to and on behalf of employees		**2,619,079,320.43**	2,581,619,169.14
Cash paid for taxes and surcharges		**1,420,323,792.14**	1,526,195,293.70
Cash paid for other operating activities		**2,127,096,645.92**	2,449,206,351.03
Subtotal of cash outflow from operating activities		**39,620,555,356.06**	28,422,511,954.54
Net cash flow from operating activities		**2,284,202,514.81**	4,747,071,805.20

Item	Note 8	Current Period	Prior Period
II. Cash flows from investing activities			
Cash received from withdrawal of investments		**1,750,644,843.75**	687,857,857.43
Cash received from returns on investments		**28,514,768.84**	95,223,211.93
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**8,995,530.76**	8,936,012.83
Net cash received from disposal of subsidiaries and other business units		**20,368.02**	
Cash received from other investing activities		**23,481,613.50**	25,850,274.96
Subtotal of cash inflows from investing activities		**1,811,657,124.87**	817,867,357.15
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		**1,090,422,015.22**	372,921,086.20
Cash paid for investments		**2,072,671,969.74**	1,095,544,615.57
△Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units		**95,260,751.50**	
Cash paid for other investing activities		**261,845,172.88**	9,827,900.02
Subtotal of cash outflows from investing activities		**3,520,199,909.34**	1,478,293,601.79
Net cash flows from investing activities		**-1,708,542,784.47**	-660,426,244.64

CONSOLIDATED STATEMENT OF CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2023

The currency of the statements are CNY

Item	Note 8	Current Period	Prior Period
III. Cash flows from financing activities			
Cash from absorption of investments		**1,714,666,520.00**	4,888,840.00
Including: cash received by subsidiaries from investments by minority shareholders			
Cash received from borrowings		**2,161,647,038.55**	4,175,095,724.38
Cash received from other financing activities		**574,980,550.00**	397,850,000.00
Subtotal of cash inflows from financing activities		**4,451,294,108.55**	4,577,834,564.38
Cash paid for debt repayments		**3,684,700,015.64**	4,745,699,765.52
Cash paid for distribution of dividends and profit or payment of interest		**226,831,302.94**	282,026,116.29
Including: Dividends and profits paid to minority shareholders by subsidiaries		**1,500,000.00**	300,000.00
Cash paid for other financing activities		**17,884,358.43**	14,178,193.42
Subtotal of cash outflows from financing activities		**3,929,415,677.01**	5,041,904,075.23
Net cash flows from financing activities		**521,878,431.54**	-464,069,510.85
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		**-9,860,239.46**	33,007,963.21
V. Net increase in cash and cash equivalents		**1,087,677,922.42**	3,655,584,012.92
Add: Beginning balance of cash and cash equivalents		**16,276,554,185.93**	12,620,970,173.01
VI. Ending balance of cash and cash equivalents		**17,364,232,108.35**	16,276,554,185.93

Legal Representative: *Chief Accountant:* *Head of Accounting:*

STATEMENT OF CASH FLOW STATEMENT

For the year ended 31 December 2023

The currency of the statements are CNY

Item	Note 16	Current Period	Prior Period
I. Cash flow from operating activities			
Cash received from sale of goods and rendering of services		4,624,621,688.15	5,203,945,733.94
△Net increase in deposits from customers and due from banks and other financial institutions			
△Net increase in borrowings from central bank			
△Net increase in loans from other financial institutions			
△Cash received from receiving insurance premiums of original insurance contracts			
△Net cash received from reinsurance business			
△Net increase in deposits and investments from policyholders			
△Net increase in disposal of financial assets at fair value through profit and loss			
△Cash received from interest, fees and commission			
△Net increase in placements from banks and other financial institutions			
△Net increase in repurchase business funds			
△ Net Cash Received from Agent Trading of Securities			
Refunds of taxes and surcharges		93,193.36	23,285,018.39
Cash received from other operating activities		349,363,728.58	122,425,966.46
Subtotal of cash inflow from operating activities		4,974,078,610.09	5,349,656,718.79
Cash paid for goods purchased and services received		4,907,630,782.88	5,586,104,690.92
△Net increase in loans and advances to customers			
△Net increase in deposits with central bank and with banks and other financial institutions			
△Cash paid for original insurance contract claims			
△ Net increase in disbursed funds			
△Cash paid for interests, handling charges and commissions			
△Cash paid for policy dividends			
Cash paid to and on behalf of employees		100,946,866.47	118,726,691.50
Cash paid for taxes and surcharges		13,124,802.37	184,973,392.40
Cash paid for other operating activities		105,215,485.58	582,115,965.30
Subtotal of cash outflow from operating activities		5,126,917,937.30	6,471,920,740.12
Net cash flow from operating activities		-152,839,327.21	-1,122,264,021.33

STATEMENT OF CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2023

The currency of the statements are CNY

Item	Note 16	Current Period	Prior Period
II. Cash flow from investing activities			
Cash received from withdrawal of investments			2,000,000.00
Cash received from returns on investments		**847,788,849.54**	1,715,485,090.04
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units		**400,717,768.02**	
Cash received from other investing activities			
Subtotal of cash inflow from investing activities		**1,248,506,617.56**	1,717,485,090.04
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		**1,381,352.00**	14,040,040.48
Cash paid for investments		**1,720,759,200.00**	1,615,200,000.00
△Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities		**48,785,230.26**	
Subtotal of cash outflow from investing activities		**1,770,925,782.26**	1,629,240,040.48
Net cash flow from investing activities		**-522,419,164.70**	88,245,049.56
III. Cash flow from financing activities			
Cash from absorption of investments		**1,700,000,000.00**	
Cash received from borrowings			1,730,000,000.00
Cash received from other financing activities			
Subtotal of cash inflow from financing activities		**1,700,000,000.00**	1,730,000,000.00
Cash paid for debt repayments			1,450,000,000.00
Cash paid for distribution of dividends and profit or payment of interest		**91,580,368.80**	87,437,666.84
Cash paid for other financing activities			
Subtotal of cash outflow from financing activities		**91,580,368.80**	1,537,437,666.84
Net cash flow from financing activities		**1,608,419,631.20**	192,562,333.16

STATEMENT OF CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2023

The currency of the statements are CNY

Item	*Note 16*	Current Period	Prior Period
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		**738.67**	11,172.50
V. Net increase in cash and cash equivalents		**933,161,877.96**	-841,445,466.11
Add: Beginning balance of cash and cash equivalents		**1,150,744,221.28**	1,992,189,687.39
VI. Ending balance of cash and cash equivalents		**2,083,906,099.24**	1,150,744,221.28

Legal Representative: *Chief Accountant:* *Head of Accounting:*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

The currency of the statements are CNY

Item	Note 8	C eng Pe iod												
		E ty ew b ga ble o pa eng compan												
		Paid-in capi el (o Sha e capi el)	Oth e ty in y men Pe fe ed ock	Pe pe al deb	Oth e	Capi el e e	La : Tea ock	Oth e comp ehen ive income	Special e e	S pl e e	Gene al e e	Reta ned ea nings	S bto el	Non-co ol ling inte e ty	To l o ne ' e ty
Col mn		1	2	3	4	5	6	7	8	9	10	11	12	13	14
I. Balance a ay December 31, 2022		1,706,522,092	1 GS16,105	-5399,0	T d5(7)9.89n9	0202									

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2023

The currency of the statements are CNY

Prior Period

Item	Note 8	Equity attributable to parent company												Non-controlling interests	Total owners' equity
		Paid-in capital (or Share capital)	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General reserves	Retained earnings	Subtotal		
			Preferred stock	Perpetual debt	Others										
Column		1	2	3	4	5	6	7	8	9	10	11	12	13	14
I. Balance at 31 December 2021		1,706,523,000.00				4,341,412,461.31		-9,899,799.96	43,527,398.71	809,136,648.47		4,679,669,917.68	11,571,369,627.21	625,991,779.56	12,197,361,406.77
Add: Adjustments for changes in accounting policies															
Corrections of prior period errors															
Others															
II. Balance at 1 January 2022		1,706,523,000.00				4,341,412,461.31		-9,899,799.96	43,527,398.71	809,136,648.47		4,679,669,917.68	11,571,369,627.21	625,991,779.56	12,197,361,406.77
III. Increase/decrease in 2022 (-"-for decrease)						-2,675,469.19		58,664,947.53	1,952,402.35	79,713,052.63		18,925,375.03	156,580,208.35	19,920,337.82	176,500,546.17
(I) Total comprehensive income								58,664,947.53				98,638,427.66	157,303,275.19	30,742,539.21	188,045,814.40
(II) Capital contributed or reduced by owners						-2,675,469.19							-2,675,469.19	4,088,829.37	1,413,360.18
1. Common shares contributed by shareholders														4,088,829.37	4,088,829.37
2. Capital contributed by the holders of other equity instruments															
3. Amounts of share-based payments recognized in owners' equity															
4. Others						-2,675,469.19							-2,675,469.19		-2,675,469.19
(III) Special reserves									1,952,402.35				1,952,402.35	293,327.71	2,245,730.06
1. Amount withdrawn in 2022									29,301,504.44				29,301,504.44	1,266,981.05	30,568,485.49
2. Amount used in 2022									-27,349,102.09				-27,349,102.09	-973,653.34	-28,322,755.43
(IV) Profit distribution										79,713,052.63		-79,713,052.63		-15,204,358.47	-15,204,358.47
1. Withdrawal of surplus reserves										79,713,052.63		-79,713,052.63			
Including: Statutory reserve										79,713,052.63		-79,713,052.63			
Discretionary surplus reserve															
#Reserve fund															
#Enterprise expansion fund															
#Return investment by profit															
2. Withdrawal of general reserves															
3. Profit distributed to owners (or shareholders)														-15,204,358.47	-15,204,358.47
4. Others															
(V) Internal carry-forward of owners' equity															
1. Conversion of capital reserves into paid-in capital (or share capital)															
2. Conversion of surplus reserves into paid-in capital (or share capital)															
3. Surplus reserves offsetting losses															
4. Changes in setting benefit plan transfer to retained earnings															
5. Other comprehensive income transfer to retained earnings															
6. Others															
IV. Balance at 31 December 2022		1,706,523,000.00				4,338,736,992.12		49,765,147.57	45,479,801.06	888,849,701.10		4,698,595,292.71	11,727,949,935.56	645,912,117.38	12,373,861,952.94

Legal Representative: *Chief Accountant:* *Head of Accounting:*

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

The currency of the statements are CNY

Item	Note 16	Current Period												
		Equity attributable to owners of the Company										Non-controlling interests	Total owners' equity
		Paid-in capital (or share capital)	Preferred stock	Perpetual debt	Other	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve		Retained earnings	
Column		1	2	3	4	5	6	7	8	9	10	11	12	
I. Balance at 31 December 2022		1,706,523,000.00				3,625,820,100.48				726,622,057.70		717,417,473.61	6,776,382,631.79	
Add: Adjustments for changes in accounting policies														
Corrections of prior period errors														
Others														
II. Balance at 1 January 2023		1,706,523,000.00				3,625,820,100.48				726,622,057.70		717,417,473.61	6,776,382,631.79	
III. Increase/decrease in 2023 (decrease is listed with "-")		529,753,000.00				1,170,247,000.00				88,715,031.14		205,674,524.63	1,994,389,555.77	
(I) Total comprehensive income												582,521,617.58	582,521,617.58	
(II) Capital contributed or reduced by owners		529,753,000.00				1,170,247,000.00							1,700,000,000.00	
1. Common shares contributed by shareholders		529,753,000.00				1,170,247,000.00							1,700,000,000.00	
2. Capital contributed by the holders of other equity instruments														
3. Amounts of share-based payments recognized in owners' equity														
4. Others														
(III) Special reserves														
1. Amount withdrawn in 2023										88,715,031.14		-376,847,092.95	-288,132,061.81	
2. Amount used in 2023										116,504,323.52		-116,504,323.52		
(IV) Profit distribution										58,252,161.76		-58,252,161.76		
1. Withdrawal of surplus reserves										58,252,161.76		-58,252,161.76		
Including: Statutory reserve														
Discretionary surplus reserve														
#Reserve fund														
#Enterprise expansion fund														
#Return investment by profit														
2. Withdrawal of general reserves														
3. Profit distributed to owners (or shareholders)												-10,239,138.00	-10,239,138.00	
4. Others										-27,789,292.38		-250,103,631.43	-277,892,923.81	

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2023

The currency of the statements are CNY

Item	Note 16	C eny Pe iod												
		Qyhe e iN in:N menN					Le : T ea	Qyhe						
		Sha e capiel)	Paid-in capiel (o P efe ed ock	Pe pNal deby	Qyhe	Capiel e e e	ock	comp ehen i e income	Special e e e	S pl e e e	△Gene al e e e	Rea ined ea ning	Toqal o ne J e iN
(V) Internal carry-forward of owners	equity													
1. Conversion of capital reserves into paid-in capital (or share capital)														
2. Conversion of surplus reserves into paid-in capital (or share capital)														
3. Surplus reserves offsetting losses														
4. Changes in setting benefit plan transfer to retained earnings														
☆5. Other comprehensive income transfer to retained earnings														
6. Others														
IV. Balance a ayDecembe 31, 2023		2,236,276,000.00				4,796,067,100.48				814,337,088.84		923,091,998.24	8,769,772,187.56	

Legal Representative: Chief Accountant: Head of Accounting:

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2023

The currency of the statements are CNY

Item	Note 16	Current Period												
		Other equity instruments					Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	△General reserves	Retained earnings	Total owners' equity
		Paid-in capital(or Share capital)	Preferred stock	Perpetual debt	Others	Capital reserves							
Column		1	2	3	4	5	6	7	8	9	10	11	12
I. Balance at 31 December 2021		1,706,523,000.00				3,625,820,100.48				645,909,005.07		-116,629,336.63	5,861,622,768.92
Add: Adjustments for changes in accounting policies													
Corrections of prior period errors													
Others													
II. Balance at 1 Jan 2022		1,706,523,000.00				3,625,820,100.48				645,909,005.07		-116,629,336.63	5,861,622,768.92
III. Increase/decrease in 2022 (-"-" for decrease)										79,713,052.63		834,046,810.24	913,759,862.87
(I) Total comprehensive income										-	-	913,759,862.87	913,759,862.87
(II) Capital contributed or reduced by owners													
1. Common shares contributed by shareholders										-	-	-	
2. Capital contributed by the holders of other equity instruments													
3. Amounts of share-based payments recognized in owners' equity										-	-	-	
4. Others													
(III) Special reserves										-	-	-	
1. Amount withdrawn in 2022										-	-	-	
2. Amount used in 2022										-	-	-	
(IV) Profit distribution										79,713,052.63		-79,713,052.63	
1. Withdrawal of surplus reserves										79,713,052.63	-	-79,713,052.63	
Including: Statutory reserve										79,713,052.63	-	-79,713,052.63	
Discretionary surplus reserve											-		
#Reserve fund											-		
#Enterprise expansion fund											-		
#Return investment by profit											-		
2. Withdrawal of general reserves										-			
3. Profit distributed to owners (or shareholders)										-	-		
4. Others													

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2023

The currency of the statements are CNY

Item	Note 16	Current Period											
		Other equity instruments				Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	△General reserves	Retained earnings	Total owners' equity
		Paid-in capital(or share capital)	Preferred stock	Perpetual debt	Others	Capital reserves						
(V) Internal carry-forward of owners' equity												
1. Conversion of capital reserves into paid-in capital (or share capital)												
2. Conversion of surplus reserves into paid-in capital (or share capital)												
3. Surplus reserves offsetting losses												
4. Changes in setting benefit plan transfer to retained earnings												
☆5. Other comprehensive income transfer to retained earnings												
6. Others												
IV. Balance at December 31, 2022		1,706,523,000.00				3,625,820,100.48			726,622,057.70		717,417,473.61	6,775,382,631.79

Legal Representative: Chief Accountant: Head of Accounting:

1. COMPANY PROFILE

1.1 Place of registration, organizational form and address of headquarter

Harbin Electric Co., Ltd. (hereinafter referred to as the "Company" or "the Company") was reorganized by the former state-owned enterprise Harbin Electric Group Co., Ltd. (hereinafter referred to as "Harbin Electric Group") and its subsidiaries of the former Harbin Electric Factory, Harbin Boiler Factory and Harbin Steam Turbine Factory, the Company was incorporated in Harbin on October 6, 1994, and was reorganized into a joint stock limited company listed in Hong Kong with the approval of the State System Reform Commission on November 5, 1994.

The total original share capital of the Company was RMB1,189,151,000, of which Harbin Electric Group held RMB720,000,000, accounting for 60.55% of its total share capital, and RMB469,151,000 of H shares were issued overseas, accounting for 39.45% of its total share capital, and were listed and traded on the Hong Kong Stock Exchange on December 16, 1994. According to the resolution of the general meeting of shareholders and the approval of the China Securities Regulatory Commission, and with the approval of the Hong Kong Stock Exchange, the company placed a total of 93.83 million H shares in 2005, of which 85.3 million new shares and 8.53 million state-owned shares were reduced. After the completion of the H-share placing, the share capital of the Company was changed to RMB1,274,451,000. With the resolution of the 2005 Annual General Meeting of Shareholders of the Company and the approval of the China Securities Regulatory Commission Zheng Jian Guo He Zi [2007] No. 6, the Company issued an additional 112.59 million overseas listed foreign shares (H shares) in February 2007, including 102.355 million new shares, and 10.235 million shares were reduced by state-owned shareholders. According to the reply of the State-owned Assets Supervision and Administration Commission of the State Council [2006] No. 1492, the Company transferred 10.235 million shares of state-owned legal persons held by Harbin Electric Power Group to the National Council for Social Security Fund when placing H shares. On March 2, 2007, the Company received an additional share capital of RMB102,355,000.00 from overseas shareholders, and the registered capital and share capital of the Company became RMB1,376,806,000.00. Its state-owned corporate shares were 701,235,000.00 yuan, accounting for 50.93% of the total share capital, and 675,571,000.00 yuan of H shares were issued overseas, accounting for 49.07% of the total share capital. On December 1, 2017, the general meeting of shareholders passed a proposal to issue new domestic shares to Harbin Electric Group, including 329,717,000 new shares. On December 6, 2017, the company received the new share capital of RMB329,717,000.00 paid by Harbin Electric Power Group in currency, and the registered capital and share capital of the company became RMB1,706,523,000.00. Its state-owned corporate shares are 1,030,952,000.00 yuan, accounting for 60.41% of the total share capital, and 675,571,000.00 yuan of H shares are issued overseas, accounting for 39.59% of the total share capital.

1. COMPANY PROFILE (CONTINUED)

1.1 Place of registration, organizational form and address of headquarter (Continued)

On April 12, 2023, the general meeting of shareholders passed a proposal to agree to issue new domestic shares to Harbin Electric Group, including 52,975.30 new shares. On September 20, 2023, the company received an additional share capital of RMB529,753,000.00 paid by Harbin Electric Power Group in currency, and the share capital of the company became RMB2,236,276,000.00. Its state-owned corporate shares were RMB1,560,705,000.00, accounting for 69.79% of the total share capital, and H shares were issued overseas of RMB675,571,000.00, accounting for 30.21% of the total share capital.

The company's business license registration number: 91230100127575573H

Legal representative: Cao Zhi'an

Address: No. 1399, Chuangxin 1st Road, Songbei District, Harbin City.

1.2 Name of business and main business of the enterprise

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

At present, the main business segments are: large-scale thermal power, hydropower, nuclear power and their auxiliary equipment manufacturing, power station project turnkey projects, ship power units and electrical drive devices and other leading product development, design and manufacturing.

1.3 The name of the parent company and the headquarter of the group

The parent company of the Company is Harbin Electric Group Co., Ltd.

1.4 Approval of financial statements

These financial statements were approved by the Board of Directors of the Company on March 28, 2024.

2. BASIS OF PREPARATION FOR THE FINANCIAL STATEMENTS

On the basis of going concern, the Company's subsidiaries are in accordance with the Accounting Standards for Business Enterprises – Basic Standards and specific Accounting Standards for Business Enterprises, the Guidelines for the Application of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereinafter collectively referred to as the "Current Accounting Standards for Business Enterprises") issued by the Ministry of Finance, as well as the Rules for the Preparation of Information Disclosure of Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting issued by the China Securities Regulatory Commission and the Hong Kong Stock Exchange's Preparation of financial statements under the disclosure requirements of the Rules Governing the Listing of Securities and the Hong Kong Companies Ordinance.

As at 31 December 2023, the Company's current assets exceeded its current liabilities by approximately RMB7,757,215,595.31. The Company meets its day-to-day working capital needs through cash flow generated from operating activities and available financing facilities from banks and other financial institutions. The Directors of the Company consider the following sources of funds available to the Company:

The expected net cash inflows from the Company's operating activities, based on the Company's credit history, may provide access to other available sources of financing from banks and other financial institutions.

The Directors of the Company believe that the Company has sufficient resources and is in a position to meet its liabilities as they fall due and to continue to operate for a foreseeable future period of not less than 12 months after the end of this reporting period. Accordingly, the Directors of the Company consider it appropriate to prepare these consolidated financial statements on a going concern basis.

3. STATEMENT OF COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

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

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

4.1 Accounting period

The accounting year is from January 1 to December 31 in calendar year.

4.2 The basic currency of accounting

The Company adopts RMB as the base currency of accounting.

4.3 Accounting basis and valuation principle

The Company uses the accrual basis as the basis for accounting. The Company generally uses historical cost when measuring the accounting elements, and the Company will make special explanations for the measurement of other attributes such as replacement cost, net realizable value, present value or fair value in accordance with the provisions of the Standards.

4.4 Accounting treatment of business combination under the same control and not under the same control

4.4.1 The terms, conditions and economic impact of various transactions in the process of enterprise merger are in line with one or more of the following conditions step by step, and multiple transactions are treated as a package transaction for accounting treatment

(1) These transactions are concluded at the same time or under the condition of considering each other's influence;

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.4 Accounting treatment of business combination under the same control and not under the same control (Continued)

4.4.2 Business combination under common control

For assets and liabilities obtained through business combination by the combining party, they are measured at the book value of the assets and liabilities (including the goodwill formed by the acquisition of the combined party by the ultimate controller) in the consolidated financial statements of the ultimate controller on the combination date. The stock premium in capital reserves is adjusted according to the difference between the book value of net assets acquired through combination and the book value of consideration paid for the combination (or total par value of shares issued). If the stock premium in capital reserves is insufficient to cover the difference, the remaining amount will be charged against retained earnings.

If there is contingent consideration and it is necessary to confirm the estimated liabilities or assets, the difference between the estimated liabilities or assets amount and the subsequent contingent consideration settlement amount, adjust the capital reserve (capital premium or equity premium), and if the capital reserve is insufficient, adjust the retained earnings.

If the enterprise merger is finally realized through multiple transactions, which belongs to a package transaction, each transaction will be treated as a transaction to obtain control rights; If it is not a package transaction, the difference between the initial investment cost of the long-term equity investment and the book value of the long-term equity investment before the merger plus the book value of the new share payment consideration on the merger date will be adjusted to the capital reserve; If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. For the equity investment held before the merger date, other comprehensive income confirmed by adopting the equity method accounting or financial instrument confirmation and measurement standard accounting will not be accounted for temporarily until the investment is disposed of on the same basis as the invested unit directly disposing of related assets or liabilities; Other changes in owner's equity except net profit and loss, other comprehensive income and profit distribution in the net assets of the investee confirmed by the equity method will not be accounted for temporarily until the investment is transferred to the current profits and losses when it is disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.4 Accounting treatment of business combination under the same control and not under the same control (Continued)

4.4.3 Business combination not under common control

The purchase date refers to the date when the company actually obtains the control right over the purchased party, that is, the date when the net assets of the purchased party or the control right of production and operation decisions are transferred to the company. At the same time, when the following conditions are met, the company generally believes that the transfer of control rights has been realized:

(1) the business combination contract or agreement has been approved by the internal authority of the company.

(2) If the merger of enterprises needs to be examined and approved by the relevant competent department of the state, it has been approved.

(3) The necessary formalities for transferring property rights have been handled.

(4) The Company has paid most of the consolidated price, and has the ability and plan to pay the remaining amount.

(5) The Company has actually controlled the financial and business policies of the purchased party, and enjoyed corresponding benefits and assumed corresponding risks.

The acquirer, on the acquisition date, measures the assets surrendered and liabilities incurred or assumed for a business combination at their fair values. The difference between the fair value and their book value are included in the current profit or loss.

The Company recognizes the difference of the combination costs in excess of the fair value of the identifiable net assets acquired from the acquiree as goodwill. The Company includes the difference of the combination costs in short of the fair value of the identifiable net assets acquired from the acquiree in the current profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.4 Accounting treatment of business combination under the same control and not under the same control (Continued)

4.4.3 Business combination not under common control (Continued)

If the business combination under different control realized step by step through multiple exchange transactions is a package transaction, each transaction will be treated as a transaction to obtain control rights; If the equity investment held before the merger date is accounted by equity method, the sum of the book value of the equity investment held before the purchase date and the new investment cost on the purchase date shall be taken as the initial investment cost of the investment; Other comprehensive income recognized by the equity investment held before the purchase date due to accounting by the equity method shall be accounted for on the same basis as the investee's direct disposal of related assets or liabilities. If the equity investment held before the merger date is accounted by the financial instrument recognition and measurement standards, the sum of the fair value of the equity investment on the merger date plus the new investment cost shall be taken as the initial investment cost on the merger date. The difference between the fair value and book value of the original held equity and the change of accumulated fair value originally included in other comprehensive income shall be transferred to the current investment income on the merger date.

4.4.4 The related fees incurred for combination

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

4.4.5 Scope of consolidation

The scope of consolidation for the consolidated financial statements of the Company is determined based on control, including the Company and all its subsidiaries.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.4 Accounting treatment of business combination under the same control and non-business combination under the same control (Continued)

4.4.6 Procedures for consolidation

The Company prepares the consolidated financial statements based on financial statements of itself and its subsidiaries and according to other relevant information. Upon the preparation of consolidated financial statements, the Company shall take the enterprise group as a whole accounting entity, and reflects the overall financial position, operating results and cash flows of the enterprise group in accordance with relevant requirements for recognition, measurement and presentation as stated in the Accounting Standards for Business Enterprises as well as uniform accounting policies.

All the subsidiaries within the scope of consolidation for the consolidated financial statements adopt the same accounting policies and accounting periods as those of the Company. If the accounting policies or accounting periods of a subsidiary are different from those of the Company, the consolidated financial statements of the subsidiary, upon preparation, will be adjusted according to the accounting policies and accounting periods of the Company.

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

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

For subsidiaries acquired through a business combination not under the same control, their financial statements are adjusted on the basis of the fair value of the identifiable net assets on the purchase date.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.4 Accounting treatment of business combination under the same control and not under the same control (Continued)

4.4.6 Procedures for consolidation (Continued)

(1) Increase of subsidiaries or business

During the reporting period, where the Company acquired subsidiaries or business from the business combination under common control, the beginning balance in the consolidated balance sheet is adjusted; the revenue, expenses and profits of the newly acquired subsidiaries or business from the beginning of the period for business combination to the end of the reporting period are included in the consolidated income statement; the cash flows of the same for the aforesaid period are included in the consolidated statement of cash flows. Relevant items in the comparative financial statements of the subsidiaries are adjusted accordingly, as if the reporting entity after the business combination exists as of the time when the ultimate controller has the control.

Where control can be exercised on the investee under common control for additional investment or other reasons, adjustment is made as if all parties involved in the combination exist at the beginning of the control by the ultimate controller. Equity investments held before the control over the combined party is obtained, the related profits or losses, other comprehensive income as well as other changes in net assets recognized from the later between the date when the original equity is obtained and the date when the acquirer and the acquiree are under common control to the combination date will respectively write down the beginning retained earnings or the current profit or loss during the period for comparing financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.4 Accounting treatment of business combination under the same control and not under the same control (Continued)

4.4.6 Procedures for consolidation (Continued)

(1) Increase of subsidiaries or business (Continued)

During the reporting period, if the Company acquired subsidiaries or business from the business combination not under common control, the beginning balance in the consolidated balance sheet will not be adjusted. The revenue, expenses and profits of the newly acquired subsidiaries or business from the acquisition date to the end of the reporting period will be included in the consolidated income statement; the cash flows of the same for the aforesaid period will be included in the consolidated statement of cash flows.

Where the Company can control the investee not under common control for additional investments, it shall re-measure equity of the acquiree held before the acquisition date at the fair value of such equity on the acquisition date and include the difference between the fair value and book value in the current investment income. Where equity of the acquiree held before the acquisition date involves in other comprehensive income accounted for under equity method and other changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution, the relevant other comprehensive income and other changes in owners' equity shall be transferred to the investment income in the year which the acquisition date falls in, except for other comprehensive income from changes arising from re-measurement of net liabilities or net assets of defined benefit plan by the investee.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.4 Accounting treatment of business combination under the same control and not under the same control (Continued)

4.4.6 Procedures for consolidation (Continued)

(2) Disposal of subsidiaries or business

1) General treatment methods

During the reporting period, where the Company disposes a subsidiary or business, the revenues, expenses and profits of the subsidiary or business from the beginning period to the disposal date shall be included in the consolidated cash flow statement; cash flows of the subsidiary or the business from the beginning period to the disposal date shall be included in the consolidated cash flow statement.

When the Company losses the control over the investee due to disposal of partial equity investment or other reasons, the remaining equity investment after the disposal shall be remeasured by the Company at its fair value on the date of loss of the control. The difference of total amount of the consideration from disposal of equities plus the fair value of the remaining equities less the shares calculated at the original shareholding ratio in net assets and goodwill of the original subsidiary which are continuously calculated as of the acquisition date or combination date shall be included in the investment income of the period at the loss of control. Other comprehensive incomes associated with the equity investments of the original subsidiary, or the changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution, shall be transferred into investment income of the period when control is lost, except for other comprehensive income from the change in net liability or net asset due to the investor's re-measurement of defined benefit plan.

Where the Company loses the control due to the decline in its proportion of shareholding caused by the increase of investment in subsidiaries by other investors, accounting treatment should be conducted according to the above principles.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.4 Accounting treatment of business combination under the same control and not under the same control (Continued)

4.4.6 Procedures for consolidation (Continued)

(2) Disposal of subsidiaries or business (Continued)

2) Disposal of subsidiaries by stages

If the control is lost due to disposal of the equities in subsidiaries through multiple transactions by stages, and the terms, conditions and economic impact of the transactions related to the enterprise's disposal of its investment in the subsidiaries meet one or more of the following circumstances, it usually indicates that multiple transactions should be included in a package deal and subject to accounting processing as below:

i. The transactions are concluded at the same time or under the consideration of mutual effect;

ii. These transactions as a whole can reach a complete business result;

iii. The occurrence of a transaction depends on that of at least one other transactions; and/or

iv. A single transaction is uneconomical but it is economical when considered together with other transactions.

Where various transactions of disposal of equity investments in subsidiaries until loss of the control belong to a package deal, accounting treatment shall be made by the Company on the transactions as a transaction to dispose subsidiaries and lose the control; however, the difference between each disposal cost and net asset share in the subsidiaries corresponding to each disposal of investments before loss of the control should be recognized as other comprehensive income in the consolidated financial statements and should be transferred into the current profit or loss at the loss of the control.

Where various transactions of disposal of equity investments in subsidiaries until loss of the control do not belong to a package deal, before the loss of the control, accounting treatment shall be made according to the relevant policies for partial disposal of equity investments in the subsidiary without losing control; at the loss of the control, accounting treatment shall be made according to general treatment methods for disposal of subsidiaries.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.4 Accounting treatment of business combination under the same control and not under the same control (Continued)

4.4.6 Procedures for consolidation (Continued)

(3) Purchase of minority equity of subsidiaries

The share premium in the capital reserves under the consolidated balance sheet will be adjusted at the difference between the long-term equity investment acquired by the Company for the purchase of minority interest and the share of net assets calculated constantly from the acquisition date (or combination date) according to the newly increased shareholding ratio. Where the share premium is insufficient to offset, retained earnings will be adjusted.

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

The equity premium of capital reserves in the consolidated balance sheet will be adjusted according to the difference between the disposal price obtained for partial disposal of long-term equity investments in subsidiaries in the case of not lose control and the share of net assets of subsidiaries calculated from the acquisition date or the combination date corresponding to the disposal of long-term equity investments; if the equity premium of capital reserves is insufficient, the retained earnings will be adjusted.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.5 Classification and accounting treatment of joint venture arrangement

4.5.1 Classification of joint venture arrangements

Joint venture arrangements are classified into joint operation and joint venture according to factors such as the structure and legal form of the joint venture arrangement, the terms agreed in the joint venture arrangement, other relevant facts and circumstances.

Joint venture arrangements not reached through separate entities are classified as joint operations; Joint venture arrangements entered into through separate entities are usually classified as joint ventures; However, if there is conclusive evidence that any of the following conditions are met and that the joint venture arrangement meets the requirements of relevant laws and regulations, it is classified as a joint operation:

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

(2) The contractual terms of the joint venture arrangement stipulate that the joint venture party has rights and obligations to the relevant assets and liabilities in the arrangement.

(3) Other relevant facts and circumstances show that the joint venture party has rights and obligations in respect of the relevant assets and liabilities in the arrangement, such as the joint venture enjoys substantially all the outputs associated with the joint arrangement and the settlement of the liabilities under the arrangement continues to depend on the support of the joint venture party.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.5 Classification and accounting treatment of joint venture arrangement (Continued)

4.5.2 Accounting treatment of joint venture arrangements (Continued)

The Company recognizes the following items related to its share of benefits in the joint operation and conduct accounting treatment in accordance with relevant accounting standards for business enterprises:

(1) Assets it solely holds and its share of jointly-held assets based on its percentage;

(2) Liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage;

(3) Revenues from sale of output enjoyed by it from the joint operation;

(4) Revenues from sale of output from the joint operation based on its percentage; and

(5) Separate costs and costs for the joint operation based on its percentage.

If the Company invests in or sells assets, etc. to a joint operation (except where such assets constitute a business), only the portion of the profit or loss arising from the transaction is recognized as attributable to other participants in the joint operation before the asset, etc. is sold by the joint operation to a third party. If an asset sold or sold has an asset impairment loss that complies with the provisions of Accounting Standard for Business Enterprises No. 8 – Asset Impairment, etc., the Company recognizes the loss in full.

The Company purchases assets, etc. (other than those in which such assets constitute business) from joint operations, and recognizes only the portion of the profits and losses arising from the transaction attributable to other participants in the joint operation before selling such assets, etc. to a third party. If an asset is subject to an impairment loss in accordance with the provisions of Accounting Standard for Business Enterprises No. 8 – Asset Impairment, etc., the Company recognizes such part of the loss according to the share it bears.

The Company does not enjoy joint control over the joint operation, and if the Company owns the relevant assets of the joint operation and bears the liabilities related to the joint operation, the accounting treatment shall still be carried out in accordance with the above principles, otherwise, the accounting treatment shall be carried out in accordance with the provisions of the relevant accounting standards for enterprises.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.6 Recognition criteria of cash and cash equivalents

For the purpose of preparing the statement of cash flows, the term "cash" refers to the cash on hand and the unrestricted deposit of the Company. The term "cash equivalents" refers to short-term (maturing within three months from the date of acquisition) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

4.7 Foreign currency translation and translation of foreign currency statements

4.7.1 Foreign currency transaction

Foreign currency transactions are translated into RMB for recording purpose at the spot exchange rate prevailing on the transaction date.

The balance of foreign currency items on the balance sheet date are measured at the spot exchange rate on the balance sheet date. The exchange difference arising therefrom shall be included in the current profit or loss, while other exchange difference arising from the special borrowings of foreign currency related to the acquired and constructed assets qualified to capitalization shall be dealt with according to the principle of borrowing capitalization. Foreign currency non-monetary items measured at historical cost are still translated using the spot exchange rate on the date of the transaction, without changing their basic currency amount.

Foreign currency non-monetary items measured at fair value are translated using the spot exchange rate on the fair value determination date, and the difference between the converted base currency amount and the original accounting currency amount is treated as a change in fair value (including exchange rate changes) and recognized as profit or loss for the period or recognized as other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.7 Foreign currency translation and translation of foreign currency statements (Continued)

4.7.2 Translation of foreign currency statements

Assets and liabilities in the balance sheet are translated using the spot exchange rate at the balance sheet date; Owner's equity items, except for the "Undistributed Profit" item, are translated using the spot exchange rate at the time of incurrence. The income and expense items in the income statement are translated using the spot exchange rate on the date of the transaction. The difference in the translation of the foreign currency financial statements resulting from the above translation is recognized in other comprehensive income.

When disposing of an overseas operation, the difference in the translation of the foreign currency financial statements related to the overseas operation shown in other comprehensive income items in the balance sheet is transferred from other comprehensive income items to the profit or loss of the current period of disposal; When the proportion of equity interests held in overseas operations decreases due to the disposal of part of the equity investment or other reasons, but the control of the overseas operations is not lost, the difference in the translation of foreign currency statements related to the disposal part of the overseas operations will be attributed to the minority shareholders' interests and will not be transferred to the profit or loss of the current period. When disposing of part of the equity interests of an overseas operation as an associate or joint venture, the difference in the translation of foreign currency statements related to the overseas operation shall be transferred to the profit or loss of the current period of disposal according to the proportion of the disposal of the overseas operation.

4.8 Financial instruments and financial liabilities

4.8.1. Recognition and initial measurement of financial assets and financial liabilities

Financial assets and financial liabilities are recognized in the balance sheet when the Group becomes a party to the contractual terms of the relevant financial instruments. Except for accounts receivable that do not have a significant financing component, financial assets and financial liabilities are measured at fair value at the time of initial recognition. For financial assets or financial liabilities measured at fair value through profit or loss, the relevant transaction costs are directly recognized in the current profit or loss, and for other types of financial assets or financial liabilities, the relevant transaction costs are included in the initial recognition amount. For accounts receivable that do not have a significant financing component, the Group conducts initial measurement at the transaction price determined by the Group in accordance with its accounting policies (see Note "4.(25) Revenue Recognition Principle").

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.8 Financial instruments and financial liabilities (Continued)

4.8.2. Classification and subsequent measurement of financial assets

(1) Classification of financial assets

At the time of initial recognition, the Group classified financial assets into different categories based on the business model under management and the contractual cash flow characteristics of financial assets: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss. Financial assets shall not be reclassified after initial recognition unless the Group changes its business model for managing financial assets, in which case all affected underlying financial assets are reclassified on the first day of the first reporting period following the change in business model.

1) Financial assets measured at amortized cost

The Group classifies financial assets that are not designated as financial assets measured at fair value through profit or loss that meet both the following criteria: the Group's business model for managing the financial asset is based on the objective of receiving contractual cash flows, and the contractual terms of the financial assets stipulate that the cash flows generated on a specific date are only payments to the principal and interest based on the outstanding principal amount.

2) Financial assets at fair value through other comprehensive income

The Group classifies financial assets that are not designated at fair value through profit or loss and are not designated as financial assets at fair value through profit or loss: the Group's business model for managing the financial asset is aimed at both the receipt of contractual cash flows and the sale of the financial asset, and the contractual terms of

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.8 Financial instruments and financial liabilities (Continued)

4.8.2. Classification and subsequent measurement of financial assets (Continued)

(1) Classification of financial assets (Continued)

3) Financial assets at fair value through profit or loss

Except for the above-mentioned financial assets measured at amortized cost and measured at fair value through other comprehensive income, the Group classifies all other financial assets as financial assets measured at fair value through profit or loss. At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Group may irrevocably designate financial assets that should have been measured at amortized cost or measured at fair value through other comprehensive income through profit or loss.

The business model of managing financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the source of cash flow for the financial assets under management of the Group is the receipt of cash flows from contracts, the sale of financial assets or both. The Group determines

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.8 Financial instruments and financial liabilities (Continued)

4.8.2. Classification and subsequent measurement of financial assets (Continued)

(2) Subsequent measurement of financial assets

1) Financial assets measured at fair value through profit or loss

After the initial recognition, the gains or losses (including interest and dividend income) arising from the subsequent measurement of such financial assets at fair value are recognized in profit or loss for the current period, unless the financial assets are part of the hedging relationship.

2) Financial assets measured at amortized cost

After initial recognition, the effective interest rate method is used to measure such financial assets at amortized cost. Gains or losses arising from financial assets measured at amortized cost that are not part of any hedging relationship are recognized in profit or loss for the current period when they are derecognized, amortized under the effective interest method or when impairment is recognized.

3) Financial assets at fair value through other comprehensive income

① Debt investments measured at fair value through other comprehensive income

After the initial recognition, the financial assets are subsequently measured at fair value. Interest, impairment losses or gains and exchange gains and losses calculated using the effective interest rate method are recognized in profit or loss for the current period, and other gains or losses are included in other comprehensive income. When the recognition is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and included in the profit or loss for the current period.

② Investments in equity instruments at fair value through other comprehensive income

After the initial recognition, the financial assets are subsequently measured at fair value. Dividend income is included in profit or loss, and other gains or losses are included in other comprehensive income. When the recognition is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in retained earnings.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.8 Financial instruments and financial liabilities (Continued)

4.8.3. Classification and subsequent measurement of financial liabilities

The Group classifies financial liabilities into financial liabilities at fair value through profit or loss, financial guarantee contract liabilities and other financial liabilities.

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

This category of financial liabilities includes trading financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated as measured at fair value through profit or loss. After the initial recognition, the subsequent measurement of such financial liabilities at fair value is recognizable, and the gains or losses (including interest expense) arising are recognized in profit or loss for the current period, except in relation to hedge accounting.

At the time of initial recognition, in order to provide more relevant accounting information, the Group may designate financial liabilities as financial liabilities measured at fair value through profit or loss, provided that the designation satisfies one of the following conditions:

① Ability to eliminate or significantly reduce accounting mismatches;

② Conduct management and performance evaluation of the financial liability portfolio or financial assets and financial liability portfolio on the basis of fair value in accordance with the enterprise risk management or investment strategy set out in the formal written documents, and report to key management personnel on this basis within the enterprise. Once the designation has been made, it cannot be revoked.

After the initial recognition, the financial liabilities measured at fair value through profit or loss are subsequently measured at fair value, and the gains or losses (including interest expense) arising are recognized in profit or loss for the current period, except in relation to hedge accounting. For financial liabilities designated as measured at fair value through profit or loss, the change in fair value caused by changes in the Group's credit risk is included in other comprehensive income. When the relevant liabilities are derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and included in retained earnings.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.8 Financial instruments and financial liabilities (Continued)

4.8.3. Classification and subsequent measurement of financial liabilities (Continued)

(2) Financial guarantee contract liabilities

A financial guarantee contract refers to a contract that requires the Group to pay a specific amount to the contract holder who has suffered losses when the specific debtor is unable to repay the debt in accordance with the terms of the original or modified debt instrument when it is due. The liabilities of the financial guarantee contract are subsequently measured according to the amount of the loss provision determined in accordance with the principle of impairment of financial instruments and the balance of the initial recognition amount after deducting the accumulated amortization, whichever is higher.

(3) Other financial liabilities

After initial recognition, other financial liabilities are measured at amortized cost using the effective interest rate method.

4.8.4. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset against each other. However, if the following conditions are met at the same time, the net amount after offsetting is shown in the balance sheet:

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

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

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.8 Financial instruments and financial liabilities (Continued)

4.8.5. Derecognition of financial assets and financial liabilities

When one of the following conditions is satisfied, the Group will terminate the recognition of the financial asset:

(1) Termination of the contractual right to receive the cash flows of the financial asset;

(2) the financial assets have been transferred, and the Group has transferred substantially all of the risks and rewards of the ownership of the financial assets to the transferee;

(3) The financial asset has been transferred, and although the Group has neither transferred nor retained substantially all of the risks and rewards in the ownership of the financial asset, it has not retained control of the financial asset.

If the transfer of financial assets as a whole satisfies the conditions for derecognition, the Group shall include the difference between the following two amounts in profit or loss for the current period:

(1) the carrying amount of the transferred financial asset on the date of derecognition;

(2) The sum of the consideration received for the transfer of financial assets and the amount corresponding to the derecognition of the cumulative amount of fair value changes originally directly included in other comprehensive income (the financial assets involved in the transfer are debt investments measured at fair value through other comprehensive income). If the current obligation of a financial liability (or part thereof) has been discharged, the Group shall de-recognize the financial liability (or part thereof).

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.8 Financial instruments and financial liabilities (Continued)

4.8.6. Impairment of financial assets

Based on expected credit losses, the Group carries out impairment accounting treatment and recognises loss provisions for financial assets measured at amortized cost, debt investments and lease receivables measured at fair value through other comprehensive income:

The expected credit loss model is not applicable to other financial assets at fair value held by the Group, including debt investments or investments in equity instruments measured at fair value through profit or loss, investments in equity instruments designated at fair value through other comprehensive income, and derivative financial assets.

(1) Measurement of expected credit losses

Expected credit loss refers to the weighted average of credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable under contracts and all cash flows expected to be received by the Group discounted at the original effective interest rate, i.e. the present value of all cash shortfalls.

In measuring expected credit losses, the Group is required to consider the maximum contract period for which the enterprise is exposed to credit risk (including considering the renewal option).

Expected credit loss over the entire duration refers to the expected credit loss due to all possible default events that may occur throughout the expected duration of a financial instrument.

Expected credit losses in the next 12 months are expected credit losses that may occur as a result of an event of default on a financial instrument that may occur within 12 months after the balance sheet date (or the expected duration of the financial instrument if the expected duration of the financial instrument is less than 12 months), and is part of the expected credit loss for the entire duration.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.8 Financial instruments and financial liabilities (Continued)

4.8.6. Impairment of financial assets (Continued)

(1) Measurement of expected credit losses (Continued)

For receivables, the Group has always measured its loss allowance at an amount equivalent to the expected credit losses throughout the duration. The Group's ECLs for the above-mentioned financial assets are calculated using a provision matrix based on historical credit

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.8 Financial instruments and financial liabilities (Continued)

4.8.6. Impairment of financial assets (Continued)

(1) Measurement of expected credit losses (Continued)

2) Significant increase in credit risk

The Group determines the relative change in the risk of default of a financial instrument during its expected duration by comparing the risk of default on the balance sheet date with the risk of default occurring on the initial recognition date to assess whether the credit risk of a financial instrument has increased significantly since the initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Group considers reasonable and evidence-based information, including forward-looking information, that is available without undue additional cost or effort. The information considered by the Group includes:

① The debtor fails to pay the principal and interest on the due date of the contract;

② a significant deterioration in the external or internal credit rating, if any, of the financial instrument that has occurred or is anticipated;

③ a serious deterioration in the debtor's operating results that has occurred or is expected;

④ existing or anticipated changes in the technical, market, economic or legal environment that will have a material adverse effect on the debtor's ability to repay the Group.

Depending on the nature of the financial instruments, the Group assesses whether there is a significant increase in credit risk on the basis of individual financial instruments or a combination of financial instruments. When assessing on the basis of a portfolio of financial instruments, the Group may classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings. The Group believes that the financial assets are in default when the borrower is unlikely to pay the amount it owes to the Group in full, and this assessment does not take into account recourse actions by the Group, such as realising the collateral (if held).

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.8 Financial instruments and financial liabilities (Continued)

4.8.6. Impairment of financial assets (Continued)

(1) Measurement of expected credit losses (Continued)

3) Financial assets that have been subject to credit impairment

At the balance sheet date, the Group assesses whether there has been credit impairment in financial assets measured at amortized cost and debt investments at fair value through other comprehensive income. When one or more events occur that adversely affect the expected future cash flows of a financial asset, the financial asset becomes a financial asset that has undergone credit impairment. Evidence that a financial asset has been impaired in credit includes the following observable information:

① The issuer or the debtor has major financial difficulties;

② the debtor breaches the contract, such as default or overdue payment of interest or principal;

③ the creditor gives the debtor a concession that the debtor would not have made under any other circumstances, for reasons of economic or contractual considerations relating to the debtor's financial difficulties;

④ the debtor is likely to go bankrupt or undergo other financial restructuring;

⑤ The financial difficulties of the issuer or the debtor cause the disappearance of the active market for the financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.8 Financial instruments and financial liabilities (Continued)

4.8.7. Distinction between financial liabilities and equity instruments and related treatments

The Group distinguishes between financial liabilities and equity instruments based on the following principles: (1) if the Group cannot unconditionally refrain from delivering cash or other financial assets to meet a contractual obligation, the contractual obligation meets the definition of a financial liability. Some financial instruments, while not explicitly containing terms and conditions for the delivery of cash or other financial assets, may indirectly create contractual obligations through other terms and conditions. (2) If a financial instrument is to be settled or can be settled with the Group's own equity instruments, consideration should be given to whether the Group's own equity instruments used to settle the instruments are used as a substitute for cash or other financial assets, or to enable the holder of the instrument to enjoy a residual interest in the assets of the issuer after deducting all liabilities. In the case of the former, the instrument is a financial liability of the issuer, and in the case of the latter, the instrument is an equity instrument of the issuer. In certain circumstances, a financial instrument contract provides that the Group is required to settle or may settle the financial instrument with its own equity instruments, where the amount of the contractual rights or obligations is equal to the number of its own equity instruments available for acquisition or delivery multiplied by its fair value at settlement, regardless of whether the amount of the contractual rights or obligations is fixed or based wholly or partly on variables other than the market price of the Group's own equity instruments (e.g. interest rates, The price of a commodity or the price of a financial instrument) is classified as a financial liability.

In classifying financial instruments (or their components) in the consolidated financial statements, the Group takes into account all terms and conditions entered into between members of the Group and holders of financial instruments. If the group as a whole assumes an obligation as a result of the instrument to deliver cash, other financial assets or settle in other ways that cause the instrument to become a financial liability, the instrument should be classified as a financial liability.

Where financial instruments or their components are financial liabilities, the relevant interest, dividends (or dividends), gains or losses, as well as gains or losses arising from redemption or refinancing, are included in the Group's profit or loss for the current period.

If a financial instrument or its component is an equity instrument, the issuance (including refinancing), repurchase, sale or cancellation of the financial instrument shall be treated as a change in equity and the fair value change of the equity instrument shall not be recognized.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.9 Accounts receivable

Receivables include notes receivable, accounts receivable, other receivables, etc. The accounts receivable arising from the Company's external sales of goods or the provision of labor services shall be initially recognized at the fair value of the contract or agreement price receivable from the purchaser. Receivables are presented using the effective interest method on a net basis of amortized cost less provision for bad debts.

(1) Accounts receivable

The Company's method of determining the expected credit loss of accounts receivable and accounting treatment are detailed in Note 4/(10) 6. Impairment of Financial Instruments.

The Company separately determines the credit loss of accounts receivable that have sufficient evidence to assess the expected credit loss at a reasonable cost at the level of a single instrument.

When sufficient evidence of expected credit loss cannot be assessed at a reasonable cost at the level of a single instrument, the Company divides the accounts receivable into analysis portfolios based on the credit risk characteristics with reference to historical credit loss experience, combined with the current situation and judgment of future economic conditions, and calculates the expected credit loss on the basis of the portfolio.

The Company has combined the accounts receivable with similar credit risk characteristics (aging) and based on all reasonable and evidence-based information, including forward-looking information, estimates the proportion of the provision for bad debts of the accounts receivable as follows:

Aging	Proportion of provision (%)
Within 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

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.10 In en o ie

4.10.1 *Classification of inventories*

Inventories can be classified into raw materials, self-manufactured semi-finished products and goods in process, self-manufactured semi-finished products, stock commodities (finished products), materials for consigned processing, revolving materials and contract performance cost, etc.

4.10.2. *Valuation method of inventory*

Inventories are initially measured at cost when acquired, including procurement costs, processing costs, and other costs. When the inventory is issued, it is valued in the following two ways.

(1) Actual costing, which is valued on the weighted average method at the time of inventory issuance.

(2) Accounting according to planned costing, the difference between the planned cost and the actual cost is accounted for through the cost difference account, and the cost difference that should be borne by the issued inventory is carried forward on time, and the planned cost is adjusted to the actual cost.

4.10.3. *Inventory system*

Perpetual inventory system is adopted.

4.10.4. *Amortization method for low-value consumables and packaging*

(1) Low-value consumables adopt the one-time resale method;

(2) The packaging adopts the one-time resale method.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.10 Inventories (Continued)

4.10.5. The basis for determining the net realizable value of inventories and the method of accrual of provisions for inventory declines

After a comprehensive inventory of inventories is carried out at the end of the period, the provision for inventory decline is withdrawn or adjusted according to the lower of the cost of inventories and the net realizable value. In the ordinary course of production and operation, the net realizable value of the inventory of finished products, inventory commodities and materials used for sale directly used for sale shall be determined by the estimated selling price of the inventory minus the estimated selling expenses and relevant taxes and fees; The net realizable value of the inventory held for the execution of the sales contract or the service contract shall be calculated on the basis of the contract price, and if the quantity of the inventory held exceeds the quantity ordered under the sales contract, the net realizable value of the excess inventory shall be calculated on the basis of the general sales price.

At the end of the period, the provision for inventory decline is made according to a single inventory item, but for inventory with a large quantity and low unit price, the provision for inventory decline is made according to the inventory category, and for inventory related to the product series produced and sold in the same region, with the same or similar end use or purpose, and it is difficult to measure separately from other items, the provision for inventory decline is provided for together.

If the influencing factors of the previous write-down of the value of the inventory have disappeared, the amount of the write-down shall be restored and reversed within the amount of the original provision for the decline in the value of the inventory, and the amount reversed shall be included in the profit or loss for the current period.

4.11 Contract assets

If the Company has transferred the goods to the customer and is entitled to receive the consideration, and such right depends on factors other than the passage of time, it is recognized as a contract asset. The Company's unconditional (i.e., only subject to the passage of time) right to collect consideration from the Client is presented separately as a receivable.

The Company's method of determining the expected credit loss of contract assets and accounting treatment are detailed in Note (9) 6. Impairment of Financial Instruments.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.12 Long-term investment

4.12.1 Recognition of initial investment cost

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.12 Long-term equity investment (Continued)

4.12.2 *Subsequent measurement and recognition of profits or losses*

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

Long-term equity investments of the Company in its subsidiaries are accounted for by the cost method.

Except for the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration which have been declared but not yet distributed, the Company recognizes the current investment income based on the cash dividends or profits enjoyed by the Company and declared to be distributed by the investee.

(2) Long-term equity investment accounted for by the equity method

Long-term equity investment in joint ventures and joint ventures shall be accounted for by the equity method. For some of the equity investments of joint ventures indirectly held by venture capital institutions, mutual funds, trust companies or similar entities including investment-linked insurance funds, fair value measurement is adopted and the changes are included in profit or loss.

When the initial investment cost is greater than the investment, the difference of the fair value share of the identifiable net assets of the invested entity shall be obtained, and the initial investment cost of long-term equity investment shall not be adjusted; When the initial investment cost is less than the investment, the difference of the fair value share of the identifiable net assets of the invested entity shall be obtained and recorded into the current profit and loss.

The company shall recognize the investment income and other comprehensive income respectively according to the share of net profit and loss and other comprehensive income that should be realized by the invested company, and adjust the book value of long-term equity investment at the same time; The reduction in the book value of long-term equity investments based on the portion of the profits or cash dividends declared to be distributed by the invested entity; The book value of the long-term equity investment shall be adjusted and included in the owner's equity for other changes in the owner's equity except the net profit and loss, other comprehensive income and profit distribution of the invested entity.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.12 Long-term equity investment (Continued)

4.12.2 *Subsequent measurement and recognition of profits or losses (Continued)*

(2) Long-term equity investment accounted for by the equity method (Continued)

When recognizing the share of the net profit and loss of the investee, the fair value of the identifiable net assets of the investee at the time of investment shall be taken as the basis, and the net profit of the investee shall be confirmed after adjustment according to the company's accounting policies and accounting period. During the period of holding the investment, if the invested entity prepares the consolidated financial statements, the accounting shall be conducted on the basis of the net profit, other comprehensive income and other changes in owners' equity attributable to the invested entity.

The profits and losses of unrealized internal transactions between the company, its associated enterprises and joint ventures shall be calculated in accordance with the proportion to which they shall be entitled, the part attributable to the company shall be offset, and the investment gains shall be recognized on this basis. The unrealized internal transaction loss incurred with the invested company, which belongs to the loss of asset impairment shall be fully recognized.

In case of any transaction between the company and its associated enterprises or joint ventures in which assets are invested or sold and the assets constitute businesses, the accounting treatment shall be conducted in accordance with the relevant policies. When the company confirms that it shall share the losses of the invested company, it shall deal with the losses in the following order: First, write off the book value of long-term equity investments. Secondly, if the book value of long-term equity investment is insufficient to be written off, the investment loss shall be continuously recognized within the book value of long-term equity and write off the book value of long-term accounts receivable. Finally, after above treatments, if the enterprise still bears additional obligations in accordance with the investment contract or agreement, the estimated liabilities shall be recognized according to the expected obligations and recorded into the current investment loss.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.12 Long-term investment (Continued)

4.12.3 *Determine the basis for control, joint control, and significant impact on the investee*

If the Company has the power over the investee, enjoys variable returns by participating in the related activities of the investee, and has the ability to use the power over the investee to influence its return amount, it is deemed that the Company controls the investee.

If the Company collectively controls an arrangement with other participants in accordance with the relevant agreement, and the activity decisions that have a significant impact on the return of the arrangement exist only after the unanimous consent of the participants sharing the control rights, it is deemed that the Company and other participants jointly control an arrangement, which is a joint venture arrangement.

If the joint venture arrangement is reached through a separate entity, if it is judged according to the relevant agreement that the Company has rights to the net assets of the separate entity, the separate entity shall be regarded as a joint venture, and the equity method shall be adopted for accounting. If it is judged according to the relevant agreement that the company does not have the right to the net assets of the separate entity, the separate entity shall operate as a joint operation, and the company shall confirm the items related to the share of the joint operation interests and carry out accounting treatment according to the relevant accounting standards for enterprises.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not the power to control, or jointly control, the formulation of such policies with other parties. After one or more of the following situations and considering all facts and circumstances, the company judges that it has a significant impact on the invested unit: (1) it has representatives on the board of directors or similar authorities of the invested unit; (2) Participate in the financial and business policy formulation process of the invested unit; (3) Important transactions with the investee; (4) Send management personnel to the invested unit; (5) Provide key technical data to the investee.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.12 Long-term equity investment (Continued)

4.12.4 *Conversion of accounting methods for long-term equity investment*

(1) Fair value measurement to equity method

If the equity investment the

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.12 Long-term equity investment (Continued)

4.12.4 *Conversion of accounting methods for long-term equity investment (Continued)*

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

If the Company originally held equity investments that do not have control, joint control or significant influence on the investee and are accounted for in accordance with the standards for the recognition and measurement of financial instruments, or the long-term equity investments originally held by the Company in associates or joint ventures, and can exercise control over the investee not under the same control due to additional investment or other reasons, the initial investment cost shall be calculated according to the sum of the carrying amount of the equity investment originally held plus the new investment cost when preparing individual financial statements.

Other comprehensive income recognized by the equity investment held before the acquisition date due to the adoption of the equity method of accounting shall be accounted for on the same basis as the investee's direct disposal of the relevant assets or liabilities when disposing of the investment.

If the equity investment held before the acquisition date is accounted for in accordance with the relevant provisions of Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the accumulated fair value changes originally included in other comprehensive income will be transferred to profit or loss for the current period when the accounting method is changed to the cost method.

(3) Equity method accounting is converted to fair value measurement

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

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

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.12 Long-term equity investments (Continued)

4.12.4 *Conversion of accounting methods for long-term equity investment (Continued)*

(4) Conversion of cost method to equity method

If the Company loses control of the investee due to the disposal of part of the equity investment, if the remaining equity after disposal can exercise joint control or exert significant influence on the investee when preparing individual financial statements, it shall be accounted for according to the equity method instead, and the remaining equity shall be adjusted as if it had been accounted for by the equity method since the acquisition.

(5) Conversion from cost method to fair value measurement

If the Company loses control of the investee due to the disposal of part of the equity investment, etc., and the remaining equity after the disposal cannot exercise joint control or exert significant influence on the investee when preparing individual financial statements, the accounting treatment shall be carried out in accordance with the relevant provisions of the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, and the difference between the fair value and the carrying amount on the date of loss of control shall be recognized in profit or loss for the current period.

4.12.5 *Disposal of long-term equity investments*

For the disposal of long-term equity investment, the difference between its book value and the actual price shall be recorded into the current profit and loss.

For disposal of long-term equity investment, the difference between its book value and the actual purchase price shall be included in the current profits and losses. For long-term equity investment accounted by equity method, when disposing of the investment, it adopts the same basis as the investee's direct disposal of related assets or liabilities, and accounts for the part originally included in other comprehensive income according to the corresponding proportion.

The terms, conditions and economic impact of various transactions for disposal of equity investment in subsidiaries meet one or more of the following conditions, and multiple transactions are treated as package transactions for accounting treatment:

These transactions are concluded at the same time or under the condition of considering each other's influence;

These transactions as a whole can achieve a complete commercial result;

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.12 Long-term investments (Continued)

4.12.5 *Disposal of long-term equity investments (Continued)*

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

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

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

(1) In individual financial statements, the difference between the book value and the actual acquisition price of the disposed equity is included in the current profits and losses. If the remaining equity after disposal can exercise joint control or exert significant influence on the invested unit, it shall be accounted for by equity method instead, and the remaining equity shall be regarded as being accounted for by equity method at the time of acquisition for adjustment; If the remaining equity after disposal cannot exercise joint control or exert significant influence on the investee, it shall be accounted for according to the relevant provisions of Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments, and the difference between its fair value and book value on the date of loss of control shall be included in the current profits and losses.

(2) In the consolidated financial statements, for all transactions before the loss of control over subsidiaries, the difference between the disposal price and the disposal of long-term equity investment corresponding to the share of net assets continuously calculated by subsidiaries from the purchase date or the merger date, adjust the capital reserve (equity premium), and adjust the retained earnings if the capital reserve is insufficient to offset; In case of loss of control over subsidiaries, the remaining equity shall be re-measured according to its fair value on the date of loss of control. The sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity, minus the difference between the share of the original subsidiary's net assets continuously calculated from the purchase date calculated according to the original shareholding ratio, is included in the investment income of the current period of loss of control, and the goodwill is offset at the same time. Other comprehensive income related to the original subsidiary's equity investment, etc., will be converted into current investment income when the control right is lost.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.12 Long-term equity investments (Continued)

4.12.5 *Disposal of long-term equity investments (Continued)*

If all transactions involving disposal of equity investment in subsidiaries until loss of control rights belong to a package transaction, all transactions shall be treated as transactions involving disposal of equity investment in subsidiaries and loss of control rights, and relevant accounting treatment shall be carried out by distinguishing individual financial statements from consolidated financial statements:

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

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

4.12.6 *Impairment test method and impairment provision accrual method*

On the balance sheet date, if the book value of the long-term equity investment is larger than the share of the book value of the owner's equity of the investee, the impairment test shall be conducted for the long-term equity investment according to Accounting Standards for Business Enterprises No.8-Asset Impairment. If the recoverable amount is lower than the book value of the long-term equity investment, the impairment reserve shall be accrued. The recoverable amount of a long-term equity investment is determined according to the higher of the net amount of the fair value of a single long-term equity investment minus the disposal expenses and the present value of the estimated future cash flow of the long-term equity investment. When the recoverable amount of long-term equity investment is lower than the book value, the book value of the asset is written down to the recoverable amount, and the written-down amount is recognized as the asset impairment loss, which is included in the current profits and losses, and the corresponding asset impairment reserve is accrued at the same time.

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

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.14 Fixed assets

4.14.1 *Recognition criteria of fixed assets*

Fixed assets refer to the tangible assets held for the purpose of producing commodities, providing services, renting or business management with useful lives exceeding one accounting year. Fixed assets are recognized when they simultaneously meet the following conditions:

(1) It is probable that the economic benefits relating to the fixed assets will flow into the Company;

(2) The costs of the fixed assets can be measured reliably.

4.14.2 *Initial measurement of fixed assets*

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

(1) The cost of purchased fixed assets includes the purchase price, import duties and other related taxes and fees, as well as other expenses that can be directly attributed to the fixed assets before they reach the intended usable state.

(2) The cost of self-built fixed assets consists of the necessary expenses incurred before the assets are built to the intended usable state.

(3) The fixed assets invested by investors are recorded at the value agreed in the investment contract or agreement, but if the value agreed in the contract or agreement is unfair, they are recorded at fair value.

(4) If the purchase price of fixed assets exceeds the normal credit conditions and the payment is delayed, the cost of fixed assets is determined based on the present value of the purchase price. The difference between the actual paid price and the present value of the purchase price shall be included in the current profits and losses within the credit period, except for those that should be capitalized.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.14 Fixed assets (Continued)

4.14.3 *Subsequent measurement and disposal of fixed assets*

(1) Depreciation of fixed assets

Except for the fixed assets that have been fully depreciated and continue to be used, and the land that has been separately priced and recorded, the depreciation of fixed assets shall be accrued by the method of life average or double declining balance, and the depreciation rate shall be determined according to the category of fixed assets, estimated service life and estimated net salvage value rate.

For the fixed assets formed by special reserve expenditure, the special reserve shall be offset according to the cost of forming the fixed assets, and the accumulated depreciation of the same amount shall be confirmed. The fixed assets will not be depreciated in future periods.

According to the nature and usage of fixed assets, the Company determines the service life and estimated net salvage value of fixed assets. At the end of the year, the service life, estimated net salvage value and depreciation method of fixed assets shall be rechecked, and if there is any difference with the original estimate, corresponding adjustments shall be made.

Depreciation life and annual depreciation rate of various fixed assets are as follows:

Type	Depreciation method	Depreciation life *(year)*	Residual value rate *(%)*
Houses and buildings	15－30	3	3.23-6.47
Machinery equipment	7－15	3	6.47-13.86
Transportation equipment	5－6	3	16.17-19.40
Electronic computer	5－10	3	9.70－19.40
Office equipment	5－9	3	10.78-19.40
Other equipment	5－9	3	10.78-19.40

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.14 Fixed assets (Continued)

4.14.3 *Subsequent measurement and disposal of fixed assets (Continued)*

(2) Subsequent expenditure of fixed assets

Subsequent expenditures related to fixed assets shall be included in the cost of fixed assets if they meet the conditions for recognition of fixed assets; Those that do not meet the conditions for recognition of fixed assets are included in the profits and losses of the current period when they occur.

(3) Disposal of fixed assets

When a fixed asset is disposed of, or it is expected that no economic benefits can be generated through use or disposal, the recognition of the fixed asset is terminated. The amount of disposal income from the sale, transfer, scrapping or damage of fixed assets after deducting its book value and related taxes and fees is included in the current profits and losses.

4.14.4 *Impairment test method and provision method for impairment of fixed assets*

At the end of each period, the company judges whether there is any sign of possible impairment of fixed assets.

If there are signs of impairment of fixed assets, the recoverable amount is estimated. The recoverable amount is determined according to the higher of the net amount of the fair value of fixed assets minus disposal expenses and the present value of the estimated future cash flow of fixed assets.

When the recoverable amount of fixed assets is lower than its book value, the book value of fixed assets will be written down to the recoverable amount, and the written-down amount will be recognized as the impairment loss of fixed assets, which will be included in the current profits and losses, and the corresponding provision for impairment of fixed assets will be accrued at the same time.

After the impairment loss of fixed assets is confirmed, the depreciation of the impaired fixed assets will be adjusted accordingly in the future period, so that the book value of the adjusted fixed assets will be shared systematically within the remaining service life of the fixed assets (excluding the estimated net salvage value).

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

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

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.15 Construction in progress

4.15.1 *Categories of construction in progress*

The construction in progress built by our company is priced according to the actual cost, which consists of the necessary expenses incurred before the construction of the asset reaches the intended usable state, including the cost of engineering materials, labor costs, relevant taxes and fees paid, borrowing costs to be capitalized, and indirect expenses to be shared, etc. The construction in progress of our company is accounted by project classification.

4.15.2 *Standards and time points for carrying forward projects under construction into fixed assets*

For a construction project under construction, all expenses incurred before the construction of the asset reaches the intended usable state shall be taken as the recorded value of fixed assets. If the construction in progress has reached the scheduled serviceable condition, but the final accounts have not yet been completed, it will be transferred into fixed assets according to the estimated value according to the project budget, cost or actual project cost from the date of reaching the scheduled serviceable condition, and the depreciation of fixed assets will be accrued according to the Company's fixed assets depreciation policy. After the final accounts are completed, the original provisional valuation value will be adjusted according to the actual cost, but the original accrued depreciation amount will not be adjusted.

4.15.3 *Impairment test method and impairment provision accrual method of construction in progress*

At the end of each period, the Company judges whether there is any sign of possible impairment of the construction in progress.

If there are signs that a construction in progress may be impaired, the enterprise shall estimate its recoverable amount on the basis of a single construction in progress. If it is difficult for an enterprise to estimate the recoverable amount of a single project under construction, the recoverable amount of the asset group shall be determined based on the asset group to which the project under construction belongs. The recoverable amount is determined according to the higher of the net amount of the fair value of the construction in progress minus the disposal expenses and the present value of the estimated future cash flow of the construction in progress.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.15 Construction in progress (Continued)

4.15.3 *Impairment test method and impairment provision accrual method of construction in progress (Continued)*

When the recoverable amount of the construction in progress is lower than its book value, the book value of the construction in progress will be written down to the recoverable amount, and the written-down amount will be recognized as the impairment loss of the construction in progress, which will be included in the current profits and losses, and the corresponding impairment reserve of the construction in progress will be accrued at the same time. Once the impairment loss of construction in progress is confirmed, it will not be reversed in future accounting periods.

4.16 Borrowing costs

4.16.1 *Recognition criteria of capitalization of borrowing costs*

Borrowing costs include the interest of borrowings, the amortization of discount or premium, auxiliary expenses, exchange differences incurred by foreign currency borrowings, etc.

The borrowing costs incurred to the Company and directly attributable to the acquisition and construction or production of assets eligible for capitalization should be capitalized and included in relevant asset costs; other borrowing costs should be recognized as costs based on the amount incurred and be included in the current profit or loss.

Assets eligible for capitalization refer to fixed assets, investment property, inventories and other assets which may reach their intended use or sale status only after long-time acquisition and construction or production activities.

Borrowing costs may be capitalized only when all the following conditions are met at the same time:

(1) Asset disbursements, which include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalization, have already been incurred;

(2) Borrowing costs have already been incurred; and

(3) The acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have been in progress.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.16 Borrowing costs (Continued)

4.16.2 *Capitalization period of borrowing costs*

Capitalization period refers to the period from the commencement of capitalization of borrowing costs to its cessation, excluding the period of capitalization suspension of borrowing costs.

Capitalization of borrowing costs should be ceased when the acquired and constructed or produced assets eligible for capitalization have reached their intended use or sale condition.

When some projects among the acquired and constructed or produced assets eligible for capitalization are completed and can be used separately, the capitalization of borrowing costs of such assets should be ceased.

Where construction for each part of assets purchased, constructed or manufactured has been completed separately but can be used or sold only after the entire assets have been completed, capitalization of borrowing costs should cease at the completion of the entire assets.

4.16.3 *Suspension of capitalization*

If the acquisition, construction or production activities of assets eligible for capitalization are abnormally interrupted and such condition lasts for more than three months, the capitalization of borrowing costs should be suspended; if the interruption is necessary procedures for the acquired, constructed or produced assets eligible for capitalization to reach the working conditions for their intended use or sale, the borrowing costs continue to be capitalized. Borrowing costs incurred during the interruption are recognized as the current profit or loss and continue to be capitalized until the acquisition, construction or production of the assets restarts.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.16 Borrowing costs (Continued)

4.16.4 *Measurement method of capitalization rate and capitalized amounts of borrowing costs*

As for special borrowings borrowed for acquiring and constructing or producing assets eligible for capitalization, borrowing costs of special borrowings actually incurred in the current period less the interest income from undrawn borrowings deposited in the bank or investment income from temporary investment should be recognized as the capitalization amount of borrowing costs.

As for general borrowings used for acquiring and constructing or producing assets eligible for capitalization, the amount of general borrowings to be capitalized should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements exceeding special borrowings by the capitalization rate of used general borrowings. The capitalization rate is calculated by weighted average interest rate of general borrowings.

If the loan has discount or premium, the amount of discount or premium to be amortized in each accounting period shall be determined according to the effective interest rate method, and the amount of interest in each period shall be adjusted.

4.17 Right-of-use assets

Our company initially measures the right to use assets according to the cost, which includes:

1) Initial measurement amount of lease liabilities;

2) The lease payment amount paid on or before the start date of the lease period, if there is a lease incentive, deduct the amount related to the lease incentive already enjoyed;

3) Initial direct expenses incurred by the Company;

4) The Company's estimated costs for dismantling and removing the leased assets, restoring the leased assets' site or restoring the leased assets to the state agreed in the lease terms (excluding the costs incurred for producing inventory).

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.17 Right-to-use assets (Continued)

After the start of the lease term, the Company adopts the cost model to measure the right to use assets subsequently.

If it can be reasonably determined that the ownership of the leased asset is acquired at the expiration of the lease term, the Company shall accrue depreciation within the remaining service life of the leased asset. If it is impossible to reasonably determine that the ownership of the leased asset can be acquired upon the expiration of the lease term, the Company shall accrue depreciation within the shorter period of the lease term and the remaining service life of the leased asset. For the right-to-use assets with provision for impairment, depreciation will be accrued according to the book value after deducting the provision for impairment in the future with reference to the above principles.

4.18 Intangible assets

Intangible assets refer to identifiable non-monetary assets owned or controlled by the company without physical form.

4.18.1 Initial measurement of intangible assets

The costs of externally purchased intangible assets include purchase prices, relevant taxes and surcharges and other directly attributable expenditures incurred to prepare the assets for their intended uses. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of the financing nature, the cost of the intangible asset shall be determined on the basis of the present value of the purchase price.

For intangible assets obtained through debt restructuring that are used by debtors for offsetting debts, its book value is determined by the fair value of the abandoned creditor's right and the taxes directly attributable to the assets reaching intended use, and the difference between the fair value of the abandoned creditor's right and the book value is included into the current profit or loss.

On the premise that non-monetary assets trade is of commercial nature and the fair value of the assets traded in and out can be measured reliably, the intangible assets traded in with non-monetary assets should be recognized at the fair value of the assets traded out, unless any unambiguous evidence indicates that the fair value of the assets traded in is more reliable; as to the non-monetary assets trade not meeting the aforesaid premise, the book value of the assets traded out and related taxes and surcharges payable should be recognized as the cost of the intangible assets, with profits or losses not recognized.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.18 Intangible assets (Continued)

4.18.1 *Initial measurement of intangible assets (Continued)*

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

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

4.18.2 *Subsequent measurement of intangible assets*

Analyze and judge the service life of intangible assets when acquiring them. Intangible assets with limited service life are amortized by straight-line method within the period of bringing economic benefits to enterprises; If it is impossible to foresee the period when intangible assets bring economic benefits to the enterprise, they shall be regarded as intangible assets with uncertain service life and shall not be amortized.

4.18.3 *Provision for impairment of intangible assets*

For intangible assets with a defined service life, if there is any obvious sign of impairment, the impairment test is carried out at the end of the period.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.18 Intangible assets (Continued)

4.18.3 *Provision for impairment of intangible assets (Continued)*

For intangible assets with an indefinite useful life, an impairment test is performed at the end of each period.

The intangible assets are tested for impairment and the recoverable amount is estimated. If there is any indication that an intangible asset may be impaired, the company estimates its recoverable amount based on a single intangible asset. If it is difficult for the company to estimate the recoverable amount of an individual asset, the recoverable amount of the intangible asset group is determined based on the asset group to which the intangible asset belongs.

The recoverable amount is determined based on the higher of the fair value of the intangible assets minus the disposal expenses and the present value of the estimated future cash flows of the intangible assets.

When the recoverable amount of the intangible asset is lower than its carrying amount, the carrying amount of the intangible asset is reduced to the recoverable amount, and the amount of the write-down is recognized as the impairment loss of the intangible asset, which is included in the current profit and loss, and the corresponding intangible is accrued. Impairment of assets.

After the impairment loss of intangible assets is recognized, the depreciation or amortization expenses of the intangible assets are adjusted accordingly in the future period, so that the intangible assets are systematically apportioned the adjusted book value of intangible assets (net of estimated net Residual value).

Once the impairment loss of an intangible asset is recognized, it will not be reversed in subsequent accounting periods.

4.18.4 *Specific criteria for dividing research stage and development stage*

Research stage: The stage of an original, planned investigation or research activity to acquire and understand new scientific or technical knowledge.

Development stage: The stage at which research or other knowledge is applied to a plan or design to produce a new or substantially improved material, device, product and so on before commercial production or use.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.18 Intangible assets (Continued)

4.18.5 *Specific conditions for capitalization of expenditure in the development stage*

Expenditures arising from development stage are determined as intangible assets when the following conditions are simultaneously satisfied:

(1) It is technically feasible to finish intangible assets for use or sale;

(2) The management has the intention to finish and use or sell the intangible assets;

(3) The method that the intangible assets generate economic benefits, including the existence of a market for products produced by the intangible assets or for the intangible assets themselves, shall be proved. Or, if to be used internally, the usefulness of the assets shall be proved;

(4) With the support of sufficient technologies, financial resources and other resources, it is able to finish the development of the intangible assets, and it is able to use or sell the intangible assets; and

(5) The expenditures attributable to the intangible assets during their development stage can be reliably measured.

Expenditures at the development stage that do not meet the above conditions are included in the current profit or loss on occurrence. Development expenditures that have been included in profit or loss in prior periods will not be recognized as an asset in future periods. The capitalized expenditures at the development stage should be listed as development expenses in the balance sheet, and transferred to be intangible assets when the project meets the working condition for its intended use.

4.19 Long-term deferred expense

Long-term deferred expenses refer to various expenses which have been already incurred but will be borne in the reporting period and in the future with an amortization period of over one year. Long-term deferred expenses are evenly amortized over the benefit period.

For long-term deferred expenses are not beneficiary to the subsequent accounting periods, the amortized value of the projects that are not amortized yet is all included in the current profit and loss.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.20 Contract liabilities

The Company recognizes the obligation to transfer goods to customers after receiving or receiving consideration from customers as contractual liabilities.

4.21 Employee compensation

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

4.21.1 *Short-term compensation*

During the accounting period of an employee's providing services, the Company should recognize the actual short-term compensation as liabilities and shall include it into the current gains and losses or relevant asset costs. The cost of social insurance and housing fund paid by Company for employees and the labor union cost and employee education costs provided by the Company in accordance with provisions shall, in the accounting period, during which the service is provided by employees for enterprises, be used to calculate corresponding amount of employee compensation according to the stipulated provision basis and proportion.

4.21.2 *Post-employment benefits*

Post-employment benefits refer to various forms of remuneration and benefits provided by the Company after employees retire or terminate their labor relations with enterprises in order to obtain services provided by employees, except short-term remuneration and dismissal benefits.

The Company's post-employment benefit plans are classified into defined contribution plans and defined benefit plans.

The plan for setting and depositing post-employment benefits is mainly to participate in social basic endowment insurance and unemployment insurance organized and implemented by local labor and social security institutions; In addition to the basic endowment insurance, the Company has also established an enterprise annuity payment system (supplementary endowment insurance)/enterprise annuity plan in accordance with the relevant policies of the national enterprise annuity system. The Company pays the local social insurance institution/annuity plan according to a certain proportion of the total wages of employees, and the corresponding expenses are included in the current profits and losses or related asset costs. During the accounting period when employees provide services for the Company, the amount of deposit payable calculated according to the set deposit plan is recognized as a liability and included in the current profits and losses or related asset costs.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.21 Employee compensation (Continued)

4.21.4. *Other long-term employee benefits*

Other long-term employee benefits refer to all employee benefits except short-term salary, post-employment benefits, and severance benefits.

For other long-term employee benefits that meet the conditions for setting up a deposit and withdrawal plan, the amount payable shall be recognized as a liability during the accounting period in which the employee provides services to the Company and shall be included in the current profit or loss or the cost of related assets.

4.22 Lease liabilities

The Company initially measures the lease liabilities according to the present value of the unpaid lease payment on the start date of the lease term. When calculating the present value of the lease payment, the company adopts the lease embedded interest rate as the discount rate; If the interest rate of the lease cannot be determined, the incremental borrowing rate of the Company shall be used as the discount rate. The lease payment amount includes:

1) Fixed payment amount and substantial fixed payment amount after deducting the relevant amount of lease incentive;

2) Variable lease payment amount depending on index or ratio;

3) When the Company reasonably determines that the option will be exercised, the lease payment amount includes the exercise price for purchasing the option;

4) In the case that the lease period reflects that the Company will exercise the option to terminate the lease, the lease payment amount includes the amount to be paid for exercising the option to terminate the lease;

5) Estimated amount to be paid according to the residual value of guarantee provided by the Company.

The Company calculates the interest expenses of the lease liabilities in each period of the lease term according to a fixed discount rate, which is included in the current profits and losses or related asset costs.

The variable lease payments that are not included in the measurement of lease liabilities shall be included in the current profits and losses or related asset costs when they actually occur.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.23 Sha e-ba ed pa men

4.23.1. Types of share-based payments

The Company's share-based payments are divided into equity-settled share-based payments and cash-settled share-based payments.

4.23.2. The method of determining the fair value of equity instruments

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.23 Sha e-ba ed pa men (Con in ed)

4.23.4. *Accounting treatment related to the implementation, modification and termination of the share-based payment plan*

Equity-settled share-based payments are measured at the fair value of equity instruments granted to employees. If the right is exercisable immediately after grant, the relevant costs or expenses shall be included in the fair value of the equity instrument on the grant date, and the capital reserve shall be increased accordingly. If the rights are exercised only after the completion of the services during the waiting period or the performance conditions are met, the services obtained in the current period shall be included in the relevant costs or expenses and capital reserve at each balance sheet date during the waiting period, based on the best estimate of the number of exercisable equity instruments, and at the fair value of the equity instruments on the date of grant. No adjustments will be made to the relevant costs or expenses recognized and the total amount of owner's equity after the vesting date.

Cash-settled share-based payments are measured at the fair value of liabilities assumed by the Company on the basis of shares or other equity instruments. If the right is exercisable immediately after grant, the fair value of the liability assumed by the Company shall be included in the relevant costs or expenses on the grant date, and the liability shall be increased accordingly. For cash-settled share-based payments that are exercisable after the completion of services during the waiting period or the achievement of specified performance conditions, services acquired during the current period are included in costs or expenses and corresponding liabilities at each balance sheet date during the waiting period, based on the best estimate of the exercisable rights and the amount of the fair value of the liabilities assumed by the Company. The fair value of the liability is remeasured at each balance sheet date and the settlement date before the settlement of the relevant liability, and its change is recognized in profit or loss for the current period.

4.23.5. *If there is a modification of the terms and conditions, the modification of the current period and the related accounting treatment*

If the granted equity instruments are cancelled during the waiting period, the Company will treat the cancelled granted equity instruments as an accelerated exercise, and the amount that should be recognized during the remaining waiting period will be immediately included in the profit or loss for the current period, and the capital reserve will be recognized at the same time. If the employee or other party can choose to meet the non-exercisable conditions but fail to do so within the waiting period, the Company will treat it as a cancellation of the grant of equity instruments.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.24 Bond payable

4.24.1. *General corporate bonds*

Bonds payable at fair value through profit or loss are initially recognized at their fair value, and the relevant transaction costs are directly recognized in profit or loss for the current period and subsequently measured at fair value.

For other types of bonds payable, the sum of their fair value and related transaction costs is the initial recognition amount, and the amortized cost is used for subsequent measurement. A premium or discount is an adjustment for interest expense payable over the life of the bond, which is amortized over the life of the bond using the effective interest method.

4.24.2. *Convertible corporate bonds*

For the convertible corporate bonds issued by the Company, the liability component and equity component contained in the convertible corporate bonds issued by the Company shall be split at the time of initial recognition, and the liability component shall be recognized as bonds payable and the equity component shall be recognized as capital reserve. In the spin-off, the initial recognition amount of the debt component is determined by discounting the future cash flows of the debt component, and then the initial recognition amount of the equity component is determined by deducting the initial recognition amount of the debt component from the total issue price. The transaction costs incurred in the issuance of convertible corporate bonds are apportioned between the liability component and the equity component according to their respective relative fair value.

4.25 Estimated liabilities

4.25.1 *Recognition criteria of estimated liabilities*

The Company recognizes estimated liabilities when such obligations related to contingencies including litigation, debt guarantee, onerous contracts and restructuring matters satisfy all the following conditions:

(1) Such obligation is a present obligation of the Company;

(2) The performance of this obligation may very probably lead to the flow of economic interests out of the Company;

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

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.26 Production safety expense

The company's machinery manufacturing enterprises take the accrual of safety production expenses as the basis for the accrual of the actual operating income of the previous year, and adopt the method of excess regression to withdraw on an average monthly basis according to the following standards:

1. If the operating income does not exceed 10 million yuan, it shall be withdrawn according to 2.35%;

2. The part of the operating income exceeding 10 million yuan to 100 million yuan shall be withdrawn according to 1.25%;

3. The part of the operating income exceeding 100 million yuan to 1 billion yuan shall be withdrawn according to 0.25%;

4. The part of the operating income exceeding 1 billion yuan to 5 billion yuan shall be withdrawn at 0.1%;

5. The part of the operating income exceeding 5 billion yuan shall be withdrawn according to 0.05%;

The safety production expenses withdrawn are included in the profit or loss for the current period, and at the same time recorded in the special reserve, which is listed separately under the owner's equity. When the actual use of the extracted safety production expenses is an expense expenditure, the special reserve shall be directly deducted. If the extracted safety production expenses are used to form fixed assets, the expenses incurred shall be collected through the accounting account of "construction in progress", and recognized as fixed assets when the safety project is completed and reaches the intended usable state; at the same time, the special reserves shall be offset according to the cost of forming fixed assets, and the accumulated depreciation of the same amount shall be recognized. If the balance of the special reserve withdrawn is insufficient to offset it, it shall be directly included in the profit or loss for the current period.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.27 Re en e

4.27.1 General principles of revenue recognition

When the Company fulfills its performance obligations under the contract, i.e., when the Customer obtains control of the relevant goods or services, the Company recognizes revenue at the transaction price allocated to the performance obligation.

The obligation to perform refers to the promise of the Company to transfer goods or services to the customer in a contract that can clearly distinguish between goods or services.

To gain control of a commodity in question is to be able to dominate the use of the commodity and derive almost all of the economic benefits from it.

The Company evaluates the contract on the commencement date of the contract, identifies the individual performance obligations contained in the contract, and determines whether each individual performance obligation is to be performed within a certain period of time or at a certain point in time. If one of the following conditions is satisfied, it is a performance obligation to be performed within a certain period of time, and the Company shall recognize revenue within a period of time according to the performance progress: (1) the customer obtains and consumes the economic benefits brought by the company's performance at the same time as the company's performance, (2) the customer can control the goods under construction in the course of the company's performance, and (3) the goods produced by the company in the course of the performance of the contract have irreplaceable uses, and the company has the right to receive payment for the part of the performance that has been completed so far during the entire contract period. Otherwise, the Company recognises revenue at the point at which the Client acquires control of the relevant goods or services.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.27 Revenue (Continued)

4.27.2. *Principles for the treatment of revenue for specific transactions*

(1) A contract with a return of sale clause

At the time the customer acquires control of the relevant merchandise, revenue is recognized at the amount of consideration that is expected to be received as a result of the transfer of the merchandise to the customer (i.e., excluding the amount expected to be refunded as a result of the return of the sale) and the liability is recognized as the amount expected to be refunded as a result of the return of the sale.

The carrying amount of the goods expected to be returned at the time of sale, after deducting the estimated cost of recovering the goods (including the impairment of the value of the returned goods), is accounted for under “cost receivable returns”.

(2) Contracts with quality assurance clauses

Assess whether this quality assurance provides a separate service in addition to assuring the customer that the goods sold meet the established standards. If the Company provides additional services, it shall be accounted for in accordance with the provisions of the revenue standard as a single performance obligation, otherwise, the quality assurance liability shall be accounted for in accordance with the accounting standard for contingencies.

(3) A contract of sale with an additional purchase option for the customer

The Company assesses whether the Option provides a material right to the Client. If a material right is provided, the transaction price will be allocated to the performance obligation as a single performance obligation, and the corresponding revenue will be recognized when the customer exercises the purchase option to obtain control of the relevant goods in the future, or when the option expires. If the individual price of the additional purchase option cannot be directly observed, a reasonable estimate shall be made after taking into account all relevant information such as the difference in the discount that the customer can obtain by exercising and not exercising the option, and the possibility of the customer exercising the option.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.27 Re en e (Con in ed)

4.27.2. Principles for the treatment of revenue for specific transactions (Continued)

(4) A contract to license intellectual property rights to a customer

To assess whether the IP license constitutes a single performance obligation, and if it constitutes a single performance obligation, it is further determined whether it is performed within a certain period of time or at a certain point in time. If the intellectual property license is granted to the customer and the royalty is agreed to be charged according to the actual sales or use of the customer, the revenue shall be recognized at the later of the following two points: the subsequent sales or use of the customer actually occurs, and the company fulfills the relevant performance obligations.

(5) After-sales repurchase

1) Contracts with repurchase obligations due to forward arrangements with customers: In this case, the customer does not obtain control of the relevant commodities at the time of sale, so they are accounted for as lease transactions or financing transactions. Among them, if the repurchase price is lower than the original selling price, it shall be regarded as a lease transaction, and the relevant provisions of the leasing shall be accounted for in accordance with the accounting standards for business enterprises; if the repurchase price is not lower than the original selling price, it shall be regarded as a financing transaction, and the financial liability shall be recognized when the payment is received from the customer, and the difference between the payment and the repurchase price shall be recognized as interest expense during the repurchase period. If the Company fails to exercise the repurchase right at maturity, the financial liability shall be derecognized when the repurchase right expires, and the revenue shall be recognized at the same time.

2) Contracts with repurchase obligations arising at the request of the customer: If the customer has a significant economic motive, the after-sales repurchase shall be treated as a lease transaction or a financing transaction and shall be accounted for in accordance with the provisions of 1) of this article;

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.28 Con ac co

4.28.1 *Contract performance costs*

The costs incurred by the Company for the performance of the contract are recognized as an asset as contract performance costs when the following conditions are met:

(1) The costs are directly related to a current or expected contract obtained.

(2) The costs increase the resources of the Company to fulfill its performance obligations in the future.

(3) The costs are expected to be recovered.

The asset is reported in inventory or other non-current assets according to whether the amortization period at initial recognition exceeds a normal business cycle.

4.28.2 *Contract acquisition costs*

If the incremental costs incurred by the Company in order to obtain a contract can be recovered, the contract acquisition costs are recognized as an asset. Incremental cost refers to the cost that will not happen if the company does not obtain the contract, such as sales commission. If the amortization period does not exceed one year, it will be included in the current profits and losses when it occurs.

4.28.3 *Amortization of contract cost*

Assets related to contract costs are amortized on the same basis as the recognition of goods or services income related to the assets; however, if the amortization period of the contract acquisition costs does not exceed one year, the company will account them in the current profit and loss when incurred.

4.28.4 *Impairment of contract cost*

For assets related to contract costs, where the book value is higher than the difference between the following two items, the company will make provision for impairment losses and recognize them as asset impairment losses:

The remaining consideration that can be expected to be obtained by transferring the goods or services related to the asset;

Estimate the costs to be incurred for the transfer of the related goods or services. If the above asset impairment provision is subsequently reversed, the book value of the asset after the reversal shall not exceed the book value of the asset on the date of reversal under the assumption that no provision for impairment is provided.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.29 Government subsidies

4.29.1 *Type*

Government grants refer to the monetary or non-monetary assets obtained by the Company from the government for free. Government grants are divided into asset-related government grants and income-related government grants.

Asset-related government grants refer to government subsidies obtained by the Company for forming long-term assets by acquisition, construction or other manners. Income-related government grants refer to those other than asset-related government grants. Where government documents fail to clearly define grant objects, the Company will make a judgement according to the aforesaid principle.

4.29.2 *Confirmation of government subsidies*

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

Government subsidies are monetary assets, which shall be measured according to the amount received or receivable. If government subsidies are non-monetary assets, they shall be measured at fair value; If the fair value cannot be obtained reliably, it shall be measured according to the nominal amount (RMB1 yuan). Government subsidies measured in nominal amount are directly included in current profits and losses.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.29 Government subsidies (Continued)

4.29.3. *Accounting treatment*

According to the essence of the economic business, the Company determines whether a certain type of government subsidy business should be accounted for by the gross or net method. In general, the Company selects only one method for the same or similar government subsidy business, and consistently applies that method to the business.

Government subsidies related to assets should be written off or recognized as deferred income for the carrying amount of the relevant assets. If the government subsidy related to the asset is recognized as deferred income, it shall be included in profit or loss in installments in a reasonable and systematic manner during the useful life of the asset built or purchased.

If the government subsidy related to income is used to compensate the relevant expenses or losses of the enterprise in subsequent periods, it shall be recognized as deferred income and shall be included in the profit or loss of the current period or offset the relevant costs in the period of recognition of the relevant expenses or losses;

Government subsidies related to the daily activities of the enterprise are included in other income or offset related costs and expenses, and government subsidies unrelated to the daily activities of the enterprise are included in non-operating income and expenditure.

If the borrower receives a government subsidy related to the preferential interest rate of the policy-based preferential loan to offset the relevant borrowing costs, the actual amount of the loan received shall be taken as the recorded value of the loan, and the relevant borrowing costs shall be calculated according to the principal of the loan and the policy-preferential interest rate.

When the recognized government subsidy needs to be returned, the book value of the asset shall be adjusted if the book value of the relevant asset is reduced at the time of initial recognition, and if there is a balance of relevant deferred income, the book balance of the relevant deferred income shall be written off, and the excess part shall be included in the profit or loss for the current period; and if there is no relevant deferred income, it shall be directly included in the profit or loss for the current period.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.31 Lea e

On the contract commencement date, the Company evaluates whether the contract is a lease or includes a lease. If a party to a contract transfers the right to control the use of one or more identified assets within a certain period in exchange for consideration, the contract shall be a lease or include a lease.

4.31.1 The split of the lease contract

If the contract contains multiple individual leases, the lessee and the lessor will split the contract and make accounting treatment over each individual lease.

If the contract contains both leased and non-leased parts, the lessee and lessor will split the leased and non-leased parts. The lease part shall be accounted for according to the lease standards, and the non-lease part shall be accounted for according to other applicable accounting standards for enterprises.

4.31.2 Merger of lease contracts

When two or more contracts including leases concluded between the Company and the same counterparty or its related parties at the same time or at a similar time meet one of the following conditions, they shall be merged into one contract for accounting treatment:

(1) The two or more contracts are concluded based on the overall commercial purpose and constitute a package transaction, and if they are not considered as a whole, their overall commercial purpose cannot be understood.

(2) The consideration amount of one of the two or more contracts depends on the pricing or performance of other contracts.

(3) The right to use assets transferred by two or more contracts together constitute a separate lease.

4.31.3. Accounting treatment of the Company as a lessee

At the commencement date of the lease term, the Company recognizes the right-of-use assets and lease liabilities for the lease. The accounting policies for right-of-use assets and lease liabilities are detailed in four (xx) right-of-use assets

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.31 Lea e (Con in ed)

4.31.4 The Company as the lessor (Continued)

(2) Accounting treatment of financial leasing

On the start date of the lease term, the Company recognizes the receivable financial lease funds for the financial lease and terminates the recognition of the financial lease assets.

In the initial measurement of the financial lease receivable, the sum of the unsecured residual value and the present value of the lease receipts that have not been received at the start date of the lease term is taken as the recorded value of the financial lease receivable. The lease payment amount includes:

1) Fixed payment amount and substantial fixed payment amount after deducting the relevant amount of lease incentive;

2) Variable lease payment amount depending on index or ratio;

3) When it is reasonably determined that the lessee will exercise the purchase option, the lease payment amount includes the exercise price of the purchase option;

4) When the lease period reflects that the lessee will exercise the right to terminate the lease, the lease payment amount includes the amount that the lessee needs to pay for exercising the right to terminate the lease;

5) The residual value of guarantee provided to the lessor by the lessee, the party related to the lessee and the independent third party with financial ability to perform the guarantee obligation.

The Company calculates and confirms the interest income of each period during the lease period according to the fixed lease embedded interest rate, and the variable lease payment amount not included in the measurement of the net lease investment is recorded into the current profits and losses when it actually occurs.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.31 Lea e (Con in ed)

4.31.4

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.32 Held for sale (Continued)

4.32.2 *Accounting method of holding for sale*

The Company does not accrue depreciation or amortization for non-current assets or disposal groups held for sale. If its book value is higher than the net amount of fair value minus selling expenses, it shall write down the book value to the net amount of fair value minus selling expenses, and the written-down amount shall be recognized as asset impairment loss, which shall be included in current profits and losses, and at the same time, provision for impairment of assets held for sale shall be made.

For non-current assets or disposal groups that are classified as held for sale on the acquisition date, the initial measurement amount and the net amount of fair value minus selling expenses when they are not classified as held for sale are compared in the initial measurement, whichever is lower.

The above principles are applicable to all non-current assets, but do not include investment real estate with fair value model for subsequent measurement, biological assets with fair value minus selling expenses, assets formed by employee compensation, deferred income tax assets, financial assets regulated by accounting standards related to financial instruments, and rights arising from insurance contracts regulated by accounting standards related to insurance contracts.

4.33 Fair value measurement

4.33.1. *Financial instruments that are not measured at fair value*

Financial assets and liabilities not measured at fair value mainly include: receivables, short-term borrowings, payables, non-current liabilities and long-term borrowings due within one year, and investments in equity instruments that are not quoted in active markets and whose fair value cannot be reliably measured.

The carrying amount of the above-mentioned financial assets and liabilities that are not measured at fair value differs from the fair value of a small amount, or investments in equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured are measured at cost in accordance with the Recognition and Measurement of Financial Instruments standards.

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4.33 Fai al e mea emen (Con in ed)

4.33.2. *Financial instruments measured at fair value*

The Company's financial assets and liabilities measured at fair value mainly include: financial assets or financial liabilities measured at fair value through profit or loss, and financial assets available for sale.

When fair value is classified into three levels as a whole, it is based on the lowest of the three levels to which each of the significant inputs used in fair value measurement belongs. The three levels are defined as follows:

Level 1: It is an unadjusted quote in an active market for the same assets or liabilities that can be obtained on the measurement date;

Level 2: is the directly or indirectly observable input of the relevant asset or liability in addition to the input value of the first level;

Level 2 inputs include: 1) quotes for similar assets or liabilities in active markets, 2) quotes for identical or similar assets or liabilities in inactive markets, 3) observable inputs other than quotes, including interest rate and yield curves, implied volatility, and credit spreads that can be observed during normal quote intervals, and 4) inputs for market validation.

Level 3: is the unobservable input value of the underlying asset or liability.

5. EXPLANATION OF ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES, AND CORRECTION OF MAJOR PREVIOUS ERRORS

5.1 Change in accounting policie

There were no changes to the significant accounting policies for the reporting period.

5.2 Change in accounting estimate

There were no changes to the significant accounting estimates for the reporting period.

6. TAXATION

The main taxable items of the Company and its subsidiaries are listed as follows:

6.1 T no e a and additional a e and fee

Ta T pe	Ta ba i	Ta a e(%)	No e
Value-added tax ("VAT")	Value-added tax payable shall be the difference obtained by the output taxes calculated on the basis of the revenue from the sale of goods and taxable services calculated by tax laws less the input taxes allowed to be deducted for the current period	3%.6%. 9%.10%. 13%.16%	
City construction and maintenance tax	Calculate by the actual payment on value-added tax and consumption tax	7%	

6. TAXATION (CONTINUED)

6.2 Co po a e income a

Ta pa e	a e of income a (%)
Harbin Electric Co., Ltd. *(Note 1)*	15%
Harbin Steam Turbine Plant Co., Ltd. and its subsidiaries *(Note 2)*	15%
Harbin Electric Power Technology and Trade Co., Ltd	25%
Harbin Electric Machinery Factory Co., Ltd. and its subsidiaries *(Note 3)*	15%
Harbin Electric Power Generation Equipment National Engineering Research Center Co., Ltd. *(Note 4)*	15%
Harbin Electric Power Group Valve Co., Ltd. *(Note 5)*	15%
Harbin Boiler Works Co., Ltd. and its subsidiaries *(Note 6)*	15%
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd. *(Note 8)*	15%
Harbin Electric Group Finance Co., Ltd	25%
Harbin Electric International Engineering Co., Ltd. *(Note 9)*	15%
Harbin Electric Financial Leasing (Tianjin) Co., Ltd	25%
Harbin Electric Co., Ltd	25%
Harbin Electric Group Shanxi Environmental Protection Engineering Co., Ltd	25%
Harbin Electric Power Group Biomass Power Generation (Wangkui) Co., Ltd	25%
Harbin Electric Power Group Biomass Power Generation (Dehui) Co., Ltd	25%
Harbin Electric Science and Technology Co., Ltd	25%
Harbin Electric Materials Co., Ltd	25%

According to the relevant provisions of the Enterprise Income Tax Law, high-tech enterprises supported by the state shall be subject to enterprise income tax at a reduced rate of 15%.

6. TAXATION (CONTINUED)

6.2 Corporate income tax (Continued)

Note 1: Harbin Electric Co., Ltd. (Headquarters)

On August 7, 2021, the company obtained the "High-tech Enterprise Certificate" jointly issued by the Heilongjiang Provincial Department of Science and Technology, the Heilongjiang Provincial Department of Finance, the Heilongjiang Provincial State Taxation Bureau, and the Heilongjiang Provincial Local Taxation Bureau, (certificate number: GR202123000278), which is valid for three years, and the enterprise income tax will be levied at a rate of 15% during the validity period.

Note 2: Harbin Steam Turbine Plant Co., Ltd. and its subsidiaries

On August 7, 2021, Harbin Steam Turbine Factory Co., Ltd. obtained the "High-tech Enterprise Certificate" jointly issued by the Heilongjiang Provincial Department of Science and Technology, the Heilongjiang Provincial Department of Finance and the Heilongjiang Provincial State Taxation Bureau (certificate number: GR202123000237), which is valid for three years and is subject to enterprise income tax at a rate of 15% during the validity period.

On August 7, 2021, Harbin Steam Turbine Factory Auxiliary Engineering Co., Ltd. obtained the "High-tech Enterprise Certificate" jointly issued by the Heilongjiang Provincial Department of Science and Technology, the Heilongjiang Provincial Department of Finance and the Heilongjiang Provincial State Taxation Bureau, (certificate number: GR202123000008), which is valid for three years, and the enterprise income tax will be levied at a rate of 15% during the validity period.

Note 3: Harbin Electric Machinery Factory Co., Ltd. and its subsidiaries

On August 7, 2021, Harbin Electric Machinery Factory Co., Ltd. obtained the "High-tech Enterprise Certificate" jointly issued by the Heilongjiang Provincial Department of Science and Technology, the Heilongjiang Provincial Department of Finance, the Heilongjiang Provincial State Taxation Bureau, and the Heilongjiang Provincial Local Taxation Bureau, (certificate number: GR202123000122), which is valid for three years, and the enterprise income tax will be levied at a rate of 15% during the validity period.

On September 27, 2021, Harbin National Hydropower Equipment Engineering Technology Research Center Co., Ltd., a subsidiary of Harbin Electric Machinery Factory Co., Ltd., obtained the "High-tech Enterprise

6. TAXATION (CONTINUED)

6.2 Corporate income tax (Continued)

Note 5: Harbin Electric Power Group Valve Co., Ltd

On August 7, 2021, Harbin Power Station Valve Co., Ltd. of Harbin Electric Power Group obtained the "High-tech Enterprise Certificate" jointly issued by the Heilongjiang Provincial Department of Science and Technology, the Heilongjiang Provincial Department of Finance, the Heilongjiang Provincial State Taxation Bureau, and the Heilongjiang Provincial Local Taxation Bureau, (certificate number: GR202123000352), which is valid for three years and is subject to corporate income tax at a rate of 15% during the validity period.

Note 6: Harbin Boiler Plant Co., Ltd. and its subsidiaries

On August 7, 2021, Harbin Boiler Factory Co., Ltd. obtained the "High-tech Enterprise Certificate" jointly issued by the Heilongjiang Provincial Department of Science and Technology, the Heilongjiang Provincial Department of Finance, and the Heilongjiang Provincial Taxation Bureau of the State Administration of Taxation (certificate number: GR202123000103), which is valid for three years, and the enterprise income tax will be levied at a rate of 15% during the validity period.

On September 18, 2021, Harbin Boiler Plant Preheater Co., Ltd., a subsidiary of Harbin Boiler Plant Co., Ltd., obtained the "High-tech Enterprise Certificate" jointly issued by the Heilongjiang Provincial Department of Science and Technology, the Heilongjiang Provincial Department of Finance, and the Heilongjiang Provincial Taxation Bureau of the State Administration of Taxation (certificate number: GR202123000510), which is valid for three years and is subject to enterprise income tax at a rate of 15% during the validity period.

Note 7: Harbin Electric Power Equipment Co., Ltd

On August 7, 2021, Harbin Electric Power Equipment Co., Ltd. obtained the "High-tech Enterprise Certificate" jointly issued by the Heilongjiang Provincial Department of Science and Technology, the Heilongjiang Provincial Department of Finance, the Heilongjiang Provincial State Taxation Bureau, and the Heilongjiang Provincial Local Taxation Bureau (certificate number: GR202123000203), which is valid for three years, and the enterprise income tax will be levied at a rate of 15% during the validity period.

Note 8: Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd

According to the Notice of the Leading Group for the Identification and Management of High-tech Enterprises in Hebei Province on Announcing the High-tech Enterprises in Hebei Province in 2022 (Ji Gaozhi [2023] No. 1 Document), Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd. has been approved as a high-tech enterprise (certificate number: GR202213003141), which is valid for three years, and the enterprise income tax will be levied at a rate of 15% during the validity period.

Note 9: Harbin Electric International Engineering Co., Ltd

On September 30, 2022, Harbin Electric International Engineering Co., Ltd. was awarded as a technologically advanced service enterprise with certificate number 20222301100001, and the enterprise income tax was levied at a rate of 15% this year according to the document of Finance and Taxation (2009) No. 63.

7. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7.1 Subsidiaries (Continued)

Compared with the previous period, the number of entities included in the scope of consolidated financial statements in the current period increased by 0 and decreased by 2, including:

Name	Registration	Business name	Shareholding (%)	Shareholding (%)	Reason why it is no longer included in the scope of the merger
Harbin Electric Power Equipment Co., Ltd			100.00	100.00	Sell 51% equity interest
Chengdu Sanlia Technology Co., Ltd			40.70	40.70	Logout

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(In addition to the special note, the unit of amount is CNY, the Opening balance is Jan.1,2023)

8.1 Monetary fund

Item	Closing balance	Opening balance
Cash on hand	**741,771.46**	3,095,219.73
Bank deposits	**17,355,692,526.20**	16,168,210,059.73
Other monetary funds	**1,320,882,259.57**	1,194,479,991.72
Interest receivable not yet due		
Subtotal	**18,677,316,557.23**	17,365,785,271.18
Less: Credit impairment losses *(note)*		65,000,000.00
Total	**18,677,316,557.23**	17,300,785,271.18
Including: total amount of deposit abroad	**227,879,826.76**	419,390,807.17

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.1 Monetary fund (Continued)

Among them, the details of the monetary funds that are restricted in use due to mortgage, pledge or freezing, as well as those placed abroad and restricted in the repatriation of funds, are as follows:

Item	Closing balance	Opening balance
Bank acceptance deposit	**387,309,849.91**	281,482,080.00
Performance bonds	**21,834,284.31**	
Term deposits or call deposits for security	**20,000,000.00**	20,000,000.00
Deposit of the Central Bank's statutory reserves	**883,940,314.66**	752,193,140.84
The court freezes the deposits		35,555,864.41
Subtotal	**1,313,084,448.88**	1,089,231,085.25
Less: Credit impairment losses		
Total	**1,313,084,448.88**	1,089,231,085.25

883,940,314.66

As of December 31, 2023, the Company's monetary funds deposited abroad amounted to 8 01bk/T11 1 Tf8 0 0

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.3 Notes receivable

8.3.1 List of notes receivable by category

	Closing balance			Opening balance		
Item	Book balance	Provision for bad debts	Net book balance	Book value	Provision for bad debts	Net book value
Bank acceptance bills	475,560,305.10		475,560,305.10	744,704,122.17		744,704,122.17
Commercial acceptance bills	499,771,500.58		499,771,500.58	805,146,413.78	7,591,464.96	797,554,948.82
Total	975,331,805.68		975,331,805.68	1,549,850,535.95	7,591,464.96	1,542,259,070.99

8.3.2 Notes receivable endorsed or discounted by the Company as at December 31, 2023 but not expired on the balance sheet date

Item	Amount derecognized as at December 31, 2023	Amount not derecognized as at December 31, 2023
Bank acceptance bills	1,446,414,306.38	
Commercial acceptance bills	44,078,050.79	5,079,000.00
Total	1,490,492,357.17	5,079,000.00

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.4 Accounts receivable

8.4.1 Disclosure of accounts receivable by aging

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.4 Accounts receivable (Continued)

8.4.2 Accounts receivable classified disclosures (Continued)

	Closing balance				
	Book balance		Provision for bad debts		
Category	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Individual provision for bad debts	2,033,882,106.57	16.30	1,332,648,801.67	65.52	701,233,304.90
Provision for bad debts accrued on a portfolio basis	10,446,461,339.77	83.70	3,702,319,063.71	35.44	6,744,142,276.06
Including: aging portfolio	10,446,461,339.77	83.70	3,702,319,063.71	35.44	6,744,142,276.06
Total	12,480,343,446.34		5,034,967,865.38		7,445,375,580.96

8.4.3 Individual provision for bad debts

Name	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
Harbin Guanghan Power Technology Development Co., Ltd	340,867,500.00	47,985,593.75	14.08	Key engineering product
China Shipbuilding Industry Corporation No. 703 Research Institute	330,074,325.30	51,902,692.50	15.72	Key engineering product
Ministry of Water Resources and Irrigation of the Republic of Sudan	280,049,297.82	280,049,297.82	100.00	It has not been recovered for a long time
Kolin Company, owner of the Speedhorse project in Turkey	159,184,451.49	7,959,222.58	5.00	It has not been recovered for a long time
Coastal Energy of India	135,368,957.14	135,368,957.14	100.00	It is not expected to be recovered
Linyi Hengxin Energy Group Co., Ltd	122,742,750.00	122,742,750.00	100.00	Difficulty in recovering payment

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.4 Acco n ecei able (Con in ed)

8.4.3 Individual provision for bad debts

Name	Book balance	P o i ion fo bad deb	P opo ion of p o i ion (%)	Rea on fo p o i ion
Tianjin Guoneng Panshan Power Generation Co., Ltd	81,900,000.00	4,095,000.00	5.00	ha no been eco e ed fo a long ime
Sudan National Electricity Company	55,243,856.22	55,243,856.22	100.00	ha no been eco e ed fo a long ime
Sudan Power Dam Department	39,324,914.20	39,324,914.20	100.00	ha no been eco e ed fo a long ime
Yunnan Huadian Zhenxiong Power Generation Co., Ltd	34,000,000.00	34,000,000.00	100.00	Diffic in eco e ing pa men
Datang Environmental Industry Group Co., Ltd. Leizhou Project Branch	20,394,367.22	16,315,493.78	80.00	Diffic in eco e ing pa men
Datong Coal Mine Group Shuozhou Coal and Power Co., Ltd	19,118,528.00	19,118,528.00	100.00	Diffic in eco e ing pa men
Inner Mongolia Chuangyuan Metal Co., Ltd	18,013,040.30	15,719,440.30	87.27	Diffic in eco e ing pa men
PowerChina Shandong Electric Power Construction Co., Ltd	17,500,000.00	17,500,000.00	100.00	Diffic in eco e ing pa men
Inner Mongolia Hongyu Technology Co., Ltd	17,479,632.85	17,479,632.85	100.00	Bank pc li ida ion
Inner Mongolia Jinlian Aluminum Co., Ltd	16,604,910.00	16,604,910.00	100.00	Diffic in eco e ing pa men
Sudan Dam Department Thermal Power Company	16,126,161.21	16,126,161.21	100.00	ha no been eco e ed fo a long ime
Great Leader Thermal Power (Pvt) Ltd	14,218,912.06			No i k of ec cling

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.4 Accounts receivable (Continued)

8.4.3 Individual provision for bad debts (Continued)

Name	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
Punjub Thermal Power (Private) Limited	13,846,790.84			No risk of recycling
LUCKY Power Company	12,407,656.12			No risk of recycling
Ordos Green Energy Optoelectronics Co., Ltd	8,420,000.00	8,420,000.00	100.00	Difficult in recovering payment
Beijing Huafu Engineering Co., Ltd	4,727,200.00	4,727,200.00	100.00	Recombination
Daqing High-tech Boyuan Thermal Power Co., Ltd	4,049,690.10	291,318.60	7.19	It has not been recovered for a long time
MCC Southern Urban Environmental Protection Engineering Technology Co., Ltd	2,305,000.00	1,152,500.00	50.00	Difficult in recovering payment
Inner Mongolia Energy Power Generation Investment Group Co., Ltd. Youzhong Power Plant	2,124,786.33	1,699,829.07	80.00	Difficult in recovering payment
Harbin Electric Wind Energy Co., Ltd	2,040,000.00			
China National Petroleum Northeast Refining & Chemical Engineering Co., Ltd	2,034,940.00	2,034,940.00	100.00	Difficult in recovering payment
Donghua Engineering Technology Co., Ltd	1,800,000.00	1,800,000.00	100.00	Difficult in recovering payment
Harbin Electric Power Equipment Co., Ltd	1,534,806.55			Related parties are not accrued
Shaanxi Weihe Binzhou Chemical Co., Ltd	1,243,400.00	994,720.00	80.00	Difficult in recovering payment
Other	227,165,488.02	63,921,718.00		
Total	2,001,911,361.77	982,578,676.02		

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.4 Accounts Receivable (Continued)

8.4.4 Provision for bad debts accrued on a portfolio basis

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.4 Accounts receivable (Continued)

8.4.6 Accounts receivable actually charged off in 2023

Name of the debtor	Nature of accounts receivable	Write-off amount	Reason for write-off	Write-off procedure for fulfillment	Whether it is arising from related party transaction
Shangqiu Fengyuan Aluminum and Electric Co., Ltd	Completion payment	14,137,648.25	The other party goes bankrupt	Office meetings	No
Fugu County Hengyuan Comprehensive Utilization Power Plant Co., Ltd	Completion payment	6,451,034.00	The other party goes bankrupt	Office meetings	No
India CETHAR VANDHANA	Payment	4,288,656.82	The debtor unit goes bankrupt	The general manager's office meeting of the company	No
Harbin KONE Power Control Engineering Co., Ltd	Chen arrears	1,641,000.00	It is difficult to recover long age	By internal resolution of the company	No
Jilin Province also import and export trade Co., Ltd	Chen arrears	739,792.90	It is difficult to recover long age	By internal resolution of the company	No
Baoding Tianpeng Import & Export Group Co., Ltd	Payment	686,287.57	The lawsuit is concluded and cannot be enforced	The general manager's office meeting of the company	No
Zhengzhou Rongqi Thermal Power Energy Co., Ltd	Chen arrears	524,452.49	It is difficult to recover long age	By internal resolution of the company	No
Zhengzhou Jujin Thermal Power Energy Co., Ltd	Chen arrears	316,284.00	It is difficult to recover long age	By internal resolution of the company	No
Hunan Huayin Zhuzhou Thermal Power Generation Company (2004 Sales No. 15)	Payment	300,000.00	Aging is beyond the statute of limitations	The general manager's office meeting of the company	No
Beijing Xingqiao International Engineering Technology Co., Ltd. (2016XPH064)	Payment	252,840.00	Aging is beyond the statute of limitations	The general manager's office meeting of the company	No
Huadian International Shandong Materials Co., Ltd. (2009 Auto Parts No. 8)	Payment	245,000.00	Aging is beyond the statute of limitations	The general manager's office meeting of the company	No

Name of the debtor	Nature of account receivable	Write-off amount	Reason for write-off	Write-off procedure	Whether the write-off is from a related party transaction

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.4 Accounts receivable (Continued)

8.4.6 Accounts receivable actually charged off in 2023 (Continued)

Name of the debtor	Nature of accounts receivable	Write-off amount	Reason for write-off	Write-off procedure for fulfillment	Whether it is arising from a related party transaction
Jiyuan Electric Power Construction Materials Co., Ltd. (Contract No. 2013 Auto Parts 037)	Payment	28,300.00	The income from the settlement of arrears is not sufficient to cover the cost of settlement of arrears	The general manager's office meeting of the company	No
Huaneng Hainan Power Generation Co., Ltd. Dongfang Power Plant (Contract No. 2012 Sales and Distribution Tempering No. 3)	Payment	26,153.85	The income from the settlement of arrears is not sufficient to cover the cost of settlement of arrears	The general manager's office meeting of the company	No
Shanxi Guojin Coal & Power Co., Ltd. (2009 Qihe No. 7)	Payment	2,359.54	The income from the settlement of arrears is not sufficient to cover the cost of settlement of arrears	The general manager's office meeting of the company	No
Huaneng Changchun Thermal Power Co., Ltd	Chen arrears	-30,000.00	It is difficult to recover long age	Payment	No
Shanxi Datong Thermal Power Co., Ltd	Chen arrears	-39,257.82	It is difficult to recover long age	Payment	No
Total	–	29,799,235.80	–	–	–

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.4 Accounts receivable (Continued)

8.4.7 Top 5 of accounts receivable as at December 31, 2023, presented by debtor

Debtor	Book balance	Proportion in the total accounts receivable (%)	Provision for bad debts
Harbin Guanghan Power Technology Development Co., Ltd	340,867,500.00	2.96	47,985,593.75
The 703rd Research Institute of China State Shipbuilding Corporation	330,074,325.30	2.87	51,902,692.50
Northwest Electric Power Engineering Contracting Co., Ltd	210,515,462.65	1.83	40,634,706.79
Ministry of Water Resources and Irrigation of the Republic of Sudan	280,049,297.82	2.43	280,049,297.82
Coastal Energy of India	270,737,914.28	2.35	270,737,914.28
Total	1,432,244,500.05	12.43	691,310,205.14

8.5 Receivable financing

Item	Closing balance	Opening balance
Notes receivable	10,194,291.30	2,145,369.50
Accounts receivable		
Total	10,194,291.30	2,145,369.50

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.6 Prepayments

Ages	Closing balance			Opening balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	6,923,120,286.79	86.30	5,078,421.56	3,813,035,498.98	77.90	
1 – 2 years	737,720,596.96	9.20		471,293,327.89	9.63	
2 – 3 years	257,279,041.53	3.21		302,045,247.95	6.17	
Over 3 years	103,723,023.51	1.29	1,732,617.80	308,587,210.70	6.30	1,732,617.80
Total	8,021,842,948.79	100.00	6,811,039.36	4,894,961,285.52	100.00	1,732,617.80

8.6.1 Large advance payments over one year

Creditor unit	Debtor unit	Closing balance	Aging	Reason for non-settled
Harbin Electric Machinery Factory Co., Ltd	Hangzhou Huachen Electric Power Control Engineering Co., Ltd	106,305,701.50	1-3 years	The contract was not executed
Harbin Electric Machinery Factory Co., Ltd	ANDRITZ (China) Co., Ltd	62,141,871.85	1-3years	The contract was not executed
Harbin Steam Turbine Factory Co., Ltd	Mitsubishi Corporation of Japan	55,364,025.00	Over 5 years	Not yet settled
Harbin Boiler Plant Co., Ltd	JFE Corporation of Japan	48,094,731.83	1-2 years	Not yet settled
Harbin Boiler Plant Co., Ltd	Japan Seiryo Corporation (English: NIPPON STEEL CORPORATION	46,110,914.95	1-2 years	Not yet settled
Harbin Boiler Plant Co., Ltd	China Datang Group International Trade Co., Ltd	44,974,641.91	2-3 years	Not yet settled
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd	Zhejiang Jiuli Special Material Technology Co., Ltd	36,429,137.45	1-2 years	The contract was not executed
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd	CITIC Heavy Industries Machinery Co., Ltd	35,702,216.57	1-2 years	The contract was not executed
Harbin Electric Machinery Factory Co., Ltd	Shenyang Taigang Stainless Steel Processing and Sales Co., Ltd	35,073,083.16	1-3 years	The contract was not executed

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.6 Prepayments (Continued)

8.6.1 Large advance payments over one year (Continued)

Creditor unit	Debtor unit	Closing balance	Aging	Reason for not settled
Harbin Boiler Plant Co., Ltd	Sasker Daman Nesmann Stainless Steel Pipe Company Italy	29,095,711.98	1-2 years	Not yet settled
Harbin Electric Machinery Factory Co., Ltd	United States MSD	25,700,795.81	1-3 years	The contract was not executed
Harbin Electric Machinery Factory Co., Ltd	Japan Manufacturing Office M&E Co., Ltd.	21,597,354.50	1-3 years	The contract was not executed
Harbin Steam Turbine Factory Co., Ltd	Westinghouse Electric Management (Shanghai) Co., Ltd	20,710,821.37	1-2 years	Not yet settled
Harbin Boiler Plant Co., Ltd	Sasker Daman Nesmann Stainless Steel Pipe Company Italy	19,685,375.02	2-3 years	Not yet settled
Harbin Steam Turbine Factory Co., Ltd	Niodis Welded Pipe (Changzhou) Co., Ltd	16,077,514.33	1-2 years	Not yet settled
Harbin Boiler Plant Co., Ltd	Wuyang Iron & Steel Co., Ltd	15,137,668.05	1-2 years	Not yet settled
Harbin Steam Turbine Factory Co., Ltd	Mitsubishi Heavy Industries Corporation	12,256,742.40	Over 3 years	Not yet settled
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd	Guizhou Aerospace Xinli Technology Co., Ltd	10,647,232.43	1-2 years	The contract was not executed
Harbin Electric International Engineering Co., Ltd	Hubei Electric Power Construction First Engineering Co., Ltd	9,060,365.55	2-3 years	The contract was not executed
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd	Shanghai New Yaxin Technology Co., Ltd	5,158,592.17	1-2 years	The contract was not executed
Harbin Electric Machinery Factory (Zhenjiang) Co., Ltd	Harbin Yunchuan Power Station Equipment Manufacturing Co., Ltd	4,671,777.00	1-2 years	The project is not completed
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd	Foshan Baosteel Stainless Steel Trading Co., Ltd. Shanghai Ouyeel Stainless Steel Branch	3,198,474.01	1-2 years	The contract was not executed
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd	Zhejiang Hongwei Supply Chain Group Co., Ltd	2,617,418.08	1-2 years	The contract was not executed
Harbin Electric Machinery Factory (Zhenjiang) Co., Ltd	Hebei Liancheng Technology Co., Ltd	3,528,601.90	2-3 years	The project is not completed
Harbin Electric Machinery Factory (Zhenjiang) Co., Ltd	Xi'an Fuxin Energy Engineering Co., Ltd	1,098,018.87	1-2 years	The project is not completed
Total		670,438,787.69	–	–

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.6 Prepayments (Continued)

8.6.2 Top 5 of advances to suppliers as at December 31, 2022, presented by supplier

Entity name	Closing balance	Proportion in the total advances to suppliers (%)	Provision for bad debts
Harbin Electric General Gas Turbine (Qinhuangdao) Co., Ltd	652,385,030.31	8.13	
Japan Seiryo Corporation (English: NIPPON STEEL CORPORATION	474,603,815.42	5.92	
FOMAS S.p.A.	322,563,478.46	4.02	
China Tianchen Engineering Co., Ltd	274,177,634.62	3.42	
MITSUBISHI HEAVY INDUSTERIES, LTD	229,531,743.81	2.86	
Total	1,953,261,702.62	24.35	

8.7 Other receivables

Item	Closing balance	Opening balance
Interest receivable	32,817,261.82	8,343,182.28
Dividends receivable	260,014.64	
Others receivables	1,300,026,234.39	2,310,831,422.45
Total	1,333,103,510.85	2,319,174,604.73

Note: Other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.7 Other receivable (Continued)

8.7.1 *Interest receivable*

Classification of interest receivable

Item	Closing balance	Opening balance
Time deposit		
Bond investment		
Others	**32,817,261.82**	8,343,182.28
Total	**32,817,261.82**	8,343,182.28

8.7.2 *Dividends receivable*

Item	Closing balance	Opening balance	Reasons for non-recovery	Whether impairment has occurred and the basis for judging it
Dividends receivable less than one year old	**260,014.64**		–	–
Heilongjiang Xintianhadian New Energy Investment Co., Ltd	**260,014.64**		Dividends were not paid	No
Dividends receivable that are more than one year old			–	–
Total	**260,014.64**		–	–

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.7 Other receivable (Continued)

8.7.3 Other receivables

8.7.3.1 Disclosure by aging

Aging	Closing balance	Opening balance
Within 1 year	**320,542,406.67**	1,434,548,213.88
1 – 2 years	**431,695,277.94**	710,346,921.65
2 – 3 years	**473,604,212.51**	80,383,014.45
Over 3 years	**483,950,287.58**	454,017,409.30
Total	**1,709,792,184.70**	2,679,295,559.28
Less: provision for bad debts	**409,765,950.31**	368,464,136.83
Total	**1,300,026,234.39**	2,310,831,422.45

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.7 Other receivables (Continued)

8.7.3 Other receivables (Continued)

8.7.3.2 Other receivable classified disclosures

	Closing balance				
	Book balance		Provision for bad debts		
Category	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Individual provision for bad debts	1,422,555,489.93	82.2	198,110,869.91	13.93	1,224,444,620.02
Provision for bad debts accrued on a portfolio basis	287,236,694.77	16.8	211,655,080.40	73.69	75,581,614.37
Including: aging portfolio	287,236,694.77	16.8	211,655,080.40	73.69	75,581,614.37
Total	1,709,792,184.70		409,765,950.31		1,300,026,234.39

	Opening balance				
	Book balance		Provision for bad debts		
Category	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Individual provision for bad debts	2,409,481,396.77	89.93	189,315,053.46	7.86	2,220,166,343.31
Provision for bad debts accrued on a portfolio basis	269,814,162.51	10.07	179,149,083.37	66.40	90,665,079.14
Including: aging portfolio	269,814,162.51	10.07	179,149,083.37	66.40	90,665,079.14
Total	2,679,295,559.28	–	368,464,136.83	–	2,310,831,422.45

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.7 Other receivable (Continued)

8.7.3 Other receivables (Continued)

8.7.3.3 Other receivables for which expected credit losses are separately accrued

The name of the organization	Book balance	Closing balance		
		Provision for bad debt	Expected credit loss ratio (%)	Reason for provision
CSCEC MIDDLE EAST LLC and CSCEC MIDDLE EAST LLC	357,791,040.54			Determined on the basis of recoveo j-,1.4The name of the organi 44ycre the basis of the

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.7 Other receivable (Continued)

8.7.3 Other receivables (Continued)

8.7.3.3 Other receivables for which expected credit losses are separately accrued (Continued)

The name of the organization	Closing balance			
	Book balance	Provision for bad debt	Expected credit loss ratio (%)	Reason for provision
Harbin Electric Machinery Factory Electromechanical Industry Company	10,515,676.92	10,515,676.92		It is not expected to be recovered
Xinhua Control Engineering Co., Ltd	9,238,960.00	9,238,960.00		The risk of recycling is high
Owner of the Bailukai project National Power Parks Management Company (pvt.) Limited	7,262,439.32	6,913,655.83		Determined on the basis of recoverability
Jamshoro Power Limited	6,308,821.20			Determined on the basis of recoverability
National Electricity Company of Mexico	6,055,804.97			Determined on the basis of recoverability
Great Leader Thermal Power (Pvt) Ltd	5,551,189.99	971,242.64		Determined on the basis of recoverability
TURBINE PARTS MANUFACTURERS ALLLIAN	5,499,952.80	5,499,952.80		The risk of recycling is high
Harbin Steam Turbine Power Station Auxiliary Machinery General Factory	4,861,479.49	4,861,479.49		The risk of recycling is high
Harbin Left Bank Economic and Trade Co., Ltd	4,700,000.00			Accrued individually
GENEL MAKINA TICARET VE SANAYI A.S.	4,661,939.20			Determined on the basis of recoverability
Qingdao Jieneng notes receivable	4,500,000.00	4,500,000.00		The risk of recycling is high
Daqing Longjiang Wind Power Co., Ltd	3,920,000.00	3,920,000.00		It takes a long time to post accounts

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.7 Other receivables (Continued)

8.7.3 Other receivables (Continued)

8.7.3.3 Other receivables for which expected credit losses are separately accrued (Continued)

The name of the organization	Closing balance			
	Book balance	Provision for bad debts	Expected credit loss ratio (%)	Reason for provision
China Energy Construction Group Tianjin Electric Power Construction Co., Ltd	3,717,486.53			Determined on the basis of recoverability
CCCC Second Harbor Engineering Survey and Design Institute Co., Ltd	3,710,934.64			Determined on the basis of recoverability
GE Global Parts & Products GmbH	3,700,219.92	3,700,219.92		Determined on the basis of recoverability
Bangladesh Electricity Department	3,427,398.28	3,427,398.28		Determined on the basis of recoverability
Provincial Technology Import and Export Company	3,265,770.17	3,265,770.17		The risk of recycling is high
Dalian Pulse Gas System Co., Ltd	3,227,944.89			Determined on the basis of recoverability
Jamshoro Tariff Advance	2,928,295.75			Determined on the basis of recoverability
Fuyuan Municipal Bureau of Commerce and Port	2,806,021.40			Accrued individually
Harbin Import & Export Trade and Transportation Co., Ltd	2,717,000.00	2,717,000.00		The risk of recycling is high
HABIB BANK LTD	1,885,500.00			Determined on the basis of recoverability
China Coal Shaanxi Yulin Energy Chemical Co., Ltd	1,807,781.73	1,807,781.73		The risk of recycling is high
Vietnamese gold mining ship	1,711,798.72	1,711,798.72		It is not expected to be recovered

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.7 Other receivables (Continued)

8.7.3 Other receivables (Continued)

8.7.3.3 Other receivables for which expected credit losses are separately accrued (Continued)

The name of the organization	Closing balance			
	Book balance	Provision for bad debts	Expected credit loss ratio (%)	Reason for provision
Bid Bond	1,380,000.00			0
Harbin Turbine Equipment General Factory	1,359,947.39	1,359,947.39		The risk of recycling is high
HABIB RAFIQ (PVT) LTD	1,337,875.38			Determined on the basis of recoverability
Harbin Power Zone Steam Turbine Equipment Parts Factory	1,223,712.04	1,223,712.04		The risk of recycling is high
WAPDA	1,106,120.76			Determined on the basis of recoverability
Personal temporary loans	1,038,977.90			0
Tursam GALVANIZ IMALAT TAAH. SAN. ve TIC. A.S.	1,024,022.32			Determined on the basis of recoverability
SIATIGROUP	1,000,146.37			Determined on the basis of recoverability
Others	103,480,849.32	8,675,790.06		
Total	1,422,555,489.93	198,110,869.91	–	–

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.7 Other receivables (Continued)

8.7.3 Other receivables (Continued)

8.7.3.4 Other receivables for which provision for bad debts is made according to the combination of credit risk characteristics

Other receivables that use the ageing portfolio to provide for expected credit losses

	Closing balance			Opening balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
Aging	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	45,584,458.34	4.99	2,273,990.06	71,545,015.49	26.52	2,785,018.01
1 – 2 years	3,657,961.80	24.45	894,439.01	17,085,610.59	6.33	4,271,402.65
2 – 3 years	21,964,502.09	49.94	10,969,932.30	3,610,438.35	1.34	1,805,219.18
Over 3 years	216,029,772.54	91.43	197,516,719.03	177,573,098.08	65.81	170,287,443.53
Total	287,236,694.77		211,655,080.40	269,814,162.51	–	179,149,083.37

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.7 Other receivable (Continued)

8.7.3 Other receivables (Continued)

8.7.3.5 Provision for bad debts of other receivables accrued, recovered or reversed in the current period

Provision for bad debts	Phase 1 Expected credit loss over the next 12 months	Phase 2 Expected credit loss over the entire duration (no credit impairment occurred)	Phase 3 Expected credit loss over the entire duration (credit impairment incurred)	Total
Opening balance	306,646,394.38		61,817,742.45	368,464,136.83
The opening balance is in the current period	260,974,424.56			260,974,424.56
– Move to the second stage				
– Move to the third stage				
– Move to the second stage				
– Move to the first stage				
Accrual for the current period	55,954,059.54		239,479.15	56,193,538.69
This issue is reversed	-10,625,563.41		-4,526,850.90	-15,152,414.31
Resold in this period				
Write-off in the current period	-73,918.05			-73,918.05
Other changes	334,607.15			334,607.15
Closing balance	352,235,579.61		57,530,370.70	409,765,950.31

8.7.3.6 Provision for bad debts recovered or reversed

The provision for bad debts was reversed or recovered in the current period of RMB16,596,221.71.

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.7 Other receivables (Continued)

8.7.3 Other receivables (Continued)

8.7.3.7 Other receivables actually written off during the reporting period

Entity name	Nature of other receivables	Amount written off	Reason for write-off	Write-off procedure performed	Whether it is generated by related party transaction
Shanghai Clyde Bergemann Ltd	Chen arrears	462,645.00	It cannot be recovered	By internal resolution	
Zhengzhou Shenniu Casting Co., Ltd	Chen arrears				

Name of the Entity	name

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.7 Other receivables (Continued)

8.7.3 Other receivables (Continued)

8.7.3.7 Other receivables actually written off during the reporting period (Continued)

Entity name	Nature of other receivable	Amount written off	Reason for write-off	Write-off procedure performed	Whether it is due to related party transaction
Harbin Lepu Industrial Development Center	Chen arrears	970.00	It cannot be recovered	By internal resolution of the company	No
State-owned Assets Supervision and Administration Commission of Heilongjiang Provincial People's Government	Chen arrears	739.20	It cannot be recovered	By internal resolution of the company	No
Gansu Keyuan Engineering Technology Consulting Co., Ltd	Chen arrears	200.00	It cannot be recovered	By internal resolution of the company	No
Shenzhen Datang Baochang Gas Power Generation Co., Ltd	Chen arrears	50.00	It cannot be recovered	By internal resolution of the company	No
Total		1,397,864.09			

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.7 Other receivables (Continued)

8.7.3 Other receivables (Continued)

8.7.3.8 The top five other receivables classified by debtor

Entity name	Nature of payment	Balance at December 31, 2023	Aging	Proportion in the total ending balance of other receivables (%)	Ending balance of provision for bad debts
China Construction Third Bureau No. 2 Construction Engineering Co., Ltd and CSCEC MIDDLE EAST LLC	Manufacturer's receivable	357,791,040.54	Within 1 year, 1-2 years, 2-3 years	20.93	
Zhongcheng Township (Yantai) Liquefied Natural Gas Co., Ltd	Project Deposit	356,296,339.57	1-2 years	20.84	
Ecuador's state-owned electricity holding company	Owner withholding penalty	123,641,676.19	Within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years	7.23	70,145,293.31
Haxiang coal-fired power plant project company	Owner withholds	35,260,195.10	Within 1 year, 1-2 years, 2-3 years	2.06	661,170.05
Harbin Electric Machinery Factory Electromechanical Industry Company	Owner withholding penalty	26,872,940.28	Within 1 year, 1-2 years, 2-3 years	1.57	26,872,940.28
Total		899,862,191.68		52.63	97,679,403.64

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.8 Financial a e p cha ed nde ag eemen o e ell

em	Clo ing balance	Opening balance
Security Bill		
Total	1,800,000,000.00	1,200,000,000.00
Less: provision for bad debts	45,000,000.00	30,000,000.00
Total	1,755,000,000.00	1,170,000,000.00

8.9 In en o ie

8.9.1 Classification of inventories

	Clo ing balance			Opening balance		
Items	Book balance	P o i ion fo dep eci ion	Book al e	Book balance	Provision for depreciation	Book value
Raw materials	3,871,784,575.55					

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.9 Inventories (Continued)

8.9.2 Provision for inventory decline

Item	Opening balance	Increased in the current period		Decreased in the current period			Closing balance
		Accrual	Other	Back	Reselling	Other	
Raw materials	273,048,897.24	42,612,876.95	695,049.60	14,679,617.60	46,639,478.34	28,856,705.05	226,181,022.80
Self-manufactured semi-finished products and goods in process	278,515,348.77	16,037,178.72		573,345.65	3,912,000.14	49,268,392.39	240,798,789.31
Stock commodities (finished goods)	108,265,964.39	1,676,331.25	7,137,247.80	41,279,331.84	1,550,397.91	43,681,649.53	30,568,164.16
Turnover materials (packaging, low-value consumables, etc.)	352,055.56	113,110.91				313,088.35	152,078.12
Contract performance costs	94,305,485.29	8,386,544.41					102,692,029.70
Total	754,487,751.25	68,826,042.24	7,832,297.40	56,532,295.09	52,101,876.39	122,119,835.32	600,392,084.09

8.10 Contract assets

8.10.1 Breakdown of Contract assets

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Unexpired warranty	4,228,230,467.88	872,378,423.54	3,355,852,044.34	4,410,030,983.46	997,304,444.40	3,412,726,539.06
Completed unsettled amounts that were originally credited to inventory	4,709,267,353.23	328,156,266.12	4,381,111,087.11	5,173,999,788.71	276,911,777.92	4,897,088,010.79
Total	8,937,497,821.11	1,200,534,689.66	7,736,963,131.45	9,584,030,772.17	1,274,216,222.32	8,309,814,549.85

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.10 Contract assets (Continued)

8.10.2 Provision for impairment of contract assets in 2023

Item	Opening balance	Increased in the current period	Decrease in the current period	Closing balance
Unexpired warranty	997,304,444.40	215,962,520.47	330,977,820.74	**882,289,144.13**
Completed unsettled amounts that were originally credited to inventory	276,911,777.92	123,820,957.21	82,487,189.60	**318,245,545.53**
Total	1,274,216,222.32	339,783,477.68	413,465,010.34	**1,200,534,689.66**

8.11 Non-current assets due within one year

Item	Closing balance	Opening balance
Other debt investments	**309,238.35**	1,282,384.84
Long-term receivables that are due within one year	**337,324,237.05**	293,669,976.31
Total	**337,633,475.40**	294,952,361.15

8.12 Other current assets

Item	Closing balance	Opening balance
Entrusted loans	**225,000,000.00**	290,000,000.00
Input tax to be deducted and advance tax to be paid	**464,826,783.76**	349,006,924.66
Other	**574,270.60**	
Other debt investments	**2,339,082,902.00**	
Bills of acceptance for bill pools	**15,404,221.89**	
Total	**3,044,888,178.25**	639,006,924.66

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.13 Other debt investments

Items	Opening balance	Accrued interest	Change in fair value for the period	Closing balance	Cost	Cumulative change in fair value	Provision for losses accrued in other comprehensive income	Note
Bond				299,639,400.00				
Subtotal								
Less: Long-term debt investments maturing within one year								
Total				299,639,400.00				

8.14 Long-term receivable

Item	Closing balance			Opening balance			Discount Rate Interval at the End of the Period (%)
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value	
Financial lease payments	551,715,302.30		551,715,302.30	396,132,810.14		396,132,810.14	5.94-8.00
Among them: unrealized financing gains	65,638,853.15		65,638,853.15	26,640,117.91		26,640,117.91	5.94-8.00
Collect payments to sell goods in installments	2,595,420.99		2,595,420.99	2,828,244.76		2,828,244.76	
Installment collection provides labor services							
Other							
Total	554,310,723.29		554,310,723.29	398,961,054.90		398,961,054.90	

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.15 Long-term equity investments

8.15.1 Classification of long-term equity investments

Item	Opening balance	Increased in the current period	Decreased in the current period	Closing balance
Investment in subsidiaries	3,000,000.00			**3,000,000.00**
Investment in joint ventures	119,382,398.88	78,718,036.63		**198,100,435.51**
Investment in associate ventures	342,746,273.93	419,925,188.88	19,358,337.65	**743,313,125.16**
Sub-total	465,128,672.81	498,643,225.51	19,358,337.65	**944,413,560.67**
Less: provision for impairment of long-term equity investment	87,811,282.29			**87,811,282.29**
Total	377,317,390.52	498,643,225.51	19,358,337.65	**856,602,278.38**

8.15.2 Long-term equity investment details

Investee	Opening balance	Change in the current period: Additional investment	Change in the current period: Decrease in investment	Change in the current period: Profit and loss on investment recognized under the equity method	Change in the current period: Closing balance	Change in the current period: Change in other equity	Change in the current period: Cash dividend or profit declared to be distributed	Change in the current period: Other	Closing balance	Balance of provision for impairment at December 31, 2022	Impairment provision
I. Investment in subsidiaries											
Shenzhen Hadonghuihua Industry and Trade Co., Ltd	3,000,000.00								**3,000,000.00**		3,000,000.00
subtotal	3,000,000.00								**3,000,000.00**		3,000,000.00
II. Investment in joint ventures											
Harbin Electric General Gas Turbine (Qinhuangdao) Co., Ltd	117,382,398.88	30,179,200.00		3,538,836.63					**151,100,435.51**		
Russian-Chinese Power Equipment LLC											
Harbin Qingfeng New Energy Co., Ltd	2,000,000.00	40,000,000.00							**42,000,000.00**		
Dongning Xinfeng New Energy Co., Ltd		5,000,000.00							**5,000,000.00**		
subtotal	119,382,398.88	75,179,200.00		3,538,836.63					**198,100,435.51**		

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.15 Long-term equity investment (Continued)

8.15.2 Long-term equity investment details (Continued)

		Change in the current period								
Investee	Opening balance	Additional investment	Decrease in investment	Profit and loss on investment recognized under the equity method	Closing balance	Change in other equity	Cash dividend or profit declared to be distributed	Other	Closing balance	Balance of provision for impairment at December 31, 2022	Impairment provision
I. Investment in associate ventures											
GE-Harbin Power Energy Services (Qinhuangdao) Co., Ltd	97,525,545.71			16,264,240.15			-11,421,944.00		102,367,841.86		
Harbin Ruifeng New Energy Co., Ltd	50,360,379.74	5,000,000.00		119,975.43			-5,269,316.80		50,211,038.37		
Liaocheng Xiangguang Power Generation Co., Ltd	116,179,000.00								116,179,000.00		84,811,282.29
Harbin Electric Power Equipment Co., Ltd		501,099,951.40		33,891,174.84				-135,895,900.44	399,095,225.80		
Harbin Harbin Liling Hydropower Equipment New Technology Development Co., Ltd	7,835,412.45			330,591.13			-103,748.65		8,062,254.93		
Hunan Wulingha Electric Energy Efficiency Technology Co., Ltd	4,249,262.28			346,819.33					4,596,081.61		
Shenyang Dewat Steam Turbine Power Co., Ltd	45,043,765.65			-6,880,182.12					38,163,583.53		
Harbin Electric Power (Dalian) Electric Power Design Co., Ltd	10,120,264.61			120,238.98					10,240,503.59		
Harbin Huitong Electric Power Engineering Co., Ltd	11,432,643.49			5,528,280.18			-2,563,328.20		14,397,595.47		
subtotal	342,746,273.93	506,099,951.40		49,721,137.92			-19,358,337.65	-135,895,900.44	743,313,125.16		84,811,282.29
Total	462,128,672.81	581,279,151.40		53,259,974.55			-19,358,337.65	-135,895,900.44	941,413,560.67		84,811,282.29

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.16 Other equity instruments

8.16.1 Other equity instruments

Item	Closing balance	Opening balance
China United Heavy Gas Turbine Technology Co., Ltd	132,000,000.00	132,000,000.00
Jiangsu Fenghai New Energy Desalination Seawater Co., Ltd	30,000,000.00	30,000,000.00
Heilongjiang Xintianhadian New Energy Investment Co., Ltd	2,461,700.00	2,461,700.00
Beijing Quan3D Power Engineering Co., Ltd	400,000.00	400,000.00
Harbin Power Equipment Logistics Co., Ltd	1,000,000.00	1,000,000.00
Jinhui Zhaofeng Energy Co., Ltd	41,220,000.00	44,473,416.18
Tianjin Binhai Industry Fund Management Co., Ltd	20,000,000.00	20,000,000.00
Xinjiang Gezhouba Dashixia Water Conservancy Hub Development Co., Ltd	48,183,700.00	34,905,700.00
Tianjin Bogang No.14 Enterprise Management (Limited Partnership)		1,718,984.80
China Southern Power Grid Energy Storage Co., Ltd	388,494,875.58	568,163,905.26
Harbin Nengchuang Digital Technology Co., Ltd	10,000,000.00	10,000,000.00
Xinjiang Jinhui Zhaofeng Energy Co., Ltd	298,824.18	
Xinjiang Zhongtai Jinhui Energy Co., Ltd	2,954,592.00	
Total	677,013,691.76	845,123,706.24

8.16.2 Significant other equity instruments at the end of the period

Item	Investment cost	The amount of change in fair value accumulated through other comprehensive income	Closing fair value
China United Heavy Gas Turbine Technology Co., Ltd	132,000,000.00		132,000,000.00
China Southern Power Grid Energy Storage Co., Ltd	499,999,997.07	-111,505,121.49	388,494,875.58
Total	631,999,997.07	-111,505,121.49	520,494,875.58

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.17 Investment real estate

Item		Opening balance	Increased in the current period	Decreased in the current period	Closing balance
I.	Original book value	278,103,387.24	228,335.26	17,254,900.79	**261,076,821.71**
	1. Buildings and construction	277,793,387.24	228,335.26	17,254,900.79	**260,766,821.71**
	2. Land assets	310,000.00			**310,000.00**
II.	Accumulated depreciation	105,373,105.06	8,359,080.97	14,027,427.94	**99,704,758.09**
	1. Buildings and construction	105,300,254.64	8,352,880.98	14,027,427.94	**99,625,707.68**
	2. Land assets	72,850.42	6,199.99		**79,050.41**
III.	Carrying amount	172,730,282.18			**161,372,063.62**
	1. Buildings and construction	172,493,132.60			**161,141,114.03**
	2. Land assets	237,149.58			**230,949.59**
IV.	Impairment				
	1. Buildings and construction				
	2. Land assets				
V.	Net carrying amount	172,730,282.18			**161,372,063.62**
	1. Buildings and construction	172,493,132.60			**161,141,114.03**
	2. Land assets	237,149.58			**230,949.59**

8.18 Fixed assets

Item	Closing balance	Opening balance
Fixed assets	**4,995,386,210.48**	5,984,642,064.17
Disposal of fixed assets	**92,299.14**	213,616.88
Total	**4,995,478,509.62**	5,984,855,681.05

Note: The fixed assets in the above table refer to the fixed assets after deducting the disposal of fixed assets.

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.18 Fixed assets (Continued)

8.18.1 Breakdown of fixed assets

Item		Opening balance	Increased during the year	Decreased during the year	Closing balance
I.	Original book value	16,029,713,555.55	579,542,635.03	2,235,488,451.01	14,373,767,739.57
	Buildings and construction	5,654,105,558.40	94,183,340.67	588,135,797.86	5,160,153,101.21
	Machinery equipment	8,659,232,975.40	363,890,146.34	1,564,795,589.20	7,458,327,532.54
	Transportation facility	349,102,003.71	12,579,817.63	9,174,409.87	352,507,411.47
	Electronic equipment	777,938,651.48	74,764,824.88	58,236,830.20	794,466,646.16
	Office equipment and others	589,334,366.56	34,124,505.51	15,145,823.88	608,313,048.19
II.	Accumulated depreciation	9,994,028,936.15	625,313,005.85	1,288,669,098.33	9,330,672,843.67
	Buildings and construction	2,144,889,146.05	180,706,272.71	144,409,584.22	2,181,185,834.54
	Machinery equipment	6,493,558,308.45	364,649,132.81	1,078,893,858.66	5,779,313,582.60
	Transportation facility	317,298,808.89	6,307,394.43	8,560,077.98	315,046,125.34
	Electronic equipment	607,482,036.94	40,333,410.19	42,210,230.82	605,605,216.31
	Office equipment and others	430,800,635.82	33,316,795.71	14,595,346.65	449,522,084.88
III.	Carrying amount	6,035,684,619.40	–	–	5,043,094,895.90
	Buildings and construction	3,509,216,412.35	–	–	2,978,967,266.67
	Machinery equipment	2,165,674,666.95	–	–	1,679,013,949.94
	Transportation facility	31,803,194.82	–	–	37,461,286.13
	Electronic equipment	170,456,614.54	–	–	188,861,429.85
	Office equipment and others	158,533,730.74	–	–	158,790,963.31
IV.	Impairment	51,042,555.23	494,302.45	3,828,172.26	47,708,685.42
	Buildings and construction	12,344,563.98	–	275,159.09	12,069,404.89
	Machinery equipment	37,503,169.10	347,579.56	3,553,013.17	34,297,735.49
	Transportation facility	1,150,808.70	–	–	1,150,808.70
	Electronic equipment	44,013.45	146,722.89	–	190,736.34
	Office equipment and others	–	–	–	
V.	Net carrying amount	5,984,642,064.17	–	–	4,995,386,210.48
	Buildings and construction	3,496,871,848.37	–	–	2,966,897,861.78
	Machinery equipment	2,128,171,497.85	–	–	1,644,716,214.45
	Transportation facility	30,652,386.12	–	–	36,310,477.43
	Electronic equipment	170,412,601.09	–	–	188,670,693.51
	Office equipment and others	158,533,730.74	–	–	158,790,963.31

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.18 Fixed assets (Continued)

8.18.2 Fixed assets for which the title certificate has not been completed at the end of the period

Item	Book value	Reason for not having a title deed
Buildings and construction	171,659,712.43	Part of the company's land use rights are separated from the ownership of the house, and the house has not applied for the real estate certificate or has not been transferred

8.18.3 Disposal of fixed assets

Item	Closing balance	Opening balance	Reason for any fee to liquidation
Machinery and equipment	92,299.14	77,391.87	Assets to be scrapped
Office equipment		136,225.01	Assets to be scrapped
Total	92,299.14	213,616.88	–

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.19 Construction in progress

	Closing balance			Opening balance		
Item	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Eco-environmental protection projects	24,514,434.57			24,327,521.20		24,327,521.20
R&D support projects	1,941,921.25			16,280,733.83		16,280,733.83
Technological transformation projects	11,146,313.83			15,598,728.68		15,598,728.68
Five key projects	15,217,974.56			13,166,049.67		13,166,049.67
High Temperature Reactor Project	125,672,452.50			9,002,057.65		9,002,057.65
Digital intelligent test platform system for high-temperature, high-pressure and high-flow valves FX-044				6,017,699.12		6,017,699.12
Safety and Environmental Protection Project	2,504,017.73			3,138,776.86		3,138,776.86
Dehui Economic Development Zone 1*40MW biomass cogeneration project	1,410,185.84					
23-472001 Basic R&D capacity building	39,197,834.99					
22-412018CNC heavy-duty horizontal lathe	17,408,098.19					
22-412017CNC heavy-duty wheel groove milling machine	16,359,468.32					
22-471002 Port side test bench	8,409,504.24					
20-47203Dynamic balancing machine transformation	8,261,868.51					
22-471003New pilot plant was built	7,145,916.33					
22-432006CNC gantry milling machine updated	7,118,263.57					
Equipment retrofit project				24,153,717.17		24,153,717.17
Construction in progress – equipment procurement and installation				15,036,595.59		15,036,595.59
Harbin Electric Energy Storage Technology Innovation Industrial Base Project (Phase I)	92,310,278.40					
Retest station oil pipeline reconstruction	16,257,542.47					
Hydropower heavy workshop and coil digital workshop	13,665,510.38					
Upgrading of the motor laboratory	8,415,671.26					
Construction of wind power test station	4,987,366.38					
Harbin Electric Energy Storage Technology Innovation Industrial Base Project (Phase II)	4,569,857.41					
Other works	205,746,671.29	1,847,550.32	652,740,245.51	48,724,556.32	1,847,550.32	46,877,006.00
Engineering materials	22,326,643.81			36,299,683.00		36,299,683.00
Total	654,587,795.83	1,847,550.32	652,740,245.51	211,746,119.09	1,847,550.32	209,898,568.77

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.19 Construction in progress (Continued)

8.19.1 Current changes of important projects under construction

unit: 10,000 yuan

Project name	Budgeted number	Opening balance	Increase in the current period	Amount transferred into fixed assets in the current period	Other decrease in the current period	Closing balance	Proportion of accumulative project investment in budget (%)	Project progress (%)	Accumulated capitalization amount of interest	Including: capitalization amount of interest in the current period	Capitalization rate of interest in the current period (%)	Source of fund
High-temperature reactor project engineering	16,698.02		10,287.58			10,287.58	62.00	62.00				Self-raised funds. State-allocated funds
23–472001Basic R&D capacity building	11,639.00		3,919.78			3,919.78	34.00	30.00				Self-raised+State-allocated
22–412018CNC heavy-duty horizontal lathe	3,980.00	1,034.07	706.74			1,740.81	44.00	40.00				Self-raised+State-allocated
22–412017CNC heavy-duty wheel groove milling machine	1,780.00	562.48	1,073.47			1,635.95	92.00	90.00				Self-raised+State-allocated
Five key projects	2,340.00	1,316.60	244.84	39.65		1,521.80	75.00	85.00				Self-raised+State-allocated
φ200CNC floor boring and milling machine	1,461.06	438.32	625.75			1,064.07	73.00	73.00				Self-raised funds. State-allocated funds
22–471002 Port side test bench	2,400.00		840.95			840.95	35.00	30.00				Self-raised
20–47203Dynamic balancing machine transformation	905.00	824.72	1.47									

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.19 Con - c ion in p og e (Con in ed)

8.19.2 Engineering materials

Item	Clo ing balance	Opening balance
Machinery and equipment	22,326,643.81	36,299,683.00
Total	22,326,643.81	36,299,683.00

8.20 In angible a e

Item	Opening balance	Inc ea ed in he c en pe iod	Dec ea e in he c en pe iod	Clo ing balance
Total original price	1,888,552,837.18	175,782,440.54	247,133,275.19	1,817,202,002.53
Software	189,210,558.42	55,365,069.24	39,270,000.00	205,305,627.66
Land use right	837,260,688.93	111,610,533.05	22,231,891.02	926,639,330.96
patent	6,351,035.66	8,527,592.96		14,878,628.62
Non-proprietary technology	231,079,689.39	279,245.29	185,631,384.17	45,727,550.51
Concessions	624,445,532.55			624,445,532.55
Other	205,332.23			205,332.23
Total accumulated amortization	987,961,734.17	85,921,000.63	205,164,446.71	868,718,288.09
Software	98,196,847.65	18,014,429.69	11,977,350.00	104,233,927.34
Land use right	323,754,180.37	19,083,910.37	7,555,712.54	335,282,378.20
patent	3,773,561.79	363,658.81		4,137,220.60
Non-proprietary technology	204,598,921.80	-10,203,182.57	185,631,384.17	8,764,355.06
Concessions	357,638,222.56	58,780,398.16		416,418,620.72
Other		-118,213.83		-118,213.83
Total Provision for impairment	10,630,751.38			10,630,751.38

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.20 Intangible assets (Continued)

Item	Opening balance	Increased in the current period	Decrease in the current period	Closing balance
Software	2,137,376.41			2,137,376.41
Land use right				
patent				
Non-proprietary technology	8,402,511.71			8,402,511.71
Concessions				
Other	90,863.26			90,863.26
Total Net value	889,960,351.63			937,852,963.06
Software	88,876,334.36			98,934,323.91
Land use right	513,506,508.56			591,356,952.76
patent	2,577,473.87			10,741,408.02
Non-proprietary technology	18,078,255.88			28,560,683.74
Concessions	266,807,309.99			208,026,911.83
Other	114,468.97			232,682.80

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.21 Development expenditure

		Increased in the current period		Decreased in the current period			
Project	Opening balance	Internal development expenditure	Other	Recognized as intangible assets	Transferred to profit or loss for the current period	Other	Closing balance
Digital twin project	22,232,407.39		93,335,125.45	11,925,663.73	12,264,150.93	24,124,772.90	67,252,945.28
Harbin Electric Co., Ltd. ERP Phase II project service contract XXZX202009-031(HEI010005)	14,238,679.27						14,238,679.27
Research and demonstration of key technologies for adsorption and compression of carbon dioxide energy storage	12,728,155.39						12,728,155.39
ERP Phase I Project Service Fee-Deloitte Consulting (Shanghai) Co., Ltd-2018-KJGLB-HF-28	11,490,566.07			11,490,566.07			
Development of nuclear power bypass control valve	8,527,592.96			8,527,592.96			
Harbin Electric Group ERP Phase III Service Project	3,860,377.36		5,147,169.82				9,007,547.18
Development of petrochemical high-end ball butterfly valve	1,419,145.70	1,670,671.02					3,089,816.72
Harbin Electric Power Group Master Data Management Phase III Project	828,301.88						828,301.88
The first phase of the customer relationship management system of Harbin Electric Group	635,898.30		64,150.94				700,049.24
Harbin Electric Power Group State-owned Assets Online Supervision Platform (Phase I) Project	610,619.47		1,477,375.19				2,087,994.66
Archives and electronic business document information platform construction project-Beijing Zhiwang Technology Co., Ltd-2017-KJZLB-HT-10	171,180.01						171,180.01
State-owned assets supervision and accountability information system project	113,309.74						113,309.74
Rule of law, compliance, risk control informatization project			2,761,301.89				2,761,301.89
ERP Wrap up the project			7,746,226.42				7,746,226.42
Development of steam extraction check valve for nuclear power unit		797,582.68					797,582.68
Development of ultra-supercritical or thermal power unit steam turbine bypass valve		310,917.78					310,917.78
Development of petrochemical rotary distribution valves		3,226,775.39					3,226,775.39
State-owned capital projects and others	23,488,111.26		5,300,155.29	1,705,568.54	19,604,087.83		7,478,610.18
Total	100,344,344.80	6,005,946.87	115,831,505.00	33,649,391.30	31,868,238.76	24,124,772.90	132,539,393.71

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.22. Goodwill

Name of the investee	Opening balance	Increased in the current period	Decrease in the current period	Closing balance
Jilin Province Zesheng Environmental Protection Engineering Co., Ltd	23,919,751.92			23,919,751.92
Harbin Electric Group Suzhou Dawson Valve Co., Ltd		10,596,651.69		10,596,651.69
Total	23,919,751.92	10,596,651.69		34,516,403.61

8.23 Long-term deferred expense

Item	Opening balance	Increased in the current period	Amortization for the period	Decrease in the current period	Closing balance
Expenditure on improvement of fixed assets	1,839,144.56		1,139,876.47		699,268.09
Renovation costs	434,916.07	3,849,818.49	539,085.55		3,745,649.01
Total	2,274,060.63	3,849,818.49	1,678,962.02		4,444,917.10

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.24 Deferred income tax assets and deferred income tax liabilities (Continued)

8.24.1 Deferred income tax assets without offset

	Closing balance		Opening balance	
Item	Deferred tax assets/liabilities	Deductible/Taxable temporary difference	Deferred tax assets/liabilities	Deductible/Taxable temporary differences
1. Deferred income tax assets	625,356,125.13	4,166,987,009.20	723,805,905.84	4,829,831,105.15
Provision for asset impairment	402,662,808.42	2,682,364,897.79	437,243,261.79	2,924,249,450.37
Estimated liabilities	144,965,672.39	966,437,815.93	266,296,843.88	1,770,476,320.37
Retiree unpooled expenses	7,254,655.36	48,364,369.04		
Deductible losses	2,204.96	14,699.76	2,205.00	14,700.00
Change in fair value	29,698,630.28	197,990,868.58	963,511.22	6,423,408.10
Severance benefits	40,772,153.72	271,814,358.10	19,300,083.95	128,667,226.31
2. Deferred income tax liabilities	6,576,303.68	43,842,024.53	10,224,586.23	68,163,908.19
Changes in the fair value of investments in other equity instruments included in other comprehensive equity	6,576,303.68	43,842,024.53	10,224,586.23	68,163,908.19

8.24.2. The breakdown of deferred tax assets is not recognized

Item	Closing balance	Opening balance
Deductible losses	2,154,738,455.02	2,623,202,723.63
Deductible temporary differences	2,685,428,796.15	2,578,730,772.11
Total	4,840,167,251.17	5,201,933,495.74

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.24 Deferred income tax assets and deferred income tax liabilities (Continued)

8.24.3. Deductible losses on unrecognized deferred tax assets will mature in the following years

Year	Closing balance	Opening balance	Note
2023		117,183,069.05	
2024	890,421,843.15	880,172,410.45	
2025	405,960,455.73	361,727,743.47	
2026	16,672,652.45	3,066,885.25	
2027	26,220,889.80	26,220,889.80	
2028	62,370,979.40	104,895,373.17	
2029	18,926,842.69		
2030	50,278,286.25	35,239,910.62	
2031	934,839,100.25	930,156,472.17	
2032	279,737,746.43		
Total	2,685,428,796.15	2,458,662,753.98	

8.25 Other non-current assets

Item	Closing balance	Opening balance
Dubai Haxiang Project Investment Company	648,945,390.08	
Outsource the development of software systems	76,831,047.22	30,305,158.52
Others	333,000.00	25,011.28
Total	726,109,437.30	30,330,169.80

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.26 Short-term loan

Item	Closing balance	Opening balance
Mortgage borrowing		10,000,000.00
Guaranteed borrowing		
Borrowing on credit	3,285,133,158.88	4,802,857,850.77
Undue interest payable		
Total	3,285,133,158.88	4,812,857,850.77

8.27 Notes payable

Item	Closing balance	Opening balance
Bank acceptance bill	4,674,692,405.75	4,143,134,187.29
Commercial acceptance bill	1,471,592,766.36	2,905,327,909.26
Total	6,146,285,172.11	7,048,462,096.55

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.28 Accounts payable

Age	Closing balance	Opening balance
Within 1 year	9,958,348,393.50	11,288,408,105.28
1–2 years	4,510,840,294.16	1,194,304,241.76
2–3 years	836,619,752.62	334,659,482.02
Over 3 years	896,452,875.31	979,293,887.87
Total	16,202,261,315.59	13,796,665,716.93

Significant accounts payable with aging over one year:

Name of creditor	Closing balance	Reason for failure of payment or carry-forward
J.M. Voith SE&Co.KG	268,355,745.22	The contract has not fullfilled
China Energy Construction Group Tianjin Electric Power Construction Co., Ltd	164,500,354.04	The contract has not fullfilled
China Tianchen Engineering Co., Ltd	159,506,420.37	The contract has not fullfilled
CCCC First Harbor Engineering Survey and Design Institute Co., Ltd	43,904,939.20	The contract has not fullfilled
GOKYOL INSAAT TURIZM TAAH.VE TICARET LTD.STI	36,531,238.83	The contract has not fullfilled
Shanghai Blower Factory Co., Ltd	32,023,567.00	The contract has not fullfilled
Dalian Huarui Heavy Industry International Trade Co., Ltd	29,111,152.30	The contract has not fullfilled
Guodian NARI Technology Co., Ltd	28,925,444.90	The payment node has not been reached
China Electric Power Engineering Consulting Group Zhongnan Electric Power Design Institute Co., Ltd	27,287,500.00	The contract has not fullfilled
PowerChina Beijing Survey, Design and Research Institute Co., Ltd	23,165,643.23	The payment node has not been reached
China Construction Steel Structure Co., Ltd	21,844,727.84	The contract has not fullfilled
CCCC Second Harbor Engineering Survey and Design Institute Co., Ltd	21,779,161.60	The contract has not fullfilled
Hangzhou Boiler Group Co., Ltd	21,680,000.00	The contract has not fullfilled
Chongqing ABB Transformer Co., Ltd	20,840,822.54	The contract has not fullfilled
China Huadian Science and Industry Group Co., Ltd	20,490,426.95	The contract has not fullfilled
Northeast Electric Power Design Institute of China Electric Power Engineering Consulting Group	20,147,453.11	The contract has not fullfilled
Wuxi out of the new steel structure engineering Co., Ltd	18,111,621.14	The contract has not fullfilled
Harbin Guanghan Power Technology Development Co., Ltd	17,212,050.00	Has not settlement
North Heavy Industries Group Co., Ltd	16,934,673.02	Treasury has not dued

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.28 Accounts payable (Continued)

Significant accounts payable with aging over one year: (Continued)

Name of creditor	Closing balance	Reason for failure of payment or carry-forward
Qingdao Oriental Tower Co., Ltd	16,418,967.00	Treasury has not dued
Beijing Guodian Water Conservancy and Electric Power Engineering Co., Ltd	16,195,243.85	The payment node has not been reached
Jilin Provincial Power Transmission and Transformation Engineering Company	15,394,782.52	The contract has not fullfilled
Installation Branch of China Water Resources and Hydropower Eighth Engineering Bureau Co., Ltd	15,312,303.26	The contract has not fullfilled
Dalian Pulse Gas System Co., Ltd	15,267,458.80	The contract has not fullfilled
Tuxing (Fujian) Steel Structure Co., Ltd	14,546,246.44	The contract has not fullfilled
Shaanxi Xingyi Enterprise Group Co., Ltd	14,285,104.77	The contract has not fullfilled
Dongfang Electric Group Dongfang Boiler Co., Ltd	13,800,000.00	The contract has not fullfilled
Baosheng Technology Innovation Co., Ltd	12,017,627.41	The contract has not fullfilled
Nantong Hyosung Transformer Co., Ltd	11,687,870.00	The contract has not fullfilled
China Construction Science and Industry Group Co., Ltd	11,397,271.00	Treasury has not dued
Clyde Bergemann Energy & Environmental Technology (Beijing) Co., Ltd	10,553,080.46	The contract has not fullfilled
Howden Wah Engineering Limited	10,543,000.00	Treasury has not dued
Beijing ABB Bailey Engineering Co., Ltd	10,092,724.42	The contract has not fullfilled
Bohai Heavy Industry Pipeline Co., Ltd	9,964,032.40	The contract has not fullfilled
Anhui Pacific Cable Co., Ltd	9,759,356.21	The contract has not fullfilled
Jiangsu Darun Electric Power Equipment Co., Ltd	9,659,595.06	The contract has not fullfilled
ARABIAN COMPANY FOR WATER PIPE INDUSTRY LTD	9,587,825.01	The contract has not fullfilled
Anhui Guodian Cable Group Co., Ltd	9,467,811.11	The contract has not fullfilled
Schneider Electric (Xiamen) Switchgear Co., Ltd	9,405,021.66	The contract has not fullfilled
Henan Weihua Heavy Machinery Co., Ltd	8,968,690.80	The contract has not fullfilled
Tieling Valve (Group) Special Valve Co., Ltd	8,894,869.43	The contract has not fullfilled
China Energy Construction Group Northeast Electric Power Third Engineering Co., Ltd	8,612,784.63	The contract has not fullfilled
Xi'an Xidian International Engineering Co., Ltd	8,550,000.00	The contract has not fullfilled
TBEA Shandong Luneng Taishan Cable Co., Ltd	8,426,289.00	The contract has not fullfilled
Fujian Longjing Environmental Protection Co., Ltd	8,325,711.50	The contract has not fullfilled
AGCO Air Treatment Technologies (Suzhou) Co., Ltd	8,095,552.11	The contract has not fullfilled

Name of c edi o	Clo ing balance	Rea on fo fail e of epa men o ca -fo a d
Hebei Huizhong Pipeline Equipment Co., Ltd	7,560,058.50	The contract has not fullfilled
It's really impossible to tell the difference between suppliers	6,980,593.57	The contract has not fullfilled
Harbin Steam Turbine Factory Co., Ltd	6,859,000.00	The payment node has not been reached
Shandong Dachi Alfa Electric Co., Ltd	6,709,303.85	The contract has not fullfilled
Jiangsu Dongfang Electric Power Boiler Parts Co., Ltd	6,312,949.40	The amount owed is the warranty money and is not due
Tsinghua University	5,982,905.98	The contract has not fullfilled
China Water Northeast Survey, Design and Research Co., Ltd	5,675,508.67	The payment node has not been reached
Harbin Shunyuan Power Station Equipment Co., Ltd	5,546,351.43	Not yet settled
Total	1,349,208,831.54	–

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.32 Employee compensation payable (Continued)

8.32.3 Presentation of defined contribution plan

Item	Opening balance	Increased in the current period	Decrease in the current period	Closing balance
Basic endowment insurance premium		234,498,894.43	234,425,593.43	73,301.00
Unemployment insurance premium	1,046.56	7,731,542.44	7,711,873.14	20,715.86
Enterprise annuity payment	231,610.84	73,100,381.85	73,331,992.69	
Total	232,657.40	315,330,818.72	315,469,459.26	94,016.86

8.33 Taxes payable

Item	Opening balance	Taxes payable	Taxes paid	Closing balance
Value-added tax	445,856,805.39	2,245,894,543.16	2,322,041,201.70	369,710,146.85
Corporate income tax	4,952,587.11	115,628,149.45	105,291,529.14	15,289,207.42
City construction and maintenance tax	17,369,822.30	55,861,825.80	55,706,645.84	17,525,002.26
Property tax	3,288,547.55	42,415,565.09	42,677,318.34	3,026,794.30
Land use tax	2,089,089.56	26,506,297.54	26,390,379.96	2,205,007.14
Individual income tax	13,830,438.04	41,474,156.46	42,416,749.72	12,887,844.78
Education surcharge (Local education fee surcharge is included)	12,403,602.60	39,834,883.39	39,729,268.76	12,509,217.23
Others	156,371,272.33	3,819,471,696.17	3,886,246,144.48	89,596,824.02
Total	656,162,164.88	6,387,087,117.06	6,520,499,237.94	522,750,044.00

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.34 Other payable

Item	Closing balance	Opening balance
Interest payable	**15,474,798.01**	11,981,664.53
Dividends payable	**2,773,165.24**	3,482,983.73
Other payables	**480,960,784.11**	447,273,849.86
Total	**499,208,747.36**	462,738,498.12

Note: Other payables in the above table refer to other payables after deducting interest payable and dividends payable.

8.34.1 Statement of interest payable

Item	Closing balance	Opening balance
Interest on long-term borrowings that are paid in installments and repaid at maturity	**4,436,778.04**	43,058.53
Interest on corporate bonds		
Interest payable on short-term borrowings	**1,530,014.51**	5,011,740.06
Others	**9,508,005.46**	6,926,865.94
Total	**15,474,798.01**	11,981,664.53

8.34.2. Dividends payable

Item	Closing balance	Opening balance
Common stock dividends	**2,773,165.24**	3,482,983.73
Total	**2,773,165.24**	3,482,983.73

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.34 Other payable (Continued)

8.34.3. *Other payables*

(1) Presentation of other payables by nature

Item	Closing balance	Opening balance
Current Payments	**218,730,363.84**	264,900,069.41
Insurance indemnity	**27,883,384.31**	44,829,966.60
Deposits, security deposits, etc	**163,852,553.78**	74,670,568.29
Funds for party building work	**23,736,445.70**	18,759,566.97
Borrowing and lending	**9,265.57**	
Remittance and temporary deposit should be withdrawn	**27,847,311.15**	18,350,580.49
Withholding Expenses	**3,395,753.77**	
Others	**15,505,705.99**	25,763,098.10
Total	**480,960,784.11**	447,273,849.86

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.34 Other payable (Continued)

8.34.3. *Other payables (Continued)*

(2) Other significant payables with aging over one year

Item	Closing balance	Reason for non-repayment
Zhongcheng Township (Yantai) Liquefied Natural Gas Co., Ltd	**30,000,000.00**	The contract has not fullfilled
Funds for party building work	**18,440,590.85**	Funds for Party building
Installation Branch of China Water Resources and Hydropower Eighth Engineering Bureau Co., Ltd	**8,475,460.63**	The contract has not fullfilled
Harbin Power Technology Trading Co., Ltd	**7,350,000.00**	Related parties
Hubei Electric Power Construction First Engineering Co., Ltd	**4,540,449.84**	The contract has not fullfilled
Deferred cashing of the operator's performance salary	**3,345,753.77**	Related parties
Ciddison Project/Electrical International Engineering Company	**2,423,125.17**	Not yet settled
Gansu Guohua Electric Power Engineering Co., Ltd	**2,293,800.00**	Current Payments
Deere Financial Client Margin	**1,962,180.74**	The deposit is not due
Harbin Electric International Engineering Co., Ltd	**1,500,000.00**	Not yet settled
Total	**80,331,361.00**	

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.35 Non-current liabilities maturing within one year

Item	Closing balance	Opening balance
Long-term borrowings maturing within one year	**1,073,498,269.83**	376,797,151.00
Lease liabilities due within 1 year	**1,072,847.60**	25,263,157.88
Total	**1,114,672,500.76**	402,060,308.88

8.36 Other current liabilities

Item	Closing balance	Opening balance
Endorsed transfer of unexpired commercial acceptance bills	**6,005,602.35**	35,452,401.56
Others	**6,376,147.07**	
Total	**12,381,749.42**	35,452,401.56

8.37 Long-term borrowing

Item	Closing balance	Opening balance	End of Period Interest Rate Range *(%)*
Mortgage borrowing	**275,183,498.72**	275,300,760.40	
Guaranteed borrowing	**18,029,000.00**	495,490,660.00	
Borrowing on credit	**1,454,769,229.80**	1,621,112,553.43	
Total	**1,747,981,728.52**	2,391,903,973.83	

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.39 Long-term payable (Continued)

8.39.2. The top 4 items with the largest closing balance of special payables

Item	Opening balance	Increased in the current period	Decrease in the current period	Closing balance
Total	13,975,241.79			**13,975,241.79**
1. Institute projects	4,552,892.77			**4,552,892.77**
2. Science and technology three fees	3,922,349.02			**3,922,349.02**
3. Provincial Science and Technology Commission (CIMS Project)	3,000,000.00			**3,000,000.00**
4. Funds for the development of high-tech industries	2,500,000.00			**2,500,000.00**

8.40. Long-term employee compensation payable

Item	Opening balance	Increased in the current period	Decrease in the current period	Closing balance
1. Post-employment benefit – net liabilities of defined benefit plans	237,932.06	44,197.60	7,406.19	**274,723.47**
2. Dismissal welfare	338,643,109.58	6,808,148.76	31,831,965.10	**313,619,293.24**
3. Other long-term welfare	6,611,046.92		610,151.73	**6,000,895.19**
Total	345,492,088.56	6,852,346.36	32,449,523.02	**319,894,911.90**

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.41 Estimated liabilities

Item	Closing balance	Opening balance
Pending Litigation	128,100,000.00	
Product quality assurance	281,470,679.32	239,265,039.41
Pending loss contract	1,026,596,867.39	1,710,678,836.361,026,596,867.39

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.43. Other non-current liabilities

Item	Closing balance	Opening balance
Forward settlement contracts	86,485,747.09	6,423,408.10
Total	86,485,747.09	6,423,408.10

8.44 Paid in capital

	Opening balance		Increase	Decrease	Closing balance	
	Investment	Percentage (%)	during the year	during the year	Investment	Percentage (%)
Investor						
Harbin Electric Group Co., Ltd	1,030,952,000.00	60.41	529,753,000.00		1,560,705,000.00	69.79
Overseas listed and tradable shares	675,571,000.00	39.59			675,571,000.00	30.21
Total	1,706,523,000.00	100.00			2,236,276,000.00	

8.45 Capital reserve

Item	Opening balance	Increased in the current period	Decreased in the current period	Closing balance
1. Capital premium (capital stock premium)	4,298,019,065.66	1,170,247,000.00	7,020,975.85	5,461,245,089.81
2. Other capital reserves	40,717,926.46		5,160,745.58	35,557,180.88
Total	4,338,736,992.12	1,170,247,000.00	12,181,721.43	5,496,802,270.69
Of which: Exclusive state-owned capital reserve				

Note: 1. The increase in capital reserve for the current period is the capital increase of Harbin Electric Group Co., Ltd. to the Company, with an increase of RMB1,170,247,000.00;

2. Chengdu Sanlia Technology Co., Ltd., a subsidiary, was liquidated and cancelled, reducing the capital reserve by RMB7,450,975.85;

3. Harbin Boiler Factory Co., Ltd., a subsidiary, increased its investment of 10 million yuan in its subsidiary, Jilin Zesheng Environmental Protection Engineering Co., Ltd., all of which were included in the capital reserve as a capital premium. The part attributable to minority shareholders was reduced by RMB4,730,745.58.

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.46. Safety production fee

Item	Opening balance	Increased in the current period	Decrease in the current period	Closing balance	Note
Safety production fee	45,479,801.06	27,938,752.21	25,929,184.91	47,489,368.36	
Total	45,479,801.06	27,938,752.21	25,929,184.91	47,489,368.36	

8.47. Surplus reserves

Item	Opening balance	Increased in the current period	Decrease in the current period	Closing balance
Statutory surplus reserves	888,849,702.10	58,262,331.23	48,547,835.82	898,564,197.51
Discretionary surplus reserves		58,252,161.76		58,252,161.76
Total	888,849,702.10	116,514,492.99	48,547,835.82	956,816,359.27

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.48. Undistributed profits

Item	Year 2023	Year 2022
Undistributed profits at the end of the previous year before adjustment	4,698,595,292.71	4,679,669,917.68
Total adjustment to undistributed profits at the beginning of the year		
Undistributed profits at the beginning of the year after adjustment	4,698,595,292.71	4,679,669,917.68
Increase during the year	574,760,038.85	98,638,427.66
Including: Net profit	58,262,331.23	79,713,052.63
Other adjustment	58,252,161.76	
Decrease during the year	10,239,138.00	
Including: Transfer to surplus reserve		
Transfer to general reserve		
Transfer to cash dividends		
Others	109,087,234.98	
Undistributed profits at the end of the period	5,255,688,935.55	4,698,595,292.71

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.49 Operating revenue and operating cost

Information on operating revenue

Industry classification	Industry composition	Year 2023		Year 2022	
		Revenue	Expenses from costs	Revenue	Expenses from costs
New power equipment	Coal power industry	8,013,583,440.19	7,248,441,743.23	6,834,068,488.60	5,914,634,155.35
	Hydropower industry	3,443,631,421.03	2,999,444,187.19	2,752,832,540.92	2,303,474,417.35
	Nuclear power industry	2,489,877,777.98	1,818,147,786.78	1,275,700,589.70	933,816,987.00
	Gas and electricity industry	1,143,663,716.85	1,082,272,376.83	613,728,809.10	584,807,963.85
	Wind power industry			9,021,826.45	27,612,667.77
	Energy storage industry	51,743,362.80	47,431,962.13	33,292,035.40	33,920,773.90
	Other products	604,348,228.53	532,263,110.12	227,340,324.13	283,320,326.00
	Subtotal	15,746,847,947.38	13,728,001,166.28	11,745,984,614.30	10,081,587,291.22
Green and low-carbon drive equipment	Electric motor and marine equipment industry	703,229,246.25	660,673,871.98	1,217,459,982.48	1,260,058,029.41
Clean and efficient industrial systems	Biomass, garbage, combustible exhaust gas, residual temperature and pressure utilization, environmental protection products, industrial petrochemical business, pumps and valves, hydrogen energy industry, etc	5,905,260,082.54	5,712,761,336.25	5,157,594,026.31	5,090,994,262.34
EPC Contracting & Trading	EPC Contracting & Trading	3,792,971,009.91	3,630,947,336.84	3,147,200,189.88	3,028,236,332.07
Modern manufacturing services	Energy Equipment, Digital, Finance & Services	2,202,381,302.16	1,431,484,515.44	3,170,444,809.44	2,163,112,241.22
Other	Services and other business	490,174,679.28	557,215,012.42	205,110,593.39	156,375,560.68
Total		28,840,864,267.52	25,721,083,239.21	24,643,794,215.80	21,780,363,716.94

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.50. Net interest income

Item	Yea 2023	Year 2022
I. Interest income	**409,448,104.81**	340,467,199.43
1. Depository peers	**335,655,497.54**	235,024,808.66
2. Deposited with the Central Bank	**13,231,196.64**	11,057,900.61
3. Lending funds	**1,750,000.00**	41,858,888.89
4. Loans and advances are made	**6,093,538.71**	19,130,289.70
Among them: personal loans and advances		
Corporate loans and advances	**2,814,976.43**	262,611.02
Bill discounting	**3,278,562.28**	18,867,678.68
5. Buy and sell back financial assets	**38,451,413.99**	33,341,789.14
6. Bond investment		
7. Other	**14,266,457.93**	53,522.43
Among them: interest income on impaired financial assets		
II. Interest expense	**15,755,333.62**	15,449,717.68
1. Interbank deposits		
2. Borrowing from the Central Bank		966,743.62
3. Split funds	**262,500.00**	225,000.00
4. Absorb deposits	**15,492,762.73**	12,555,815.48
5. Sell and repurchase financial assets		1,702,139.17
6. Issuance of bonds		
7. Other	**70.89**	19.41
III. Net interest income	**393,692,771.19**	325,017,481.75

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.51. Net income from fee and commission

Item	Year 2023	Year 2022
I. Net income from fee and commission	**37,524.20**	
1. Settlement and Clearing Fees		
2. Agency business fee		
3. Credit Commitment Fees and Commissions		
4. Card fees		
5. Consultant and consulting fees		
6. Commissions for escrow and other fiduciary services		
7. Other	**37,524.20**	
II. Handling fee and commission expense	**200,036.62**	77,557.00
1. Handling fee expense	**200,036.62**	77,557.00
2. Commission payouts		
III. Net fee and commission income	**-162,512.42**	-77,557.00

8.52. Tax and charge

Item	Year 2023	Year 2022
Urban Maintenance Construction Tax	**55,736,466.20**	41,370,717.36
Educational fee surcharge	**35,400,318.58**	20,480,729.13
Local education fee surcharge	**11,357,250.55**	9,060,967.51
stamp duty	**24,997,255.40**	23,258,654.33
Property tax	**42,203,432.62**	47,657,467.51
Land use tax	**26,002,525.43**	27,140,519.43
Vehicle and vessel use tax	**76,230.40**	65,065.00
Other	**107,215.21**	246,719.81
Total	**195,880,694.39**	169,280,840.08

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.53. Selling e pen e

Item	Yea 2023	Year 2022
Employee compensation	323,780,382.43	299,181,176.62
Quality Assurance Fee	117,140,198.61	183,814,178.56
Travel expenses	55,897,415.31	42,457,996.04
Shipping	2,333,857.66	10,887,894.81
Activity fee	26,713,147.05	20,461,049.85
Expenses for going abroad	8,166,666.21	20,626,635.02
Consultation fees	8,874,636.70	17,618,087.46
Insurance	204,733.16	59,617.07
Operating expenses	1,610,032.62	2,023,290.42
Office expenses	2,103,327.22	2,457,139.95
Exhibition fee	1,949,216.21	30,438.33
Advertising costs	394,089.97	1,905,919.78
Other	72,997,884.49	22,382,016.78
Total	622,165,587.64	623,905,440.69

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.54 General and administrative expense

Item	Year 2023	Year 2022
Employee compensation	809,616,283.08	677,270,751.96
Funds for party building activities	1,233,874.03	70,344.65
Depreciation and amortization expense	117,005,656.05	142,034,089.92
Repair costs	132,236,740.61	110,418,676.67
Conference travel expenses	32,662,309.70	25,995,012.24
Service Contract Fee	11,591,368.38	21,118,200.62
Office expenses	26,078,097.82	22,176,074.13
Expenses for going abroad	4,854,017.20	4,538,568.50
Material consumption	17,488,496.48	7,615,075.15
Utility bills	5,976,389.18	9,630,438.64
Heat	1,390,795.88	2,719,302.06
Shipping	474,587.19	6,140,649.66
Business entertainment expenses	18,786,219.59	12,871,271.55
Employment Security Fund for Persons with Disabilities	3,189,840.18	8,306,546.42
Fees for hiring an intermediary	19,003,923.51	13,675,918.59
Amortization of low-value consumables	1,285,565.29	3,871,141.75
Consultation fees	11,886,591.30	6,851,074.67
Examination fee	831,761.70	3,319,789.78
Insurance	9,707,915.66	51,325,704.95
Litigation costs	2,153,617.95	1,379,253.09
Technology transfer fees	6,513,135.83	
Board of Directors Fees	546,399.10	313,067.68
Sewage charges	6,755,990.64	6,158,931.09
Other	319,765,558.86	157,526,782.63
Total	1,561,035,135.21	1,295,326,666.40

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.55 Research and development expenditure

Item	Year 2023	Year 2022
Research and development expenses	998,625,593.36	726,641,980.52
Total	998,625,593.36	726,641,980.52

8.56. Finance Cost

Item	Year 2023	Year 2022
Interest expense	200,366,923.11	243,366,883.60
Less: Interest income	28,172,075.43	39,853,821.40
Net exchange losses	72,767,678.05	-91,282,588.56
Bank charges	49,563,606.73	26,718,955.38
Other	5,124,630.44	-3,842,731.94
Total	299,650,762.90	135,106,697.08

8.57. Other Income

Item	Year 2023	Year 2022
Government subsidy	231,352,604.79	148,370,309.20
Total	231,352,604.79	148,370,309.20

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.57. Other Income (Continued)

Government subsidies included in profit or loss for the current period

Item	Year 2023	Year 2022
Revenue-related government grants	231,352,604.79	132,438,753.99
Asset-related government grants		15,931,555.21
Total	231,352,604.79	148,370,309.20

8.58 Investment income

Source of investment income	Year 2023	Year 2022
Income from long-term equity investments accounted for by the equity method	53,259,974.55	10,692,995.08
Long-term equity investment income accounted for by the cost method		
Investment income from the disposal of long-term equity investments	167,625,561.18	
Investment income during the holding period of a tradable financial asset	25,444.68	6,642.15
Investment income from the disposal of trading financial assets	3,284,806.31	1,602,139.58
Interest income during the holding period of debt investments		
Interest income during the holding period of other debt investments	533,725.44	12,839,281.78
Gains arising from the remeasurement of equity at fair value when control is acquired		
Gains arising from the remeasurement of the remaining equity at fair value after loss of control		
Dividend income earned during the holding of other equity instruments	29,337,499.12	7,904,589.03
Investment income from debt restructuring	182,732.89	6,134,552.66
Other	7,848,492.31	
Total	262,098,236.48	39,180,200.28

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.59. Fai Val e Gain

The o ce of fai al e change gain	Yea 2023	Year 2022
Tradable financial assets	3,149,819.44	789,659.16
Total	3,149,819.44	789,659.16

8.60. C edi impai men lo e

em	Yea 2023	Year 2022
Bad debt losses	550,353,577.06	-387,371,253.69
Impairment losses on loaned funds and loans		55,800,000.00
Other	1,283,787.50	
Total	551,637,364.56	-331,571,253.69

8.61. A e impai men lo e

em	Yea 2023	Year 2022
Loss on inventory decline	-70,973,815.79	-118,753,348.55
Impairment loss on contract assets	28,166,983.22	179,553,156.13
Impairment losses on long-term equity investments		
Impairment loss on fixed assets	-494,302.45	-1,608,130.21
Impairment loss on construction in progress		-1,210,800.86
Total	-43,301,135.02	57,980,876.51

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.62. Gain on disposal of assets

Item	Year 2023	Year 2022	The amount included in the non-recurring profit or loss for the year
Gain or loss on disposal of fixed assets	2,908,649.88	2,785,668.86	
Gain or loss on disposal of intangible assets			
Total	2,908,649.88	2,785,668.86	

8.63. Non-operating income

Item	Year 2023	Year 2022	The amount included in the non-recurring profit or loss for the year
Gain on the destruction and retirement of non-current assets	8,829,166.32	1,783,370.68	8,829,166.32
Government grants that are not related to the day-to-day activities of the enterprise	5,495,376.15	9,590,163.94	5,495,376.15
Insurance indemnity	37,268,000.00		37,268,000.00
No write-offs are required		12,937,479.45	
Compensation for loss of quality	1,003,430.00	9,646,185.73	1,003,430.00
Other	38,235,442.94	22,213,484.36	38,235,442.94
Total	90,831,415.41	56,170,684.16	90,831,415.41

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.63. Non-operating income

1. Details of government subsidies

Item	Year 2023	Year 2022
Collect financial subsidy funds, etc	13,985,714.31	9,590,163.94
Total	13,985,714.31	9,590,163.94

8.64. Non-operating expense

Item	Year 2023	Year 2022	The amount included in the non-recurring profit or loss for the year
Loss on damage and retirement of non-current assets	3,855,848.28	3,479,061.12	3,855,848.28
Provision for litigation expenses	128,100,000.00		128,100,000.00
During the warranty period of the project, the estimated liability for the increase in procurement costs			
Penalty	18,394,728.27		18,394,728.27
Other	15,276,448.30	2,616,718.85	15,276,448.30
Total	165,627,024.85	6,095,779.97	165,627,024.85

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.65. Income tax expense

Item	Year 2023	Year 2022
Current income tax expenses	107,053,952.28	61,180,112.09
Deferred income tax expenses	46,569,442.45	15,168,301.92
Total	153,623,394.73	76,348,414.01

Adjustment process of accounting profit and income tax expenses:

Item	Year 2023
Total profits	769,006,746.36
Income tax expenses calculated at statutory or applicable tax rate	115,351,011.95
Effect of the application of various tax rates by subsidiaries	34,178,308.30
Effect of adjustments to the income tax for the prior years	40,143,552.70
Effect of non-deductible costs, expenses and losses	-93,370,468.36
Effect of using the deductible losses related to deferred income tax assets unrecognized in previous periods	46,046,433.68
Effect of deductible temporary differences or losses from deferred income tax assets unrecognized in the current period	11,957,918.89
The tax rate results in a change in the balance of deferred tax assets/liabilities at the beginning of the year	29,699,714.07
Additional deduction of research and development expenditure	-30,383,076.50
Income tax expenses	153,623,394.73

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.66 Supplementary information to the statement of cash flow

8.66.1 *Adjustment of the net profit from operating activities into the statement of cash flow*

Item	Year 2023 Previous amount	Net amount after tax
I. Other comprehensive income that cannot be reclassified into profit or loss	-152,718,675.23	-152,718,675.23
1. Remeasurement of changes in defined benefit plans		
2. Other comprehensive income that cannot be converted into profit or loss under the equity method		
3. Changes in the fair value of investments in other equity instruments	-152,718,675.23	-152,718,675.23
4. Changes in the fair value of the enterprise's own credit risk		
5. Other		
II. Other comprehensive income that will be reclassified into profit or loss	-25,417,157.14	-25,417,157.14
1. Other comprehensive income that can be transferred to profit or loss under the equity method		
Less: Other comprehensive income included in the previous period was transferred to profit or loss in the current period		
subtotal		
2. Changes in the fair value of other debt investments	2,171,169.00	2,171,169.00
Less: Other comprehensive income included in the previous period was transferred to profit or loss in the current period		
subtotal	2,171,169.00	2,171,169.00

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.66 Supplementary information to the statement of cash flow (Continued)

8.66.1 Adjustment of the net profit from operating activities into the statement of cash flow (Continued)

Item	Year 2023		
	Previous amount	income tax	Net amount after tax
3. Gains or losses on changes in fair value of available-for-sale financial assets			
Less: Other comprehensive income included in the previous period was transferred to profit or loss in the current period			
subtotal			
4. The amount of financial assets that are reclassified into other comprehensive income			
Less: Other comprehensive income included in the previous period was transferred to profit or loss in the current period			
subtotal			
5. Held-to-maturity investments are reclassified as gains or losses on available-for-sale financial assets			
Less: Other comprehensive income included in the previous period was transferred to profit or loss in the current period			
subtotal			
6. Other credit impairment provisions for debt investments	44,331,753.37		44,331,753.37
Less: Other comprehensive income included in the previous period was transferred to profit or loss in the current period			
subtotal	44,331,753.37		44,331,753.37

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.66 Supplementary information to the statement of cash flow (Continued)

8.66.1 Adjustment of the net profit from operating activities into the statement of cash flow (Continued)

Item	Year 2023		
	Pre-tax amount	income tax	Net amount after tax
7. Cash flow hedge reserve (the effective portion of the cash flow hedge profit or loss)			
Less: Other comprehensive income included in the previous period was transferred to profit or loss in the current period	80,062,339.00	12,009,350.85	-68,052,988.15
The adjustment to the amount initially recognized for the hedged item			
subtotal	-80,062,339.00	-12,009,350.85	-68,052,988.15
8. Translation differences for foreign currency statements	-3,867,091.36		-3,867,091.36
Less: The net amount of after-tax included in other comprehensive income in the current period of profit or loss			
subtotal	-3,867,091.36		-3,867,091.36
9. other			
Less: Other comprehensive income included in the previous period was transferred to profit or loss in the current period			
subtotal			
III. Total other comprehensive income	-185,545,993.09	-7,410,160.72	-178,135,832.37

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.66 Supplementary information to the statement of cash flow (Continued)

8.66.1 Adjustment of the net profit from operating activities into the statement of cash flow (Continued)

Item		Year 2022		
		Pre-tax amount	income tax	Net amount after tax
I.	Other comprehensive income that cannot be reclassified into profit or loss	57,939,321.96		57,939,321.96
	1. Remeasurement of changes in defined benefit plans			
	2. Other comprehensive income that cannot be converted into profit or loss under the equity method			
	3. Changes in the fair value of investments in other equity instruments	57,939,321.96		57,939,321.96
	4. Changes in the fair value of the enterprise's own credit risk			
	5. Other			
II.	Other comprehensive income that will be reclassified into profit or loss	-413,185.65	-1,138,711.22	725,525.57
	1. Other comprehensive income that can be transferred to profit or loss under the equity method			
	Less: Other comprehensive income included in the previous period was transferred to profit or loss in the current period			
	subtotal			
	2. Changes in the fair value of other debt investments	-653,496.00	-175,200.00	-478,296.00
	Less: Other comprehensive income included in the previous period was transferred to profit or loss in the current period			
	subtotal	-653,496.00	-175,200.00	-478,296.00

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.66 Supplementary information to the statement of cash flow (Continued)

8.66.1 Adjustment of the net profit from operating activities into the statement of cash flow (Continued)

Item	Year 2022		
	Pre-tax amount	income tax	Net amount after tax
3. Gains or losses on changes in fair value of available-for-sale financial assets			
Less: Other comprehensive income included in the previous period was transferred to profit or loss in the current period			
subtotal			
4. The amount of financial assets that are reclassified into other comprehensive income			
Less: Other comprehensive income included in the previous period was transferred to profit or loss in the current period			
subtotal			
5. Held-to-maturity investments are reclassified as gains or losses on available-for-sale financial assets			
Less: Other comprehensive income included in the previous period was transferred to profit or loss in the current period			
subtotal			
6. Other credit impairment provisions for debt investments			
Less: Other comprehensive income included in the previous period was transferred to profit or loss in the current period			
subtotal			

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.66 Supplementary information to the statement of cash flow (Continued)

8.66.1 Adjustment of the net profit from operating activities into the statement of cash flow (Continued)

Item		Year 2022		
		Pre-tax amount	income tax	Net amount after tax
	7. Cash flow hedge reserve (the effective portion of the cash flow hedge profit or loss)			
	Less: Other comprehensive income included in the previous period was transferred to profit or loss in the current period	6,423,408.10	963,511.22	5,459,896.88
	The adjustment to the amount initially recognized for the hedged item			
	subtotal	-6,423,408.10	-963,511.22	-5,459,896.88
	8. Translation differences for foreign currency statements	6,663,718.45		6,663,718.45
	Less: The net amount of after-tax included in other comprehensive income in the current period of profit or loss			
	subtotal	6,663,718.45		6,663,718.45
	9. other			
	Less: Other comprehensive income included in the previous period was transferred to profit or loss in the current period			
	subtotal			
III.	Total other comprehensive income	57,526,136.31	-1,138,711.22	58,664,847.53

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.67 Supplementary information to the statement of cash flow

8.67.1 Adjustment of the net profit from operating activities into the statement of cash flow

Item		Year 2023	Year 2022
1.	Net profit adjusted to cash flows from operating activities		
	Net profit	615,383,351.63	129,428,270.87
	Add: Provision for assets impairment	43,301,135.02	-57,980,876.51
	Provision for credit impairment	-551,637,364.56	331,571,253.69
	Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	625,313,005.85	661,309,755.43
	Depreciation of right-of-use assets		
	Amortization of intangible assets	85,921,000.63	93,229,968.52
	Amortization of long-term deferred expenses	1,678,962.02	4,361,662.51
	Losses from disposal of fixed assets, intangible assets and other long-term assets (“-” for income)	-2,908,649.88	-2,785,668.86
	Losses from write-off of fixed assets (“-” for income)	3,855,848.28	3,479,061.12
	Losses from changes in fair value (“-” for income)	-3,149,819.44	-789,659.16
	Financial expenses (“-” for income)	193,803,052.88	243,366,883.60
	Investments losses (“-” for income)	-262,098,236.48	-39,180,200.28
	Decreases in deferred income tax assets (“-” for increases)	98,449,780.71	14,204,790.70
	Increase in deferred income tax liabilities (“-” for decrease)	-3,648,282.55	10,224,586.23
	Decreases in contract assets (“-” for increases)	-1,571,857,966.87	-67,225,345.06
	Decrease in inventories (“-” for increase)	572,851,418.40	1,259,252,763.40
	Decreases in operating receivables (“-” for increases)	-779,046,256.86	-1,054,396,321.82
	Increases in operating payables (“-” for decreases)	3,217,991,536.03	3,219,000,880.82
	Others		
	Net cash flows from operating activities	2,284,202,514.81	4,747,071,805.20

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.67 Supplementary information to the statement of cash flow (Continued)

8.67.1 Adjustment of the net profit from operating activities into the statement of cash flow (Continued)

Item		Year 2023	Year 2022
2.	Significant investing and financing activities not involving cash receipts and payments		
	Conversion of debt into capital		
	Convertible corporate bonds maturing within one year		
	Fixed assets acquired under financing lease		
3.	Net changes in cash and cash equivalents		
	Ending balance of cash	**17,364,232,108.35**	16,276,554,185.93
	Less: beginning balance of cash	**16,276,554,185.93**	12,620,970,173.01
	Plus: ending balance of cash equivalents		
	Less: beginning balance of cash equivalents		
	Net increase in cash and cash equivalents	**1,087,677,922.42**	3,655,584,012.92

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.67 Supplementary information to the statement of cash flow (Continued)

8.67.2 *Breakdown of cash and cash equivalents*

Item		Year 2022	Year 2021
I.	Cash	**17,364,232,108.35**	16,276,554,185.93
	Including: cash on hand	**741,771.46**	3,095,219.73
	Unrestricted bank deposit	**2,871,731,353.08**	2,005,559,718.63
	Other unrestricted cash and cash equivalents	**27,797,810.69**	75,804,770.88
	Unrestricted deposits in central bank	**25,306,576.06**	23,822,553.24
	Deposits in banks and other financial institutions	**14,438,654,597.06**	14,168,271,923.45
	Loans to banks and other financial institutions		
II.	Cash equivalents		
	Including: bond investments maturing within three months		
III.	Ending balance of cash and cash equivalents	**17,364,232,108.35**	16,276,554,185.93
	Including: cash and cash equivalents restricted for use by the parent company or subsidiaries in the Group		

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.68 Monetary items in foreign currencies

Item	Balance in foreign currencies at December 31, 2023	Exchange rate for conversion	Balance of RMB converted at December 31, 2023
Monetary funds			840,701,455.14
Including: USD	59,563,653.62	7.08	421,954,330.06
Euro	52,335,322.29	7.86	411,313,764.94
HKD	99,004.89	0.89	88,114.35
Pakistani rupee	141,082,274.00	0.03	3,541,165.08
Brazilian Real	3,239,195.49	1.47	4,747,040.99
Dirham	1,074,336.33	1.94	2,078,840.80
Lira			
Bangladeshi taka	1,942,006.92	0.07	137,494.09
Sudanese pound	1,783,305.32	0.01	21,043.00
Usum	246,483,663.28	0.00	147,890.20
Pataca	612,586.85	0.88	541,343.00
IDR	428,206.31	0.42	179,075.88
VND	3,192,709.00	0.00	957.81
Turkish lira	2,899,941.51	0.24	697,435.93
Accounts receivable			756,400,742.43
Including: USD	104,024,216.46	7.08	736,761,875.13
Euro	791,805.90	7.82	6,193,347.39
Brazilian Real	5,105,160.75	1.47	7,481,613.08
Pakistani rupee	235,595,182.17	0.03	5,913,439.07
Sudanese pound	1,285,856.05	0.01	15,173.10
IDR	70,589,327.00	0.00	35,294.66
Short-term borrowing			
Including: Euro			

8. NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8.69 Assets with restricted ownership and rights

Item	Closing book value	Cause of Limitation
Monetary funds	1,313,084,448.88	Banker's acceptance draft margin and freezing of bank deposits
Fixed asset	64,263,918.72	Note1
Intangible asset	22,571,428.01	Note1

Note 1: In 2014, Harbin Electric Machinery Factory (Zhenjiang) Co., Ltd. and Bank of China Co., Ltd. Zhenjiang Branch signed three maximum mortgage contracts, namely: (1) with 17 sets of machinery and equipment as collateral Contract No.: 150319582E14061201-3, with a contract amount of 29, The maximum mortgage contract of RMB937,700.00 has been repaid on September 2, 2016, and the mortgage registration has been cancelled;(2) The maximum mortgage contract with the building construction as collateral No. 150319582E14061201-2 with the contract amount is RMB54,967,600.00;(3) The contract number with land as collateral is 150319582E14061201-1, and the contract amount is 21, $991,830.00 maximum mortgage contract. Among them, the mortgage contract with the construction of the house as collateral with contract number 150319582E14061201-2 expired on June 1, 2017, and the mortgage contract with land as collateral with contract number 150319582E14061201-1 expired on June 1, 2017.

9. EQUITY IN OTHER ENTITIES

9.1 E j in b idia ie

9.1.1 Structure of the enterprise group

S b idia	Main b ine place	Regi- a ion place	B ine na e	Sha eholding a io *(%)*	Me hod of ac i i ion Di ec	Indi ec	S b idia
Harbin Boiler Plant Co., Ltd	Harbin	Harbin	China	manufacturing	100		Shareholder input
Harbin Electric Machinery Factory Co., Ltd	Harbin	Harbin	China	manufacturing	100		Shareholder input
Harbin Steam Turbine Factory Co., Ltd	Harbin	Harbin	China	manufacturing	100		Shareholder input
Harbin Electric International Engineering Co., Ltd	Harbin	Harbin	Pakistan, Ecuador, Turkey, etc	manufacturing	100		investment
Harbin Electric Power Generation Equipment National Engineering Research Center Co., Ltd	Harbin	Harbin	China	services	75		investment
Harbin Electric Power Technology and Trade Co., Ltd *(note1)*	Harbin	Harbin	China	Export trade	55.55	44.32	investment
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd *(note2)*	Qinhuangdao	Qinhuangdao	China	manufacturing	34.15	65.38	investment
Harbin Electric Power Group Harbin Power Station Valve Co., Ltd *(note3)*	Harbin	Harbin	China	Manufacturing	45		investment

Subsidiary	Main business place	Registration place	Business name	Shareholding ratio *(%)*	Method of acquisition		Subsidiary
					Direct	Indirect	

9. EQUITY IN OTHER ENTITIES (CONTINUED)

9.1 Equity in subsidiaries (Continued)

9.1.1 Structure of the enterprise group (Continued)

Subsidiary	Main business place	Registration place	Business nature	Shareholding ratio (%)	Method of acquisition: Direct	Method of acquisition: Indirect	Subsidiary
Harbin Electric Power Group Biomass Power Generation (Dehui) Co., Ltd	Dehui	Dehui	China	Biomass power generation	100		investment
Harbin Electric Materials Co., Ltd	Harbin	Harbin	China	Business services	100		investment
Harbin Electric Science and Technology Co., Ltd	Harbin	Harbin	China	Science and technology promotion and application services	100		investment

The list of directors of the Company's major subsidiaries is as follows:

Che Dongguang, Dai Bolin, Dou Huiqiang, Du Wenpeng, Gao Weijun, Gao Zhijun, Hong Lianshun, Hua Guangyu, Jia Lijun, Jiang Qinghai, Jin Changfan, Li Chao, Li Chunting, Li Weidong, Lin Kuanhai, Liu Limin, Liu Yuqiang, Liu Zhiqiang, Lu Xuepeng, Lv Zhiqiang, Qiu Xiliang, Qu Aimin, Qu Weimin, Song Xiaofang, Song Zhaoyuan, Sun Zhongmin, Wang Gui, Wang Qianzhuang, Wang Shouge, Wang Wenlong, Wang Xiaohui, Wang Yan, Xie Jingdong, Xu Fuwu, Xu Qing, Xu Ying, Xue Wei, Yao Minghui, Ye Xinyong, Yu Long, Zhang Jie, Zhang Lizhong, Zhang Lianbin, Zhang Xiulin, Zhang Chongyang, Zhou Fanzhen, Zhu Hongguang, etc.

9. EQUITY IN OTHER ENTITIES (CONTINUED)

9.1 Equity in subsidiaries (Continued)

9.1.1 Structure of the enterprise group (Continued)

Explanation of the difference between the shareholding ratio in the subsidiary and the voting equity ratio:

1. The shareholding structure of Harbin Power Technology Trading Co., Ltd. is 55.55% directly held by the Company, 27.77% indirectly held by Harbin Electric International Engineering Co., Ltd., a subsidiary of the Company, 5.56% each indirectly held by Harbin Electric Machinery Plant Co., Ltd., Harbin Boiler Plant Co., Ltd. and Harbin Steam Turbine Plant Co., Ltd., and 99.87% held by the Company on a consolidated basis.

2. The shareholding structure of Harbin Electric Power Group (Qinhuangdao) Heavy Equipment Co., Ltd. is 34.15% held by the Company, Harbin Electric Machinery Factory Co., Ltd., Harbin Boiler Plant Co., Ltd. and Harbin Steam Turbine Plant Co., Ltd., which are subsidiaries of the Company, each hold 21.95% of the shares, and the Company holds 99.53% of the shares on a consolidated basis.

3. The shareholding structure of Harbin Power Station Valve Co., Ltd. of Harbin Electric Power Group is 45% of the company's shares and 45% of the voting rights, because the company's directors account for more than half of its board members, forming control over them.

4. The shareholding structure of Harbin Electric Group Finance Co., Ltd. is 55.00% held by the Company, 18.00% held by Harbin Electric International Engineering Co., Ltd., a subsidiary of the Company, 6.00% held by Harbin Electric Machinery Plant Co., Ltd., Harbin Boiler Plant Co., Ltd. and Harbin Steam Turbine Plant Co., Ltd., and 90.87% held by the Company on a consolidated basis.

   Basis for holding half or less of the voting rights but still controlling the investee, and holding more than half of the voting rights but not controlling the investee:

5. The shareholding structure of Shenzhen Hadonghuihua Industry and Trade Co., Ltd. is 60% held by the company, which is not included in the scope of consolidation due to liquidation and rectification.

9. EQUITY IN OTHER ENTITIES (CONTINUED)

9.1 E j in b idia ie (Con in ed)

9.1.2. Important non-wholly owned subsidiaries

Name of b idia	Mino j ha eholding a io (%)	P ofj and lo a ib :able :o mino j ha eholde fo :he pe iod	Di idend decla ed :o mino j ha eholde d ing :he pe iod	Balance of mino j ine e :j a :he end of :he pe iod	No e
Harbin Electric Power Group Harbin Power Station Valve Co., Ltd	55.00	16,051,970.30	7,406,047.52	273,201,089.68	
Harbin Electric Group Finance Co., Ltd	9.00	13,419,979.14	5,989,697.12	211,451,610.32	

9.1.3. Key financial information of important non-wholly owned subsidiaries

	Clo ing Balance/Amo n Inc ed in :he Pe iod	
j em	Ha bin Elec ic Po e G o p Ha bin Po e S a ion Val e Co., L d	Ha bin Elec ic G o p Finance Co., L d
liquid asset	1,241,853,718.84	20,079,045,078.65
Non-current assets	211,542,597.73	2,016,985,864.10
Total assets	1,453,396,316.57	22,096,030,942.75
Current liabilities	855,234,948.03	19,608,041,056.39
Non-current liabilities	37,533,317.72	329,488.11
Total liabilities	892,768,265.75	19,608,370,544.50
Operating income	874,091,464.64	471,208,554.46
Net profit	29,941,914.90	164,177,496.50
Total comprehensive income	29,941,914.90	215,279,609.00
Cash flow from operating activities	45,936,799.23	747,132,717.54

9. EQUITY IN OTHER ENTITIES (CONTINUED)

9.1 Equity in subsidiaries (Continued)

9.1.3. Key financial information of important non-wholly owned subsidiaries (Continued)

	Opening Balance/Previous Period Amount	
Item	Harbin Electric Power Group Harbin Power Station Valve Co., Ltd	Harbin Electric Group Finance Co., Ltd
liquid asset	1,065,913,768.37	16,265,230,210.55
Non-current assets	134,809,664.69	2,687,297,106.14
Total assets	1,200,723,433.06	18,952,527,316.69
Current liabilities	669,676,127.25	16,602,711,546.65
Non-current liabilities	33,784,728.72	353,433.18
Total liabilities	703,460,855.97	16,603,064,979.83
Operating income	780,101,106.78	388,758,433.97
Net profit	29,185,400.55	149,110,879.37
Total comprehensive income	29,185,400.55	148,585,279.37
Cash flow from operating activities	44,265,519.87	3,948,292,860.33

9.2 Investment in joint ventures or associates

1. Important joint ventures or associates

The name of the joint venture or associate	The main place of business	Place of incorporation	Business nature	Shareholding ratio (%) Direct	Indirect	Accounting treatment
GE-Harbin Power Energy Services (Qinhuangdao) Co., Ltd	Qinhuangdao	Qinhuangdao	Energy services	41		Equity method
Harbin Electric General Gas Turbine (Qinhuangdao) Co., Ltd	Qinhuangdao	Qinhuangdao	Manufacturing	50		Equity method

9. EQUITY IN OTHER ENTITIES (CONTINUED)

9.2 Interests in joint ventures or associates (Continued)

1. Important joint ventures or associates (Continued)

(1) The main financial information of important joint ventures or associates

	Closing Balance/Amount Incurred in the Period	
Item	GE-Harbin Power Energy Service (Qinhuangdao) Co., Ltd	Harbin Electric General Gas Turbine (Qinhuangdao) Co., Ltd
Liquid asset	248,234,348.06	768,728,000.00
Non-current assets	103,534,336.28	19,565,000.00
Total assets	351,768,684.34	788,293,000.00
Current liabilities	101,924,081.49	468,370,000.00
Non-current liabilities	0	17,723,000.00
Total liabilities	101,924,081.49	486,093,000.00
Minority interests		
Equity attributable to shareholders of the parent company	249,844,602.85	302,200,000.00
Share of net assets based on shareholding ratio	102,436,287.17	151,100,000.00
Adjustments		
The carrying amount of an equity investment in a joint venture or associate	102,367,841.86	151,100,435.51
The fair value of an equity investment for which there is a publicly quoted offer		
Operating income	333,449,922.04	1,156,110,000.00
Net profit	39,835,818.18	7,543,000.00
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	39,835,818.18	7,543,000.00
Dividends received by the company in the current period from joint ventures or associates		

9. EQUITY IN OTHER ENTITIES (CONTINUED)

9.2 Interests in joint ventures and associates (Continued)

1. Important joint ventures or associates (Continued)

(1) The main financial information of important joint ventures or associates (Continued)

	Opening Balance/Previous Period Amount	
Item	GE-Harbin Power Energy Services (Qinhuangdao) Co., Ltd	Harbin Electric General Gas Turbine (Qinhuangdao) Co., Ltd
Liquid asset	253,240,033.57	808,600,398.47
Non-current assets	96,644,591.60	22,792,860.32
Total assets	349,884,625.17	831,393,258.79
Current liabilities	112,016,020.71	595,503,307.70
Non-current liabilities		1,125,153.34
Total liabilities	112,016,020.71	596,628,461.04
Minority interests		
Equity attributable to shareholders of the parent company	237,868,604.46	234,764,797.75
Share of net assets based on shareholding ratio	97,526,127.83	117,382,398.88
Adjustments		
The carrying amount of an equity investment in a joint venture or associate	97,525,545.71	117,382,398.88
The fair value of an equity investment for which there is a publicly quoted offer		
Operating income	319,410,932.53	22,678,405.01
Net profit	45,769,668.09	-27,097,626.55
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	45,769,668.09	-27,097,626.55
Dividends received by the company in the current period from joint ventures or associates	18,262,895.77	

9. EQUITY IN OTHER ENTITIES (CONTINUED)

9.2 Interests in joint ventures and associates (Continued)

1. Important joint ventures or associates (Continued)

(2) Aggregated financial information of unimportant joint ventures and associates

Item	Closing Balance/ Amount Incurred in the Period	Opening Balance/ Previous Period Amount
The total carrying amount of investments made in a joint venture or associate	**423,488,240.80**	166,539,379.70
The sum of the following items based on the proportion of shareholdings		
Net profit	**244,121,724.40**	6,549,065.30
Other comprehensive income		
Total comprehensive income	**244,121,724.40**	6,549,065.30

10. RISK DISCLOSURE IN RELATION TO FINANCIAL INSTRUMENTS

The Company faces various financial risks in the course of its operations: credit risk, market risk and liquidity risk. The Board of Directors of the Company is fully responsible for the determination of risk management objectives and policies, and assumes ultimate responsibility for risk management objectives and policies. The Company's internal auditors also audit risk management policies and procedures and report findings to the Audit Committee.

The overall objective of the Company's risk management is to establish a risk management policy that minimizes risks without unduly affecting the Company's competitiveness and resilience.

(1) Credit risk

Credit risk refers to the risk that one party to a financial instrument will fail to perform its obligations, resulting in financial losses to the other party. The Company is mainly exposed to customer credit risk caused by credit sales. Before entering into a new contract, the Company will assess the credit risk of the new customer, including external credit ratings and, in some cases, bank references (when this information is available). The Company has set a credit limit for each client, which is the maximum amount that does not require additional approval.

The company ensures that the company's overall credit risk is within a manageable range through quarterly monitoring of existing customer credit ratings and monthly review of accounts receivable aging analysis. When monitoring the credit risk of customers, they are grouped according to their credit characteristics. Clients classified as "High Risk" are placed on the Restricted Customer List and may only be granted credit for future periods subject to additional approval, otherwise they must be required to make the corresponding payment in advance.

(2) Market risk

Market risk of financial instruments refers to the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices, including foreign exchange risk, interest rate risk and other price risks.

(3) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. As of December 31, 2023, 684,597,100 yuan of the Company's external borrowings are floating rate borrowings, with an interest rate range of 2.8%-4.4%, and under the assumption that other variables remain unchanged, reasonable changes in interest rates will not have a significant impact on the Company's total profits and shareholders' equity.

10. RISK DISCLOSURE IN RELATION TO FINANCIAL INSTRUMENTS (CONTINUED)

(4) Foreign exchange risk

Foreign exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's exposure to foreign exchange risks is mainly related to US dollars, euros, Hong Kong dollars and British pounds, etc., except for Harbin Electric International Engineering Co., Ltd., a subsidiary of the Company, which purchases and sells in US dollars, euros, Hong Kong dollars and British pounds, etc., other major business activities of the Company are settled in RMB.

(5) Liquidity risk

Liquidity risk refers to the risk that an enterprise will have a shortage of funds when it fulfills its obligations to settle by means of cash or other financial assets. It is the Company's policy to ensure that it has sufficient cash to pay off its debts as they fall due. Liquidity risk is centrally controlled by the Company's finance department. By monitoring cash balances, marketable securities that are readily realizable, and rolling forecasts of cash flows over the next 12 months, the finance department ensures that the company has sufficient funds to repay its debts under all reasonable forecasts.

The financial assets and financial liabilities held by the company with a maturity period of less than one year are analyzed as follows:

Item	Within 1 year
Financial Assets and Liabilities:	
Monetary funds	18,677,316,557.23
Notes receivable	975,331,805.68
Accounts receivable	7,161,224,594.18
Other receivables	1,333,103,510.85
Buy and sell back financial assets	1,755,000,000.00
Short-term borrowing	3,285,133,158.88
Notes payable	6,146,285,172.11
Accounts payable	16,202,261,315.59
Employee compensation payable	803,131,335.59
Other payables	499,208,747.36
Non-current liabilities due within one year	1,114,672,500.76
Other current liabilities	12,381,749.42

11. DISCLOSURE OF FAIR VALUE

(1) Financial instruments measured at fair value

The Company has presented the carrying amount of financial asset instruments at fair value as at 31 December 2022 at three levels of fair value. When fair value is classified into three levels as a whole, it is based on the lowest of the three levels to which each of the significant inputs used in fair value measurement belongs. The three levels are defined as follows:

Level 1: It is an unadjusted quote in an active market for the same assets or liabilities that can be obtained on the measurement date;

Level 2: is the directly or indirectly observable input of the relevant asset or liability in addition to the input value of the first level;

Level 2 inputs include: 1) quotes for similar assets or liabilities in active markets, 2) quotes for identical or similar assets or liabilities in inactive markets, 3) observable inputs other than quotes, including interest rate and yield curves, implied volatility, and credit spreads that can be observed during normal quote intervals, and 4) market-validated inputs.

Level 3: is the unobservable input value of the underlying asset or liability.

(2) Measurement of fair value at the end of the period

1. Ongoing fair value measurement

	Closing fair value			
Item	Level 1	Level 2	Level 3	Total
Tradable financial assets	603,149,819.44			603,149,819.44
Other debt investments				
Investments in other equity instruments	388,494,875.58		288,518,816.18	677,013,691.76
Other non-current financial assets				
Total assets	991,644,695.02		288,518,816.18	1,280,163,511.20

12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) The parent company of the Company

Name of the parent company	Place of incorporation	Nature of business	Registered capital (10,000 yuan)	Shareholding in the Company (%)	Proportion of voting rights to the Company (%)
Harbin Electric Group Co., Ltd	Harbin	Manufacture and sales of power station equipment	200,000.00	69.79	69.79

(2) For details of the Company's subsidiaries and joint ventures and associates, please refer to Note 9 (1) Interests in Subsidiaries and 9 (3) Interests in Joint Ventures or Associates.

(3) Other related parties

Other related party name	Relationship between other related parties and the Company
Harbin Harbin Electric Industrial Development Co., Ltd	Subsidiaries controlled by the same parent company
Harbin Harbin Harbin Industrial Development Co., Ltd	Subsidiaries controlled by the same parent company
Harbin Harbin Automobile Industrial Development Corporation	Subsidiaries controlled by the same parent company
Harbin Sanlian Business Services Co., Ltd	Subsidiaries controlled by the same parent company
Harbin Electric Group Acheng Relay Co., Ltd	Subsidiaries controlled by the same parent company
Jiamusi Electric Machinery Factory Co., Ltd	Subsidiaries controlled by the same parent company
Harbin Electric Group Jiamusi Electric Co., Ltd	Subsidiaries controlled by the same parent company
Harbin Electric Power Group Biomass Power Generation (Fuyuan) Co., Ltd	Subsidiaries controlled by the same parent company
Harbin Electric Group International Trade Co., Ltd	Subsidiaries controlled by the same parent company
Harbin Electric Power Group Harbin Enterprise Management Service Co., Ltd	Subsidiaries controlled by the same parent company
Harbin Electric Group Marine Intelligent Equipment Co., Ltd	Subsidiaries controlled by the same parent company

12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(4) Related party transaction

The transaction price of the transaction between the Company and related parties is the price agreed by both parties, which is the same as the transaction price of non-related parties.

12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(4) Related party transaction (Continued)

2. *Continuing Connected Transactions and Related Party Transactions*

(1) *Transactions in products and services*

Related party	Amount incurred in the current period	Amount incurred in the previous period
Sell goods		
– Companies under the same control	**14,466,232.78**	35,131,958.60
– Associates		
Sourcing goods		
– Companies under the same control	**21,306,854.58**	33,802,499.57
– Associates		
Service fee income		
– Companies under the same control		
Service fee disbursement		
– Companies under the same control	**75,978,124.68**	51,791,886.84

The transaction with the company under the same control in Transaction (1) above is a transaction under the Continuing Connected Transactions – Products and Services Framework Agreement, which is a continuing connected transaction under Chapter 14A of the Listing Rules.

12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(4) Related party transaction (Continued)

2. Continuing Connected Transactions and Related Party Transactions (Continued)

(2) Interest paid on the deposit

Related party	Amount incurred in the current period	Amount incurred in the previous period
Holding company	**9,609,367.06**	6,524,884.29
Companies under the same control	**1,398,282.54**	1,214,050.07
Total	**11,007,649.60**	7,738,934.36

(3) Interest income from entrusted loans

Related party	Amount incurred in the current period	Amount incurred in the previous period
Companies under the same control	**6,337,017.58**	5,503,734.27
Total	**6,337,017.58**	5,503,734.27

The transactions with companies under the same control in the above transactions (2) to (3) are transactions under the Continuing Connected Transactions – Financial Services Framework Agreement and are continuing connected transactions under Chapter 14A of the Listing Rules.

12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(4) Related party transaction (Continued)

2. Continuing Connected Transactions and Related Party Transactions (Continued)

(4) Entrusted management fees

Related party	Detail of related party transaction	Amount incurred in the period	Amount incurred in the previous period
Harbin Electric Group Co., Ltd	Escrow fee	**3,280,000.00**	3,280,000.00
Total		**3,280,000.00**	3,280,000.00

Transaction (4) above is a transaction under the Entrusted Management Contract is a continuing connected transaction exempted from Rule 14A.33 of the Listing Rules.

12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(4) Related party transaction (Continued)

2. Continuing Connected Transactions and Related Party Transactions (Continued)

(5) The products and services with Engineering research center

Related party	Amount incurred in the current period	Amount incurred in the previous period
The Company and its subsidiaries provide products and services to the Harbin Electric Power Generation Equipment National Engineering Research Center Co., Ltd	**0.00**	0.00
Harbin Electric Power Generation Equipment National Engineering Research Center Co ., Ltd provides products and services to the Company and its subsidiaries	**21,964,150.94**	29,471,226.47

The transaction with Harbin Electric Power Generation Equipment National Engineering Research Center Co., Ltd., in Transaction (1) above is a transaction under the Continuing Connected Transactions – Products and Services Framework Agreement, which is a continuing connected transaction under Chapter 14A of the Listing Rules. The amount incurred in the previous period was the transaction under the Technology Development Framework Agreement entered into between the Company and Harbin Electric Power Generation Equipment National Engineering Research Center Co., Ltd on April 27, 2020.

(6) Remuneration of directors, supervisors and senior management

The remuneration of each Director, Supervisor and Senior Management in 2023 is as follows:

name		Wage and other benefit	Retirement benefit plan contribution	Total
1.	Director			
	(1) Executive Director			
	Mr. Cao Zhian			
	Mr. Huang Wei (Appointed May 2023)	360,288.00	27,171.84	387,459.84
	Mr. Zhang Yingjian	561,000.00	37,036.80	598,036.80
	Mr. Wu Weizhang (He resigned in May 2023)	303,028.00	12,345.60	315,373.60
	Executive Director Subtotal	1,224,316.00	76,554.24	1,300,870.24
	(2) Non-Executive Director			
	not			

12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(4) Related party transaction (Continued)

2. Continuing Connected Transactions and Related Party Transactions (Continued)

(6) Remuneration of directors, supervisors and senior management (Continued)

name		Wage and other benefit	Retirement benefit plan contribution	Total
(3)	Independent Non-Executive Director			
	Mr. He Yu	100,000.00		100,000.00
	Mr. Hu Jianmin	80,000.00		80,000.00
	Dr. Tang Zhihong	80,000.00		80,000.00
	Mr. Pan Qilong (Appointed August 2023)			
	Mr. Chen Guoqing (He resigned in August 2023)			
	Subtotal of Independent Non-Executive Directors	260,000.00		260,000.00
2.	Supervisor			
	Mr. Liu Weimin	562,450.00	37,036.80	599,486.80
	Mr. Zhang Jun	967,056.00	33,816.96	1,000,872.96
	Mr. Yang Yulong	755,770.00	37,036.80	792,806.80
	Mr. Zhao Xin	808,412.00	37,036.80	845,448.80
	Subtotal of Supervisors	3,093,688.00	144,927.36	3,238,615.36

12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(4) Related party transaction (Continued)

2. Continuing Connected Transactions and Related Party Transactions (Continued)

(6) Remuneration of directors, supervisors and senior management (Continued)

name		Wage and other benefit	Retirement benefit plan contribution	Total
3.	Senior management			
	Mr. Lv Zhiqiang	565,808.00	37,036.80	602,844.80
	Mr. Shen Tong	565,808.00	37,036.80	602,844.80
	Mr. Du Xingkai	501,996.00	37,036.80	539,032.80
	Mr. Qiu Xiliang	937,978.00	37,036.80	975,014.80
	Mr. Wang Gui	1,079,452.00	37,036.80	1,116,488.80
	Mr. Yu Long	1,515,574.00	37,036.80	1,552,610.80
	Chen Dongshi (Appointed August 2023)	127,700.00	12,345.60	140,045.60
	Mr. Ellison (Company Secretary)	562,400.00	37,036.80	599,436.80
	Subtotal of senior management	5,856,716.00	271,603.20	6,128,319.20
Total		10,434,720.00	493,084.80	10,927,804.80

12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(4) Related party transaction (Continued)

2. *Continuing Connected Transactions and Related Party Transactions (Continued)*

(6) *Remuneration of directors, supervisors and senior management (Continued)*

Among the 5 highest paid individuals, 2 of them (2022: 1) are also senior executives of the Company, and their remuneration is disclosed above. The total remuneration of the remaining 3 (2022: 4) persons is as follows:

S.N.	Position	Wages and other benefits	Retirement benefits plan contribution	Total
3rd place	Deputy General Manager of Harbin Boiler Plant Co., Ltd	1,001,465.00	33,936.00	1,035,401.00
4th place	Deputy Secretary of the Party Committee and General Manager of Harbin Electric Machinery Factory Co., Ltd	959,962.00	37,036.80	996,998.80
5th place	Chief Technologist of Harbin Electric Group	916,246.00	37,036.80	953,282.80
Total		2,877,673.00	108,009.60	2,985,682.60

Transaction (5) above is a continuing connected transaction exempted under Rule 14A.33 of the Listing Rules.

12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(4) Related parties and related party transactions (Continued)

3. *Receivables and payables from related parties*

(1) Payments receivable from related parties by the Company

The name of the project	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable					
	Jiamusi Electric Co., Ltd	57,292.00		663,292.00	
	Harbin Electric Group Marine Intelligent Equipment Co., Ltd	13,500.00		443,500.00	
	Harbin Electric Power Group Biomass Power Generation (Fuyuan) Co., Ltd	441,507.50		5,000,000.00	
	Harbin Electric Power Equipment Co., Ltd	656,275.40			
Prepayment					
	Jiamusi Electric Co., Ltd	38,400.00		46,000.00	
	Harbin Electric Power Equipment Co., Ltd	41,601,454.02			
	Harbin Electric Power Group Biomass Power Generation (Fuyuan) Co., Ltd	5,000,000.00			
	Harbin Industrial Development Co., Ltd	10,328,023.60			
	Harbin Automobile Industrial Development Corporation	613,700.00			
Other receivables					
	Harbin Electric Group Co., Ltd			154,650,000.00	
	Harbin Industrial Development Co., Ltd	618,178.04		166,292.55	
Other current assets					
	Harbin Industrial Development Co., Ltd	85,000,000.00		150,000,000.00	
	Harbin Electric Power Equipment Co., Ltd	140,000,000.00			
Contract Assets					
	Harbin Electric Power Equipment Co., Ltd	11,589,815.15			
Interest receivable					
	Harbin Industrial Development Co., Ltd	142,986.11		174,166.67	
	Harbin Electric Power Equipment Co., Ltd	123,637.50			

12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(4) Related parties and transaction (Continued)

3. *Receivables and payables from related parties (Continued)*

(2) Payments payable by the Company to related parties

The name of the project	Related party	Closing balance	Opening balance
Absorb deposits			
	Harbin Electric Group Co., Ltd	949,525,798.24	476,469,505.25
	Harbin Electric Industrial Development Co., Ltd	5,719,761.64	5,193,558.63
	Harbin Industrial Development Co., Ltd	5,954,079.68	3,871,263.75
	Jiamusi Electric Machinery Factory Co., Ltd	843,043.90	17,758,721.52
	Harbin Automobile Industrial Development Corporation	15,083,375.32	1,837,039.26
	Harbin Electric Group International Trade Co., Ltd	18,510,395.69	7,263,112.01
	Harbin Sanlian Business Services Co., Ltd	2,563,881.86	981,812.24
	Harbin Pengbo Economic and Trade Co., Ltd	673,821.17	633.58
	Harbin Electric Property Management Co., Ltd	2,141,456.73	4,000,141.95
	Harbin Industrial Integrated Service Management Co., Ltd		763.37
	Harbin Electric Group Marine Intelligent Equipment Co., Ltd	111,249,408.06	109,303,683.33
	Harbin Electric Power Group Harbin Enterprise Management Service Co., Ltd	32,304.33	73,567.07
	Harbin Electric Power Group Biomass Power Generation (Fuyuan) Co., Ltd	11,128,031.74	11,251,141.43
	Jiamusi Explosion-proof Motor Research Institute Co., Ltd	25,213,870.46	
Short-term borrowing			
	Harbin Electric Group Co., Ltd	2,848,133,158.88	3,997,091,932.96

The name of the project
Related party
Closing balance
Opening balance

12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(4) Related parties and related party transactions (Continued)

3. *Receivables and payables from related parties (Continued)*

(2) Payments payable by the Company to related parties (Continued)

The name of the project	Related party	Closing balance	Opening balance
Interest payable			
	Harbin Electric Power Group Harbin Enterprise Management Service Co., Ltd	3.45	46.22
	Harbin Electric Group International Trade Co., Ltd	6,382.12	1,481.20
	Harbin Harbin Electric Industrial Development Co., Ltd	2,252.04	875.70
	Harbin Electric Group Co., Ltd	7,770,333.11	4,909,290.00
	Harbin Harbin Electric Property Management Co., Ltd	917.72	731.30
	Harbin Electric Group Jiamusi Electric Co., Ltd		12,269.95
	Harbin Electric Power Group Biomass Power Generation (Fuyuan) Co., Ltd	2,242.89	50,831.98
	Jiamusi Electric Machinery Factory Co., Ltd	157.15	6,117.99
	Harbin Industrial Development Co., Ltd	1,256.49	974.61
	Harbin Electric Group Marine Intelligent Equipment Co., Ltd	1,099,204.44	524,535.72
	Harbin Sanlian Business Services Co., Ltd	1,264.24	351.28
	Harbin Industrial Integrated Service Management Co., Ltd		0.08
	Harbin Pengbo Economic and Trade Co., Ltd	90.29	2.32
	Harbin Automobile Industrial Development Corporation	1,637.75	503.36
	Harbin Electric Power Equipment Co., Ltd	717.49	
	Jiamusi Electric Co., Ltd	1,823.24	
	Jiamusi Explosion-proof Motor Research Institute Co., Ltd	2,696.48	
Notes payable			
	Harbin Electric Property Management Co., Ltd	204,393.76	
Long-term payables			
	Harbin Electric Group Co., Ltd	1,000,000.00	1,000,000.00
Special payables			
	Harbin Electric Group Co., Ltd	2,500,000.00	2,500,000.00

13. EXPLANATION OF CONTINGENCIES

(1) Contingent liabilities

1. Contingent liabilities arising from the provision of debt guarantees for other units

As of December 31, 2023, the Company provided guarantees for the loans of the following entities:

		Guaranteed Object						Among them:			
S.N.	Guarantor	Name	The nature of the entity	Collateral method	Type of Guarantee	Anti-collateralization method	The actual amount of the guarantee	the amount of negative guarantee this year	Guaranteed Object or not	Whether it is overdue	Whether or not to be executed
	Total (for intra-group)						1,126,258,678.35				
1	Harbin Electric Co., Ltd	Harbin Electric Group Shanxi Environmental Protection Engineering Co., Ltd	State-owned holdings	Joint and several liability guarantee	Loan guarantees	No Counter-Warranties	9,194,790.00		Normal operations	No	No
2	Harbin Electric Co., Ltd	Harbin Electric International Engineering Co., Ltd	State-owned holdings	Joint and several liability guarantee	Performance Bonds	No Counter-Warranties	7,968,625.08		Normal operations	No	No
3	Harbin Electric Co., Ltd	Harbin Electric International Engineering Co., Ltd	State-owned holdings	Joint and several liability guarantee	Performance Bonds	No Counter-Warranties	10,724,895.68		Normal operations	No	No
4	Harbin Electric Co., Ltd	Harbin Electric International Engineering Co., Ltd	State-owned holdings	Joint and several liability guarantee	Performance Bonds	No Counter-Warranties	594,045,497.59		Normal operations	No	No
5	Harbin Electric Co., Ltd	Harbin Electric International Engineering Co., Ltd	State-owned holdings	Joint and several liability guarantee	Loan guarantees	No Counter-Warranties	495,490,660.00		Normal operations	No	No
6	Harbin Boiler Plant Co., Ltd	Harbin Electric Group Shanxi Environmental Protection Engineering Co., Ltd	State-owned holdings	Joint and several liability guarantee	Loan guarantees	No Counter-Warranties	8,834,210.00		Normal operations	No	No

13. EXPLANATION OF CONTINGENCIES (CONTINUED)

(1) Contingent liabilities (Continued)

2. The contract has been signed but no commitment to purchase and construction assets has occurred

As of December 31, 2023, the Company still had a total of RMB66,917,459.92 of large contract expenditures for the purchase and construction of assets that have been signed but not incurred, as follows:

Company name	The amount of the contract that has not been paid	Estimated investment period
Harbin Electric Co., Ltd. (Headquarters)	16,667,597.23	Year 2024
Harbin Steam Turbine Factory Co., Ltd	50,249,862.69	Year 2024
Total	66,917,459.92	

(2) Contingent assets

As of December 31, 2023, the Company had no material contingent assets that need to be explained.

14. EVENTS AFTER THE BALANCE SHEET DATE

As of the date of approval of the financial report, the Company has no other material balance sheet events that should be disclosed and not disclosed.

15. EXPLANATION OF OTHER IMPORTANT MATTERS

Related party relationship and their transaction segment information

1. Basis for determining the reporting segment and accounting policies

Based on the internal organizational structure, management requirements and internal reporting system, the Company's main business is divided into three business systems: new power system with new energy as the main body, clean and efficient industrial system, and green and low-carbon drive system, and at the same time, the financial company and other non-main businesses are treated as separate business segments. Each of the Company's reporting segments offers different products or services or operates in different regions. As each segment requires different technology or market strategies, the Company's management manages the operating activities of each reporting segment separately and evaluates the operating results of these reporting segments on a regular basis to determine the allocation of resources to them and evaluate their performance.

The inter-segment transfer price is determined on the basis of the actual transaction price, and the expenses indirectly attributable to each segment are allocated among the segments in proportion to revenue. Assets are allocated according to the operation of the segment and the location of the assets, and segment liabilities include liabilities attributable to the segment arising from the segment's operating activities. If expenses related to liabilities shared by multiple operating segments are allocated to those operating segments, the shared liabilities are also allocated to those operating segments.

15. EXPLANATION OF OTHER IMPORTANT MATTERS (CONTINUED)

Related party relationship and their transaction segment information (Continued)

2. Report the financial information of the segment

(1) 2023 Segment Financial Information

15. EXPLANATION OF OTHER IMPORTANT MATTERS (CONTINUED)

Related party relationship and their transaction, segment information (Continued)

2. Report the financial information of the segment (Continued)

(2) 2022 Segment Financial Information

Unit: 10,000 yuan

Project		A new type of power system in new energy as the main body	Clean and efficient industrial	Green and low-carbon diesel system	Qinghe business	Offset	Total
1	Operating income	2,544,682.58	319,977.08	133,728.56	72,307.67	-606,316.46	2,464,379.43
	Among them: income from external transactions	1,970,627.23	305,116.27	132,468.15	56,167.78		2,464,379.43
	Income from intersegment transactions	574,055.35	14,860.81	1,260.41	16,139.89	-606,316.46	
2.	Investment income in associates and joint ventures	1,714.51	119.22	-79.24	9.94	-695.13	1,069.30
3.	Asset impairment losses	11,651.52	-1,488.03	-2,062.34	-2,303.06		5,798.09
4.	Credit impairment losses	-43,908.13	5,349.92	626.34	3,810.06	964.69	-33,157.12
5.	Depreciation and amortization expenses	55,630.82	7,069.74	11,284.31	4,753.23	-1,124.74	77,613.36
6.	Total profits	150,128.97	5,093.21	4,015.26	21,369.91	-160,029.68	20,577.67
7.	Income tax expense	3,073.01	1,319.71	-1,826.28	5,068.40		7,634.84
8.	Net Profit	147,055.95	3,773.50	5,841.54	16,301.52	-160,029.68	12,942.83
9.	Total assets	7,064,848.94	780,760.97	453,986.30	2,096,184.91	-4,067,428.06	6,328,353.06
10.	Total liabilities	5,359,743.69	598,059.33	376,617.95	1,762,570.59	-3,006,024.71	5,090,966.85

16. NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

16.1 Accounts receivable

16.1.1 Disclosure of accounts receivable by aging

Aging	Closing balance	Opening balance
Within one year	**936,231,868.63**	1,015,681,158.84
1-2 years	**585,236,021.76**	602,428,204.91
2-3 years	**301,887,892.64**	807,499,691.60
Over 3 years	**703,371,195.42**	577,076,859.30
Sub-total	**2,526,726,978.45**	3,002,685,914.65
Less: provision for bad debts	**959,194,271.60**	1,253,883,727.49
Total	**1,567,532,706.85**	1,748,802,187.16

16.1.2 Disclosure under the methods of provision for bad debts by category

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Provision for bad debts accrued on an individual basis	8,644,000.00	0.34			8,644,000.00	349,054,000.00	11.62	340,410,000.00	97.52	8,644,000.00
Provision for bad debts accrued on a portfolio basis	2,518,082,978.45	99.66	959,194,271.60	38.09	1,558,888,706.85	2,653,631,914.65	88.38	913,473,727.49	34.42	1,740,158,187.16
Including: aging combination	2,518,082,978.45	99.66	959,194,271.60	38.09	1,558,888,706.85	2,653,631,914.65	88.38	913,473,727.49	34.42	1,740,158,187.16
Total	2,526,726,978.45		959,194,271.60		1,567,532,706.85	3,002,685,914.65	–	1,253,883,727.49	–	1,748,802,187.16

16. NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

16.1 Accounts receivable (Continued)

16.1.3 Provision for bad debts accrued on single basis

Company name	Book balance	Provision for bad debts	Proportion of provision (%)	Reason of provision
Harbin Electric International Engineering Co., Ltd	8,644,000.00			Related parties are not accrued
Total	8,644,000.00		—	—

16.1.4 Provision for bad debts accrued on a portfolio basis

Aging combination

Aging	Closing balance			Opening balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	936,231,868.63	5.00	46,811,593.43	1,015,681,158.84	38.28	50,784,057.95
1 – 2 years	585,236,021.76	25.00	146,309,005.44	599,388,204.91	22.59	149,847,051.23
2 – 3 years	301,887,892.64	50.00	150,943,946.32	461,485,691.60	17.39	230,742,845.80
Over 3 years	694,727,195.42	80.00	615,129,726.41	577,076,859.30	21.75	482,099,772.51
Total	2,518,082,978.45		959,194,271.60	2,653,631,914.65	–	913,473,727.49

16. NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

16.1 Accounts receivable (Continued)

16.1.5 Top 5 of accounts receivable as at December 31, 2022, presented by debtor

Debtor	Book balance	Proportion in the total accounts receivable (%)	Provision for bad debts
Guangdong Energy Financial Leasing Co., Ltd	146,309,000.00	5.79	7,315,450.00
Luoyang Wanzhong Geely Thermal Power Co., Ltd	185,670,444.00	7.35	185,670,444.00
Shanghai Energy Technology Development Co., Ltd	197,796,000.00	7.83	12,300,000.00
Northwest Electric Power Engineering Contracting Co., Ltd	188,434,477.28	7.46	28,985,745.36
China Energy Construction Group Tianjin Electric Power Construction Co., Ltd	156,497,142.63	6.19	19,874,857.13
Total	874,707,063.91	34.62	254,146,496.49

16.2 Other receivable

Item	Closing balance	Opening balance
Interest receivable	912,089.45	600,344.48
Dividends receivable	1,050,000.00	21,286,403.99
Other receivables	447,622,761.62	740,913,806.03
Total	449,584,851.07	762,800,554.50

Note: Other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

16. NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

16.2 Other receivable (Continued)

16.2.1 Interest receivable

Item	Closing balance	Opening balance
Entrusted loans	**123,637.50**	144,200.00
Other	**788,451.95**	456,144.48
Total	**912,089.45**	600,344.48

16.2.2 Dividends receivable

Item	Closing balance	Opening balance	Reasons for non-recovery	Whether impairment has occurred and the basis for judging it
Dividends receivable less than one year old				
Dividends receivable that are more than one year old	**1,050,000.00**	21,286,403.99		
1. Harbin Electric Machinery Factory Co., Ltd		17,323,540.23		
2. Harbin Power Technology Trading Co., Ltd	**1,050,000.00**	1,050,000.00		
3. Chengdu Sanlia Technology Co., Ltd		2,912,863.76		
Total	**1,050,000.00**	21,286,403.99	–	–

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16. NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

16.2 Other receivable (Continued)

16.2.3 Other receivables (Continued)

(2) Provision for bad debts accrued on a portfolio basis

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Provision for bad debts accrued on an individual basis	443,599,912.10	17.56			443,599,912.10	733,202,260.07	96.93			733,202,260.07
Provision for bad debts accrued on a portfolio basis	17,050,496.68	0.67	13,027,647.16	76.41	4,022,849.52	23,190,417.35	3.07	15,478,871.39	66.75	7,711,545.96
Total	460,650,408.78		13,027,647.16		447,622,761.62	756,392,677.42	–	15,478,871.39	–	740,913,806.03

(3) Other receivables for which expected credit losses are separately accrued

The name of the organization	Closing balance			
	Closing balance	Provision for bad debts	Proportion (%)	Reason for provision
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd	433,715,134.77			Related party relationship not accrued
Harbin Electric Power Technology and Trade Co., Ltd	9,884,777.33			Related party relationship not accrued
Total	443,599,912.10			

16. NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

16.2 Other receivable (Continued)

16.2.3 Other receivables (Continued)

(4) Other receivables that make provision for bad debts based on the combination of credit risk characteristics

Other receivables that use the ageing portfolio to provide for expected credit losses

	Closing balance			Opening balance		
	Book balance			Book balance		
Aging	Amount	Provision for bad debts	Provision for bad debts	Amount	Provision for bad debts	Provision for bad debts
Within one year	1,486,780.89	5.00	74,339.04	4,467,443.46	5.00	223,372.17
1-2 years	2,340,354.05	25.00	585,088.51	2,510,403.47	25.00	627,600.87
2-3 years	1,622,603.47	50.00	811,301.74	3,032,764.15	50.00	1,516,382.08
Over 3 years	11,600,758.27	99.62	11,556,917.87	13,179,806.27	99.48	13,111,516.27
Total	17,050,496.68		13,027,647.16	23,190,417.35	–	15,478,871.39

16. NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

16.2 Other receivable (Continued)

16.2.3 Other receivables (Continued)

(5) Provision for bad debts of other receivables accrued, recovered or reversed in the current period

Provision for bad debts	Phase 1 Expected credit loss over the next 12 months	Phase 2 Expected credit loss over the entire duration (no credit impairment occurred)	Phase 3 Expected credit loss over the entire duration (credit impairment incurred)	Total
Opening balance	15,478,871.39			15,478,871.39
The opening balance is in the current period				
– Move to the second stage				
– Move to the third stage				
– Move to the second stage				
– Move to the first stage				
Accrual for the current period	-2,451,224.23			-2,451,224.23
This issue is reversed				
Resold in this period				
Write-off in the current period				
Other changes				
Closing balance	13,027,647.16			13,027,647.16

16. NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

16.2 Other receivable (Continued)

16.2.3 Other receivables (Continued)

(6) Other receivables with the top five closing balances collected by the debtor

Name of the debtor	Nature of the money	Book balance	Ageing	Proportion of total closing balance of other receivable (%)	Provision for bad debt
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd	Current Payments	433,715,134.77	Over 3 years	94.15	
Harbin Power Technology Trading Co., Ltd	Current Payments	9,884,777.33	Over 3 years	2.15	
Harbin Xiangfang District Agency Logistics Service Center	Rent	2,762,035.52	1-2 year	0.60	795,929.25
Sinotrans Qinhuangdao Co., Ltd	Deposit	2,696,105.38	Over 3 years	0.59	2,696,105.38
China Electric Energy Equipment Co., Ltd	Deposit	2,000,000.00	Over 3 years	0.43	2,000,000.00
Total	–	451,058,053.00	–	97.92	5,492,034.63

16.3 Long-term equity investment

16.3.1 Classification of long-term equity investment

Item	Opening balance	Increase in 2023	Decrease in 2023	Closing balance
Investments in subsidiaries	8,519,723,000.53	1,685,580,000.00	1,036,921,104.51	**9,168,381,896.02**
Investment in joint ventures	117,382,398.88	33,718,036.63		**151,100,435.51**
Investment in associates	264,064,925.45	556,375,341.82	294,584,184.61	**525,856,082.66**
Subtotal	8,901,170,324.86	2,275,673,378.45	1,331,505,289.12	**9,845,338,414.19**
Less: Provision for impairment of long-term equity investments	87,811,282.29			**87,811,282.29**
Total	8,813,359,042.57	2,275,673,378.45	1,331,505,289.12	**9,757,527,131.90**

16. NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

16.3 Long-term equity investments (Continued)

16.3.2 Investment in subsidiaries

Investee	Cost of investment	Opening balance	Increase in 2023	Decrease in 2023	Closing balance	Provision for impairment in the current period	Balance of provision for impairment as at December 31, 2023
Harbin Electric Group Finance Co., Ltd	833,787,946.00	837,122,531.11			837,122,531.11		
Harbin Boiler Plant Co., Ltd	949,841,367.00	949,841,367.00			949,841,367.00		
Harbin Steam Turbine Factory Co., Ltd	706,007,659.04	1,146,617,659.04	1,402,880,000.00		2,549,497,659.04		
Harbin Electric Power Equipment Co., Ltd	1,022,652,962.04	1,022,652,962.04		1,022,652,962.04			
Harbin Electric Machinery Factory Co., Ltd	951,874,434.97	951,874,434.97			951,874,434.97		
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd	571,568,274.86	571,568,274.86	272,700,000.00		844,268,274.86		
Harbin Electric International Engineering Co., Ltd	2,000,000,000.00	2,000,000,000.00			2,000,000,000.00		
Harbin Electric Power Generation Equipment National Engineering Research Center Co., Ltd	120,004,550.35	120,004,550.35			120,004,550.35		
Harbin Electric Power Group Harbin Power Station Valve Co., Ltd	97,002,844.08	97,002,844.08			97,002,844.08		
Harbin Harbin Electric Co., Ltd	25,780,234.61	25,780,234.61			25,780,234.61		
Harbin Power Technology Trading Co., Ltd	15,000,000.00	15,000,000.00			15,000,000.00		
Chengdu Sanlia Technology Co., Ltd	14,268,142.47	14,268,142.47		14,268,142.47			
Shenzhen Hadonghuihua Industry and Trade Co., Ltd	3,000,000.00	3,000,000.00			3,000,000.00		3,000,000.00
Harbin Electric Group Shanxi Environmental Protection Engineering Co., Ltd	49,980,000.00	49,980,000.00			49,980,000.00		
Harbin Electric Financial Leasing (Tianjin) Co., Ltd	400,000,000.00	400,000,000.00			400,000,000.00		
Harbin Electric Power Group Biomass Power Generation (Wangkui) Co., Ltd	136,100,000.00	136,100,000.00			136,100,000.00		
Harbin Electric Power Group Biomass Power Generation (Dehui) Co., Ltd	138,910,000.00	138,910,000.00			138,910,000.00		
Harbin Electric Science and Technology Co., Ltd	10,000,000.00	10,000,000.00	10,000,000.00		20,000,000.00		
Harbin Electric Materials Co., Ltd	30,000,000.00	30,000,000.00			30,000,000.00		
Total	8,075,778,415.42	8,519,723,000.53	1,685,580,000.00	1,036,921,104.51	9,168,381,896.02		3,000,000.00

16. NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

16.3 Long-term equity investments (Continued)

16.3.3 Investment in joint ventures

			Change in the current period									
Investee	Cost of investment	Opening balance	Additional investment	Decrease in investment	Profit or loss on investment recognised under the equity method	Adjustment to other comprehensive income	Change in other equity	Cash dividend or profit declared to be distributed	Provision for impairment	Other	Closing balance	Balance of provision for impairment as at December 31, 2022
Total	256,214,600.00	296,636,042.04	536,279,151.40		53,814,227.05			-16,691,260.80	-277,892,923.81		676,956,518.17	84,811,282.29
1. Joint ventures	93,495,800.00	117,382,398.88	30,179,200.00		3,538,836.63						151,100,435.51	
Harbin Electric General Gas Turbine (Qinhuangdao) Co., Ltd	91,120,800.00	117,382,398.88	30,179,200.00		3,538,836.63						151,100,435.51	
Russian-Chinese Power Equipment LLC	2,375,000.00											
2. Joint ventures	162,718,800.00	179,253,643.16	506,099,951.40		50,275,390.42			-16,691,260.80	-277,892,923.81		525,856,082.66	84,811,282.29
GE-Harbin Power Energy Services (Qinhuangdao) Co., Ltd	17,739,800.00	97,525,545.71			16,264,240.15			-11,421,944.00			102,367,841.86	
Harbin Ruifeng New Energy Co., Ltd	28,800,000.00	50,360,379.74	5,000,000.00		119,975.43			-5,269,316.80			50,211,038.37	
Liaocheng Xiangguang Power Generation Co., Ltd	116,179,000.00	31,367,717.71									116,179,000.00	84,811,282.29
Harbin Electric Power Equipment Co., Ltd	501,099,951.40		501,099,951.40		33,891,174.84				-277,892,923.81		257,098,202.43	

16. NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

16.4 Operating revenue and operating cost

Information on operating revenue

Item	Year 2023		Year 2022	
	Revenue	Expenses from costs	Revenue	Expenses from costs
Primary business	5,604,309,963.52	5,600,298,729.82	5,764,567,992.33	5,719,884,251.38
Other business	13,265,663.30	4,484,280.51	15,904,271.94	4,484,280.51
Total	5,617,575,626.82	5,604,783,010.33	5,780,472,264.27	5,724,368,531.89

16.5. Investment income

Source of investment income	Year 2023	Year 2022
Income from long-term equity investments accounted for by the equity method	53,814,227.05	11,263,147.95
Long-term equity investment income accounted for by the cost method	823,268,543.00	1,622,826,476.17
Investment income from the disposal of long-term equity investments	-135,123,753.11	
Investment income during the holding period of investments in other equity instruments	270,000.00	
Total	742,229,016.94	1,634,089,624.12

17. SUPPLEMENTARY INFORMATION

17.1 Breakdown of non-recurring profit or loss in 2023

Item	Amount	Note
Gains and losses on disposal of non-current assets	-113,452,586.90	
Tax refunds and reductions that exceed the authority of approval or do not have formal approval documents	71,724.94	
Government subsidies included in the current profit or loss (except for government subsidies that are closely related to the business of the enterprise and are enjoyed in accordance with the national unified standard or in a fixed amount)	67,621,820.76	Details 8.58 & 8.64
Capital occupation fees charged to non-financial enterprises through profit or loss for the current period		
The investment cost of the subsidiary, associate and joint venture is less than the income generated by the fair value of the investee's identifiable net assets when the investment is obtained		
Gains or losses on the exchange of non-monetary assets		
Profit or loss on entrusting others to invest or manage assets	2,594,339.62	
Provision for impairment of various assets due to force majeure factors, such as natural disasters		
Debt restructuring gains and losses	-149,518.10	
Restructuring costs, such as employee placement expenses, integration costs, etc		
Gains or losses in excess of fair value arising from transactions where the transaction price is clearly unfair		
Net profit or loss for the period from the beginning of the period to the date of consolidation of subsidiaries arising from a business combination under the same control		
Profit or loss arising from contingencies unrelated to the normal operation of the company	-128,100,000.00	
In addition to the effective hedging business related to the normal operation of the Company, the fair value change gains and losses arising from the holding of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, as well as investment income from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investments	4,884,907.50	
Reversal of impairment provisions for receivables and contract assets that are separately tested for impairment	390,783,828.35	

17. SUPPLEMENTARY INFORMATION (CONTINUED)

17.1 Breakdown of non-recurring profit or loss in 2023 (continued)

Item	Amount	Note
Profit or loss from external entrusted loans	7,784,252.49	
Gains and losses arising from changes in the fair value of investment real estate that are subsequently measured using the fair value model		
The impact of one-time adjustment of current profit and loss on current profit and loss according to the requirements of tax, accounting and other laws and regulations	3,094,339.62	
Custody fee income obtained from entrusted operations		
Other non-operating income and expenses other than those listed above	24,447,815.33	Details 8.58 & 8.64
Other profit or loss items that meet the definition of non-recurring profit or loss	50,572,425.67	
Subtotal	310,153,349.28	
Less: Income tax impact	22,046,551.39	
Less: Impact of minority interests (after tax)	295,138.05	
Net non-recurring gains or losses attributable to the parent company	287,811,659.84	
Net profit attributable to the parent company	574,760,038.85	
Total net profit attributable to the parent after deducting non-recurring gains and losses	286,948,379.01	

17.2 Return on net assets and earning per share

Profit for the reporting period	Weighted average Return on equity (%)	Earning per share	
		Basic earning per share	Diluted earning per share
Net income attributable to common shareholders of the Company	4.49	0.313	0.313
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	2.24	0.156	0.156

Harbin Electric Co., Ltd
March 28, 2024

DISCLOSURE OF SIGNIFICANT EVENTS

PRODUCTION AND OPERATION EVENTS

On 16 June 2023, the Company won the bid for the project of 1 set of 500MW impact hydroelectric unit and its auxiliary equipment for Zala Hydropower Station, with the largest single-machine capacity in the world, marking another important breakthrough achieved by the Company in respect of leading the overall level of impact hydropower units in China, enhancing the development capability of hydropower in China, and realising the autonomy of the key core technology of hydropower equipment.

On 26 June 2023, the Company won the bid for the energy storage turbo-expander generator set of the “appreciation of competent person (

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

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Unified social credit code: 91230100127575573H

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Mr. Cao Zhi-an

AUTHORISED REPRESENTATIVES

Mr. Huang Wei
Mr. Ai Li-song

COMPANY SECRETARY

Mr. Ai Li-song

JOINT COMPANY SECRETARY

Mr. Tung Tat Chiu, Michael

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DOCUMENTS AVAILABLE FOR INSPECTION

1. The original copy of the 2023 Annual Report of the Company

2. The original copy of the Company's audited financial statements

哈电集团
HARBIN ELECTRIC CORPORATION

HARBIN ELECTRIC COMPANY