

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



哈尔滨电气股份有限公司

HARBIN ELECTRIC COMPANY LIMITED

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1133)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The Board of Directors (the “**Board**”) of Harbin Electric Company Limited (the “**Company**”) hereby announces audited operating results of the Company and its subsidiaries for the year ended 31 December 2020, which were prepared in accordance with the China Accounting Standards for Business Enterprises.

CONSOLIDATION BALANCE SHEET

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

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

CONSOLIDATION BALANCE SHEET (CONTINUED)*(Apart from special notes: the unit of amount is RMB)*

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

CONSOLIDATION BALANCE SHEET (CONTINUED)*(Apart from special notes: the unit of amount is RMB)*

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

CONSOLIDATION BALANCE SHEET (CONTINUED)*(Apart from special notes: the unit of amount is RMB)*

Items	<i>Notes</i>	December 31, 2020	January 1, 2020
Non-current liabilities:			
△ Reserve of insurance contract			
Long-term borrowings		1,884,779,453.00	565,600,000.00
Bonds payable			
including: Preferred stocks			
Perpetual debts			
☆ Lease liabilities			
Long-term payable		42,881,194.29	510,862,094.29
Long-term employee benefits payable		152,433,979.11	176,288,338.42
Provisions		1,009,074,468.47	940,402,644.61
Deferred income		265,816,002.56	134,150,192.62
Deferred tax liabilities			
Other non-current liabilities			
Including: Authorized reserve fund			
Total non-current liabilities		<u>3,354,985,097.43</u>	<u>2,327,303,269.94</u>
Total liabilities		<u><u>41,761,205,970.92</u></u>	<u><u>39,226,502,344.10</u></u>

CONSOLIDATION BALANCE SHEET (CONTINUED)*(Apart from special notes: the unit of amount is RMB)*

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

Corporate representative:

Chief Accountant:

Accounting Supervisor:

CONSOLIDATION INCOME STATEMENTS

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

Items	Notes	Current Period	Prior Period
1. Revenue		23,999,703,493.48	22,901,459,145.46
Including: Operating revenue	VI	23,760,399,708.62	22,515,591,468.64
△ Interest income		239,303,784.86	385,867,676.82
△ Premium earned			
△ Fees and commissions income			
2. Total cost		24,377,795,080.59	22,367,518,189.56
Including: Operating cost	VI	21,056,908,588.88	19,191,312,021.68
△ Interest expenses		9,600,470.13	14,427,750.90
△ Fees and commissions expenses		44,316.99	54,128.19
△ Cash surrender amount			
△ Net expenses of claim settlement			
△ Net provisions for insurance reserves			
△ Policy dividend expenses			
△ Reinsurance expenses			
Taxes and surcharges		167,046,550.28	126,175,614.36
Selling expenses		675,859,315.66	603,991,912.06
Administrative expenses		1,304,707,938.61	1,669,845,499.18
Research and development expenses		976,707,037.96	687,524,568.89
Financial expenses		186,920,862.08	74,186,694.30
Including: Interest expenses		233,562,605.22	121,186,584.99
Interest income		47,077,675.59	62,031,288.50
Net exchange loss (“-” for net proceeds)		-21,696,224.40	-433,735.71
Other costs and expenses			
Add: Other income		477,041,547.59	102,526,412.72
Investment income (“-” for loss)		76,633,822.67	27,206,095.96
Including: Investment income from associates and joint ventures		5,826,738.34	20,512,794.72
☆ Income from derecognition of financial assets at amortised cost			
△ Gain on foreign exchange (“-” for loss)		5,694.79	-1,403.16

CONSOLIDATION INCOME STATEMENTS (CONTINUED)

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

Items	Notes	Current Period	Prior Period
☆ Net exposure hedging returns ("-" for losses)			
Gain from fair-value changes ("-" for loss)		217,411.27	
☆ Credit losses ("-" for loss))		-71,445,008.59	-225,027,958.13
Impairment on assets ("-" for loss)		-70,549,613.94	-295,503,414.48
Proceeds from asset disposal ("-" for loss)		5,790,846.33	5,299,562.95
3. Operating profits ("-" for loss)		39,603,113.01	148,440,251.76
Add: Non-operating income		77,195,702.90	142,588,893.37
Including: Government grants		5,596,779.91	12,300,901.34
Less: Non-operating expenses		39,840,938.92	73,886,377.61
4. Profit before tax ("-" for loss)		76,957,876.99	217,142,767.52
Less: Income tax	VII	60,902,792.05	99,927,361.67
5. Net profit ("-" for net loss)		16,055,084.94	117,215,405.85
(1) By ownership:			
Net profit attributable to parent company		-7,280,537.53	106,173,199.36
* Profit/loss attributable to minority shareholders		23,335,622.47	11,042,206.49
(2) By going concern basis:			
Continuous operating profit and loss		16,055,084.94	117,215,405.85
Termination of the business profit and loss			

CONSOLIDATION INCOME STATEMENTS (CONTINUED)

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

Items	Notes	Current Period	Prior Period
6. Other comprehensive income after tax		9,935,232.98	-96,906,420.38
Other comprehensive income after tax attributable to parent company		9,978,790.73	-96,952,130.59
(1) Comprehensive income not to be reclassified as profit or loss		-83,969,464.70	-137,404,578.60
1. Remeasure the change in net liabilities or net assets of defined beneficiary plans			
2. Shares in other comprehensive income that the investee cannot reclassify into profit or loss under the equity method			
☆ 3. Net gain on equity instruments at fair value through other comprehensive income		-83,969,464.70	-137,404,578.60
☆ 4. Fair value changes in enterprise's own credit risk			
5. Others			
(2) Other comprehensive income to be reclassified as profit or loss		93,948,255.43	40,452,448.01
1. Share of other comprehensive income of an associate			
☆ 2. Net gain on debt instruments at fair value through other comprehensive income		-440,417.25	455,589.79
3. Gain or loss from fair value changes of available-for-sale financial assets			
☆ 4. The amount of financial assets reclassified into other comprehensive income			
5. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
☆ 6. Other debt investment credit impairment provision			

CONSOLIDATION INCOME STATEMENTS (CONTINUED)

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

Items	Notes	Current Period	Prior Period
7. Cash flow hedging reserve		103,748,011.74	38,684,045.39
8. Currency translation reserve		-9,359,339.06	1,312,812.83
9. Other profit or loss to be reclassified			
* Other comprehensive income after tax attributable to minority share-holders		-43,557.75	45,710.21
7. Total comprehensive income		25,990,317.92	20,308,985.47
Total comprehensive income attributable to parent company		2,698,253.20	9,221,068.77
* Total consolidated income attributable to minority share-holders		23,292,064.72	11,087,916.70
8. Earnings per share:			
Basic earnings per share	VIII	-0.004	0.062
Diluted earnings per share	VIII	-0.004	0.062
Corporate representative:	Chief Accountant:	Accounting Supervisor:	

CONSOLIDATION CASH FLOW STATEMENT

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

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

CONSOLIDATION CASH FLOW STATEMENT (CONTINUED)*(Apart from special notes: the unit of amount is RMB)*

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

CONSOLIDATION CASH FLOW STATEMENT (CONTINUED)*(Apart from special notes: the unit of amount is RMB)*

Items	<i>Notes</i>	Current Period	Prior Period
3. Cash flows from financing activities:			
Cash received from investments by others		866,975,100.00	
Including: Cash received by subsidiaries from minority shareholders' investments			
Cash received from borrowings		5,556,390,196.59	8,315,951,230.89
Other cash receipts related to other financing activities		39,030.91	1,021,391.83
Total cash inflows from financing activities		<u>6,423,404,327.50</u>	<u>8,316,972,622.72</u>
Cash repayments for debts		4,754,571,695.71	4,191,898,268.88
Cash payments for distribution of dividends, profit and interest expenses		297,703,653.21	168,770,574.75
Including: Dividends or profit paid by subsidiaries to minority shareholders			
Other cash payments related to financing activities		3,748,855.22	
Total cash outflows from financing activities		<u>5,056,024,204.14</u>	<u>4,360,668,843.63</u>
Net cash flows from financing activities		<u>1,367,380,123.36</u>	<u>3,956,303,779.09</u>
4. Effect of foreign exchange rate changes on cash and cash equivalents		<u>-67,615,503.84</u>	<u>22,933,704.54</u>
5. Net increase in cash and cash equivalents		2,100,823,514.01	-2,508,458,737.64
Add: Beginning balance of cash and cash equivalents		<u>9,197,222,711.30</u>	<u>11,705,681,448.94</u>
6. Ending balance of cash and cash equivalents		<u>11,298,046,225.31</u>	<u>9,197,222,711.30</u>

Corporate representative:

Chief Accountant:

Accounting Supervisor:

CONSOLIDATION STATEMENTS OF CHANGES IN EQUITY
(Apart from special notes: the unit of amount is RMB)

Items	Current period													
	Equity attributable to parent company													
	Paid-in capital	Preferred stock	Other equity instruments		Capital reserve	Treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	△ General risk provision	Retained earnings	Subtotal	Minority interests	Total owner's equity
		Perpetual bonds	Others											
1. Ending balance of last year	1,706,523,000.00				4,249,144,205.66			41,541,755.49	809,136,649.47		8,804,199,937.94	15,579,638,633.94	276,525,550.73	15,856,164,184.67
Add: Increase/decrease due to changes in accounting policies														
Increase/decrease due to corrections of errors in Prior Period														
Others														
2. Beginning balance of current year	1,706,523,000.00				4,249,144,205.66			41,541,755.49	809,136,649.47		8,804,199,937.94	15,579,638,633.94	276,525,550.73	15,856,164,184.67
3. Increase/decrease for current year ("+" for decrease)														
(1) Total comprehensive income														
(2) Owner's contributions and withdrawals of capital														
1. Common stock contributed by owners														
2. Capital contributed by other equity instruments holders														
3. Share-based payment recorded in owner's equity														
4. Others														
(3) Accrual and utilization of specialized reserve														
1. Accrual of specialized reserve														
2. Utilization of specialized reserve														
(4) Profits distribution														
1. Appropriation of surplus reserve														
Including: Statutory surplus reserve														
Discretionary surplus reserve														
Reserve fund														
Corporate development fund														
Return of investment														
2. Accrual of general risk reserve														
3. Distribution to owner/shareholder														
4. Others														
(5) Transfer within owner's equity														
1. Capital reserve transferred to paid-in capital														
2. Surplus reserve transferred to paid-in capital														
3. Recover of loss by surplus reserve														
4. Defined benefit plan changes carried forward to retained earnings														
☆ 5. Other comprehensive income carried forward to retained earnings														
6. Others														
4. Ending balance of current year	1,706,523,000.00				4,341,412,461.31			41,743,525.66	809,136,649.47		8,799,327,500.41	15,677,215,012.96	522,835,501.95	16,200,050,514.91

Corporate representative:

Chief Accountant :

Accounting Supervisor:

CONSOLIDATION STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
(Apart from special notes: the unit of amount is RMB)

Items	Equity attributable to parent company										Total owner's equity				
	Paid-in capital	Preferred stock	Perpetual bonds	Other equity instruments	Others	Capital reserve	Treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve		△ General risk provision	Retained earnings	Subtotal	Minority interests
1. Ending balance of last year	1,706,323,000.00					3,715,737,494.12		66,045,215.97	30,812,983.78	809,136,649.47		8,698,026,738.58	15,026,282,081.92	1,282,748,516.51	16,309,030,598.43
Add: Increase/decrease due to changes in accounting policies															
Increase/decrease due to corrections of errors in Prior Period															
Others															
2. Beginning balance of current year	1,706,323,000.00					3,715,737,494.12		66,045,215.97	30,812,983.78	809,136,649.47		8,698,026,738.58	15,026,282,081.92	1,282,748,516.51	16,309,030,598.43
3. Increase/decrease for current year ("+" for decrease)															
(1) Total comprehensive income								-96,952,130.59	10,728,771.71			106,173,199.36	553,356,552.02	-1,006,222,965.78	-452,866,413.76
(2) Owner's contributions and withdrawals of capital								-96,952,130.59				106,173,199.36	9,221,068.77	11,087,916.70	20,308,985.47
1. Common stock contributed by owners															
2. Capital contributed by other equity instrument holders															
3. Share-based payment recorded in owner's equity															
4. Others															
(3) Accrual and utilization of specialized reserve															
1. Accrual of specialized reserve															
2. Utilization of specialized reserve															
(4) Profits distribution															
1. Appropriation of surplus reserve															
Including: Statutory surplus reserve															
Discretionary surplus reserve															
Reserve fund															
Corporate development fund															
Return of investment															
2. Accrual of general risk reserve															
3. Distribution to owner/shareholder															
4. Others															
(5) Transfer within owner's equity															
1. Capital reserve transferred to paid-in capital															
2. Surplus reserve transferred to paid-in capital															
3. Recover of loss by surplus reserve															
4. Defined benefit plan changes carried forward to retained earnings															
*5. Other comprehensive income carried forward to retained earnings															
6. Others															
4. Ending balance of current year	1,706,323,000.00					4,249,144,205.66		-30,906,914.62	41,541,755.49	809,136,649.47		8,804,199,937.94	15,579,638,653.94	276,525,550.73	15,856,164,184.67

Corporate representative: _____ Chief Accountant: _____ Accounting Supervisor: _____

Corporate representative: _____ Chief Accountant: _____ Accounting Supervisor: _____

Corporate representative: _____ Chief Accountant: _____ Accounting Supervisor: _____

2020 ANNUAL PERFORMANCE ANNOUNCEMENT

(Except for special notes, the units of amount are RMB)

I. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

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

2. Going concern

For the reporting period and at least 12 months since the end of the reporting period, the Company’s production and operation was stable with reasonable asset and liability structure, therefore it has ability to continue as a going concern and there’s no significant risk affecting its ability to continue as a going concern.

II. ACCOUNTS RECEIVABLE

Items	Closing balance	Opening balance
Accounts receivable	10,429,736,197.91	10,356,922,055.07
Less: bad-debt provision	<u>4,278,931,971.69</u>	<u>4,538,079,234.22</u>
Net accounts receivable	<u><u>6,150,804,226.22</u></u>	<u><u>5,818,842,820.85</u></u>

1. Accounts receivable accruing bad debt provision by applying aging analysis

Age	Closing balance Amount	Opening balance Amount
Within one year	3,911,991,961.36	3,289,887,707.20
One to two years	1,227,320,012.10	1,470,175,674.50
Two to three years	632,624,065.73	697,048,252.06
Over three years	378,868,187.03	361,731,187.09
Total	<u><u>6,150,804,226.22</u></u>	<u><u>5,818,842,820.85</u></u>

The credit period given to customers is different, generally depending on the financial strength of individual customers. For the effective management of the credit risk associated with accounts receivable, the Group regularly assesses the customer's credit.

III. CONTRACT ASSETS AND CONTRACT LIABILITIES

1. Details of contractual assets and contractual liabilities

	Contract assets
Opening balance	11,778,305,262.52
Increase in this period	3,490,739,144.61
Converted in to accounts receivable in this period	2,541,869,825.14
Closing balance	12,727,174,581.99
Contract asset impairment provision	1,497,031,261.51
Net closing balance	11,230,143,320.48
Including: listed as contract assets	11,230,143,320.48
listed as other non-current assets	
	Contract liabilities
Opening balance	12,251,816,737.12
Increase in this period	6,626,578,173.66
Interest adjustment	53,875,771.61
The income confirmed in the current period includes the income in the balance at the beginning of the year.	6,806,965,811.22
Closing balance	12,017,553,327.95
Including: listed as contract liabilities	12,017,553,327.95
listed as other non-current liabilities	

IV. ACCOUNTS PAYABLE

Items	Closing balance	Opening balance
Within one year	9,459,879,114.35	8,589,643,182.01
One to two years	2,318,199,262.55	2,407,899,286.84
Two to three years	524,058,113.93	447,468,888.11
Over three years	677,248,469.96	410,182,020.00
Total	<u>12,979,384,960.79</u>	<u>11,855,193,376.96</u>

V. UNDISTRIBUTED PROFIT

Items	Current period
Balance before adjustment at the end of preceding period	8,804,199,937.94
Adjust the total undistributed profit at the beginning of the year (increase+, decrease-)	
Opening balance after adjustment	8,804,199,937.94
Add: Net profit attributable to owners of the parent company	-7,280,537.53
Other increase	2,408,100.00
Less: Appropriation of statutory surplus reserve	
Appropriation of discretionary surplus reserve	
Appropriation of general risk reserve	
Dividends payable on ordinary shares	
Dividends on ordinary share converted to share capital	
Others	
Closing balance	<u>8,799,327,500.41</u>

VI. OPERATING INCOME AND OPERATING COST

Items	Amount of this period		Amount of the previous period	
	Income	Cost	Income	Cost
Main business	23,542,747,407.90	20,914,073,705.44	22,300,932,077.66	19,059,306,377.16
Other business	217,652,300.72	142,834,883.44	214,659,390.98	132,005,644.52
Total	<u>23,760,399,708.62</u>	<u>21,056,908,588.88</u>	<u>22,515,591,468.64</u>	<u>19,191,312,021.68</u>

VII. INCOME TAX EXPENSE

Items	Current period	Previous period
Current income tax calculated based on tax law and related regulations	101,470,821.11	123,077,790.69
Adjustment to deferred income tax	-40,568,029.06	-32,519,673.73
Others		9,369,244.71
Total	<u>60,902,792.05</u>	<u>99,927,361.67</u>

VIII. EARNINGS PER SHARE

(1) Basic Earnings Per share

Items	Current period	Previous period
Consolidated net profit attributable to ordinary shareholders of the parent company	-7,280,537.53	106,173,199.36
Consolidated net profit attributable to ordinary shareholders of the parent company (After deducting non-recurring gains and losses)	-351,455,196.52	-73,300,398.77
The weighted average number of ordinary shares issued by the parent company	1,706,523,000.00	1,706,523,000.00
basic eps (<i>Yuan per share</i>)	-0.004	0.062
basic eps (<i>Yuan per share</i>) (After deducting non-recurring gains and losses)	-0.206	-0.043

Common stock weighted average calculation:

Items	No.	Current period	Previous period
Number of ordinary shares outstanding at the beginning of the year	1	1,706,523,000.00	1,706,523,000.00
Issuance of new shares or debt to convert shares and other increase in the number of shares (II)	2		
Increase the cumulative number of shares (II) from the next month to the end of the year	3		
Number of months in the reporting period	4	12	12
Weighted average number of common shares issued outside	$5=1+2*3/12$	1,706,523,000.00	1,706,523,000.00

(2) Diluted Earnings Per share

Items	Current period	Previous period
Adjusted net profit attributable to common shareholders of the parent company	-7,280,537.53	106,173,199.36
Adjusted net profit attributable to ordinary shareholders of the parent company (after deducting non-recurring gains and losses)	-351,455,196.52	-73,300,398.77
The weighted average number of ordinary shares issued by the Company after adjustment	1,706,523,000.00	1,706,523,000.00
Diluted Earnings Per share	-0.004	0.062
Diluted Earnings Per share (After deducting non-recurring gains and losses)	-0.206	-0.043

IX. SEGMENT INFORMATION

(1) the assets, liabilities and income of segments

Items	Thermal power host equipment	Water and electricity host equipment	Plant engineering service	Power station auxiliary equipment and ancillary products	Nuclear products	Ac and dc motor and others	Total
As at 31 Dec 2020							
Total amount of reportable segment assets	34,113,369,738.82	6,720,545,053.66	8,017,840,757.43	2,333,693,744.35	5,635,409,069.49	10,821,647,967.39	67,642,506,331.14
Including: Increase the amount of construction in progress in the current period	85,563,049.91	65,895,154.40		6,683,130.57	29,990,804.45	46,354,608.96	234,486,748.29
Purchase of fixed assets and intangible assets	24,693,267.22	3,514,056.76	6,412,214.87	2,427,455.63	2,946,560.55	58,325,785.76	98,319,340.79
Total amount of reportable segment liabilities	<u>30,029,661,562.54</u>	<u>3,978,405,220.96</u>	<u>7,724,304,472.24</u>	<u>1,652,492,888.77</u>	<u>3,812,446,254.89</u>	<u>7,461,914,481.08</u>	<u>54,659,224,880.48</u>
Jan to Dec 2020							
Segment income							
Income from external customers	8,710,409,710.23	2,454,051,184.86	6,405,089,211.40	931,421,749.11	1,467,609,700.17	3,791,818,152.85	23,760,399,708.62
Income between segment	5,545,608,315.63					23,723,518.72	5,569,331,834.35
Reportable segment income	14,256,018,025.86	2,454,051,184.86	6,405,089,211.40	931,421,749.11	1,467,609,700.17	3,815,541,671.57	29,329,731,542.97
Reportable segment gross margin	<u>1,289,146,170.40</u>	<u>412,062,483.11</u>	<u>-198,465,857.18</u>	<u>101,645,091.39</u>	<u>374,936,179.71</u>	<u>744,359,880.79</u>	<u>2,723,683,948.22</u>

Items	Thermal power host equipment	Water and electricity host equipment	Plant engineering service	Power station auxiliary equipment and ancillary products	Nuclear products	Ac and dc motor and others	Total
As at 31 Dec 2019							
Total amount of reportable segment assets	31,358,808,053.07	7,808,856,434.46	6,793,551,768.38	2,824,191,297.17	5,684,045,055.07	9,614,667,379.77	64,084,119,987.92
Including: Increase the amount of construction in progress in the current period	243,505,116.36	67,505,164.81	188,279.09	43,140,760.95	29,009,516.81	204,710,812.33	588,059,650.35
Purchase of fixed assets and intangible assets	36,334,558.22	4,667,982.81	6,105,496.94	7,464,322.82	132,098,283.12	318,376,782.60	505,047,426.51
Total amount of reportable segment liabilities	<u>27,506,084,273.07</u>	<u>4,373,987,492.35</u>	<u>6,146,541,709.58</u>	<u>1,903,458,884.35</u>	<u>3,953,037,581.90</u>	<u>7,274,868,826.59</u>	<u>51,157,978,767.84</u>
Jan to Dec 2019							
Segment income							
Income from external customers	8,348,147,240.57	2,682,222,212.05	5,453,117,695.87	1,188,632,850.05	1,289,081,347.44	3,554,390,122.66	22,515,591,468.64
Income between segment	3,687,988,049.45					17,631,214.95	3,705,619,264.40
Reportable segment income	12,036,135,290.02	2,682,222,212.05	5,453,117,695.87	1,188,632,850.05	1,289,081,347.44	3,572,021,337.61	26,221,210,733.04
Reportable segment gross margin	<u>1,497,641,426.18</u>	<u>413,668,148.94</u>	<u>94,916,778.51</u>	<u>162,399,205.41</u>	<u>305,283,353.50</u>	<u>877,673,630.41</u>	<u>3,351,582,542.95</u>

(2) Information of assets, liabilities and income of segments

Items	Closing balance	Opening balance
Assets		
Reportable segment assets	67,642,506,331.14	64,084,119,987.92
Offset segment related transaction	-24,085,995,845.81	-20,159,484,964.02
Reportable segment net assets	43,556,510,485.33	43,924,635,023.90
Deferred tax assets	538,049,449.57	515,639,833.88
Other non-current assets		
Financial asset and its change record in current profit and loss based on fair value	201,804,166.47	
Restricted and pledged bank borrowing		
Bank deposit	9,119,340,973.69	7,812,918,293.40
Central bank deposit	701,491,386.38	497,983,048.37
Cash and cash equivalent	7,358,706.92	51,260,451.60
Undistributed headquarters and company assets	3,836,701,317.47	2,280,229,877.62
Total assets	<u>57,961,256,485.83</u>	<u>55,082,666,528.77</u>

Items	Closing balance	Opening balance
Liabilities		
Reportable segment liabilities	54,659,224,880.48	51,157,978,767.84
Offset segment related transaction	-13,926,199,847.85	-12,837,672,374.26
Reportable segment net liabilities	40,733,025,032.63	38,320,306,393.58
Tax payable	450,081,285.12	330,384,742.00
Deferred tax liabilities		
Undistributed liabilities	578,099,653.17	575,811,208.52
	<hr/>	<hr/>
Total liabilities	41,761,205,970.92	39,226,502,344.10
	<hr/> <hr/>	<hr/> <hr/>

Items	Current period	Previous period
Income		
Income from external customers	23,760,399,708.62	22,515,591,468.64
Income between segment	5,569,331,834.35	3,705,619,264.40
Reportable segment income	29,329,731,542.97	26,221,210,733.04
Reportable segment gross margin	2,723,683,948.22	3,351,582,542.95
Offset segment loss	20,192,828.48	27,303,095.99
Report segment gross margin from external customers of the group	2,703,491,119.74	3,324,279,446.96
Long-term equity investment gain based on equity method	5,826,738.34	20,512,794.76
Interest income	286,381,460.45	447,844,950.49
Chinese government grants	482,638,327.50	114,827,314.06
Financial asset and its change record in current profit and loss based on fair value	217,411.27	
Financial liabilities and its change record in current profit and loss based on fair value		
Interest expense	243,163,075.35	133,684,660.89
Impairment loss for the present period of long-term assets such as fixed assets and intangible assets		
Undistributed other income and net income	148,202,548.44	142,279,453.02
Undistributed headquarters and corporate expenses	3,306,636,653.40	3,698,916,530.88
	<hr/>	<hr/>
Total income	76,957,876.99	217,142,767.52
	<hr/> <hr/>	<hr/> <hr/>

(3) Region information

Items	Income from external customers	
	2020	2019
1. Domestic (China)	17,604,151,922.66	17,057,967,494.47
2. Overseas		
– Islamic Republic of Pakistan	2,591,760,519.00	394,242,772.71
– The Republic of Turkey	78,299,698.97	45,352,307.63
– The United Arab Emirates	2,395,497,262.37	4,330,026,595.62
– The Republic of Ecuador	296,682,438.31	223,988,213.93
– The Republic of Iraq	682,407,954.44	86,454,636.79
– other countries	111,599,912.87	377,559,447.49
Overseas subtotal	6,156,247,785.96	5,457,623,974.17
Total	23,760,399,708.62	22,515,591,468.64

X. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Investee	Opening balance	Changes in the current period							Closing balance	Provision for impairment loss	Impairment provision at the end of the year
		Increase	Decrease	Under the equity method to confirm the investment profit and loss	Other comprehensive income adjustment	Other equity changes	Declaration of cash dividends or profits	Others			
1. Investment in subsidiaries											
Shenzhen Harbin Power Huihua Trading Company Limited	3,000,000.00								3,000,000.00		3,000,000.00
Subtotal	3,000,000.00								3,000,000.00		3,000,000.00
2. Cooperative enterprise											
Harbin Electric General Gas Turbine (Qinhuangdao) Co., Ltd.	41,901,021.78			-9,371,911.96					32,529,109.82		
Russia-China Power Equipment Co., Ltd.		2,375,000.00		-313,716.58					2,061,283.42		
Subtotal	41,901,021.78	2,375,000.00		-9,685,628.54					34,590,393.24		
3. Associates											
General Electric - Harbin Power Services (Qinhuangdao) Company	137,591,656.86			13,920,971.11				10,967,354.45	140,545,273.52		
Harbin HE Liling Hydropower Equipment New Technology Development Co., Ltd.	7,296,949.97			54,231.42					7,351,181.39		
Harbin Huihong Power Engineering Company Limited	6,266,357.32			1,265,114.47				2,730,396.41	4,801,075.38		
Harbin HE Petrol Station Co., Ltd.	2,017,145.71			-152,227.05				-1,864,918.66			
Shenyang Dewat Steam Turbine Power Co., Ltd.		60,000,000.00		-2,298,000.00					57,702,000.00		
Liaocheng Xiangguang Power Generation Co., Ltd.		110,000,000.00							110,000,000.00		
Harbin Electric (Dalian) Electric Power Design Co., Ltd.			1,310,419.88	1,609,383.23				9,467,693.53	9,766,656.88		
Subtotal	172,922,109.86	179,050,000.00	1,310,419.88	15,512,366.88				13,697,750.86	7,602,774.87		
Total	217,823,131.64	181,425,000.00	1,310,419.88	5,826,738.34				13,697,750.86	7,602,774.87	397,669,474.11	3,000,000.00

XI. NET CURRENT ASSETS

Items	Closing balance	Opening balance
Current assets	48,678,312,834.54	45,725,753,203.29
Less: current liabilities	<u>38,406,220,873.49</u>	<u>36,899,199,074.16</u>
Net current assets	<u>10,272,091,961.05</u>	<u>8,826,554,129.13</u>

XII. TOTAL ASSETS MINUS CURRENT LIABILITIES

Items	Closing balance	Opening balance
Total assets	57,961,256,485.83	55,082,666,528.77
Less: current liabilities	<u>38,406,220,873.49</u>	<u>36,899,199,074.16</u>
Total assets minus current liabilities	<u>19,555,035,612.34</u>	<u>18,183,467,454.61</u>

XIII. DIVIDEND

The 2nd Meeting of the 9th Session of the Board of Directors reviewed and approved the 2020 annual profit distribution plan, recommending not to pay dividends.

The board of directors recommended to pay special dividends for RMB0.011 per share (tax inclusive).

MANAGEMENT DISCUSSION AND ANALYSIS

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

MACRO-ECONOMY AND INDUSTRY DEVELOPMENT

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

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

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

PRODUCTION AND OPERATION

Overview

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

Impact of the COVID-19 pandemic

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

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

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

New contracts

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

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

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

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

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

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

Production

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

Scientific research and innovation

In 2020, the Company invested RMB1.308 billion in science and technology, completed 342 scientific research projects and development of 125 new products. The Company received 33 scientific and technological awards throughout the year, including 2 national special awards and 28 provincial and ministerial awards. "Yangtze River Three Gorges Project" was awarded National Special Award for Scientific and Technological Progress, Development and Engineering Application of the Next Generation Large Capacity Adjustable Power Generator project won the Special Award of Science and Technology Progress Award of Chinese Machinery Industry; the project of Development and Industrialization of Ultra-supercritical Secondary Reheat Boilers"

won the Special Award of National Electric Power Industry Equipment Management Innovation Award; and the “VVER-1000 Nuclear Steam Turbine Development” project won the first prize of Technological Innovation of China Energy Research Association. During the year, the Company completed 314 patent licenses, including 61 invention patents.

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

Capital expenditure and significant investments held

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

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

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

MAJOR ACQUISITIONS AND SALES OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

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

MAJOR FINANCIAL INDEXES

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

Profit

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

Operating income

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

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

Cost

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

Gross profit and gross profit margin

In 2020, the Company realized a gross profit from operating business of RMB2,703.49 million, representing a year-on-year decrease of 18.67%, and a gross profit margin was 11.38%, representing a year-on-year decrease of 3.38%. Out of the gross profit, RMB1,284.81 million was attributable to the gross profit from main thermal power equipments, decreasing by RMB195.84 million over the previous year, while the corresponding gross profit margin was 14.75%, representing a year-on-year decrease of 2.99%; RMB412.06 million was attributable to the gross profit from main hydropower equipment, decreasing by RMB1.61 million over the previous year, while the corresponding gross profit margin was 16.79%, representing a year-on-year increase of 1.37%; RMB-198.47 million was attributable to the gross profit from engineering services for power stations, decreasing by RMB293.38 million over the previous year, while the corresponding gross profit margin was -3.10%, representing a year-on-year decrease of 4.84%; RMB101.65 million was attributable to the gross profit from ancillary equipment and supplementary products for power stations, decreasing by RMB60.75 million over the previous year, while the corresponding gross profit margin was 10.91%, representing a year-on-year decrease of 2.75%; RMB728.50 million was attributable to the gross profit from AC/DC motors and other products and services, decreasing by RMB138.86 million over the previous year, while the corresponding gross profit margin was 19.21%, representing a year-on-year decrease of 5.19%; RMB374.94 million was attributable to the gross profit from nuclear products, increasing by RMB69.65 million over the previous year, while the corresponding gross profit margin was 25.55%, representing a year-on-year increase of 1.87%. The Company's gross profit margin decreased, primarily due to the appreciation of the Renminbi.

Expenses for the Period

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

42.06%, mainly due to the acceptance of major specialised research and development projects; the finance expenses incurred amounted to RMB186.92 million, representing a year-on-year increase of RMB112.73 million or 151.96%, mainly due to an increase in our corporate financing scale and an increase in interest expenses in 2020.

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 subsidiary respectively, while prior approval from the parent company is required in respect of borrowings raised for capital investments. As at 31 December 2020, the Company's total borrowings amounted to RMB7,025.39 million (31 December 2019: RMB6,199.88 million), all of which amounts were borrowed from various financial institutions, such as commercial banks and state-funded entrusted loans, at interest rates stipulated by the state. Among those borrowings, the amount repayable within one year amounted to RMB5,140.61 million, representing a decrease of RMB493.67 million as compared with the beginning of the year, primarily due to the decrease of state-funded entrusted loan and supplementary working fund; the borrowings repayable after one year amounted to RMB1,884.78 million, representing an increase of RMB1,319.18 million as compared to the beginning of the year. As at 31 December 2020, the Company's borrowings were all in RMB and there was no amount due. The repayment plan has been made for the borrowings that were not due, with no risk of default.

Monetary capital and cash flows

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

Asset structure and movements

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

Liabilities

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

Owners' interests

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

GEARING RATIO

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

CONTINGENT LIABILITIES AND PLEDGES

As at 31 December 2020, the Company pledged its assets of RMB98.56 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 2020, the amount of the Company's deposits in foreign currencies was equivalent to RMB933.91 million. The export business and businesses settled in foreign currencies expose the Company to exchange risk.

USE OF FUND-RAISING PROCEEDS

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

The use of the proceeds is as follows:

Intended use of the proceeds	Intended amount of the proceeds used <i>(RMB100 million)</i>	Amount of the proceeds used <i>(RMB100 million)</i>	Remaining amount of the proceeds <i>(RMB100 million)</i>	Intended use time
Investment in a joint venture project on gas turbine	1.8	0.43	1.37	Before 24 October 2026
Investment in a nuclear power technology upgrading project	4.86	3.9	0.96	Before 31 December 2023
Purchase of raw materials for the production and operation of the nuclear power business	3	3	0	
Purchase of raw materials for the production and operation of the gas turbine business	1.47	1.47	0	
Conducting financial leasing business	1.54	1.54	0	
Total	<u>12.67</u>	<u>10.34</u>	<u>2.33</u>	

DIVIDEND

The Board did not recommend the payment of the final dividend for the year ending 31 December 2020.

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

Dividends payable to shareholders of H shares will be paid in Hong Kong dollars at the average exchange rate as quoted by the People's Bank of China for the five days preceding 24 March 2021, which is RMB1 to HK\$1.1941. Each shareholder of H shares will receive a dividend of HK\$0.0131 per H share.

The Company will consider and approve the Special Dividend Distribution Plan at the 2020 annual general meeting to be held on Wednesday, 26 May 2021.

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

CLOSURE OF REGISTER

The special dividend of the Company will be distributed on Thursday, 24 June 2021. The register of members of the Company will be closed from Friday, 18 June 2021 to Thursday, 24 June 2021 (both dates inclusive). Special dividends will be distributed to shareholders whose names appear in the register of members of the Company on Friday, 18 June 2021. In order to qualify for the special dividends, all completed transfer documents accompanied with the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, namely Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Thursday, 17 June 2021.

DIVIDEND TAX

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

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

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

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

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

According to the Corporate Income Tax Law of the PRC, 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.

SIGNIFICANT EVENTS AFFECTING THE COMPANY

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

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

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS OF SIGNIFICANCE

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

CONTRACTS OF SIGNIFICANCE WITH THE CONTROLLING SHAREHOLDERS OR THEIR SUBSIDIARIES

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

CONTINGENT LIABILITIES – GUARANTEES

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

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 2020 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

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

STAFF REMUNERATION, RETIREMENT AND BENEFITS SCHEME

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

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

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

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

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

PRE-EMPTIVE RIGHTS

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

MAJOR LITIGATION

During 2020, the Company had no major litigation.

MODEL CODE

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

CORPORATE GOVERNANCE CODE

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

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

AUDIT COMMITTEE

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

AUDITOR

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

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

OUTLOOK

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

2021 is the first year of the 14th Five-Year Plan, and also an important gateway for the Company to accelerate its transformation and development. The Company will proactively seize the new opportunities and new challenges brought about from the “peak of carbon emission” and “carbon neutrality”, get established on the new development stage, adhere to the new development concept and integrate into the new development pattern, strive to focus on high-quality development, focus on transformation and development, and use reform and innovation as the driving force to coordinate development and safety, focus on the key industries of the equipment manufacturing industry, vigorously develop green, clean and low-carbon industries such as wind power, environmental protection, and hub motor industries; further improve quality and efficiency, and focus on the construction of key projects such as Baihetan and Hasiyan, and strengthen compliance management, fundamentally prevent major risks in respect of international operations and exchange rates; further deepen reforms, and strive to achieve major breakthroughs in deepening the reform of the three systems, advancing the reform of mixed ownership, and implementing medium- and long-term incentives; further enhance technological innovation capabilities and walk on the frontier of the global scientific and technological development, aim at meeting major national needs, and formulate the 2025 plan for the realization of self-reliance

in science and technology, and fully promote the breakthrough of “neck-jamming” key technology, and strives to initiate a new situation of high-quality development to create “Innovative Harbin, Green Harbin, Digital Harbin, Opening Harbin and Happy Harbin”, which will build a solid foundation for the Company to become a world-class equipment manufacturer with global competitiveness.

By Order of the Board
Harbin Electric Company Limited
Si Ze-fu
Chairman

Harbin, PRC, 24 March 2021

As at the date of this announcement, the executive directors of the Company are Mr. Si Ze-fu, Mr. Wu Wei-zhang and Mr. Sun Zhi-yong; and the independent non-executive directors of the Company are Mr. He Yu, Mr. Hu Jian-min, Mr. Chen Guo-qing and Mr. Tang Zhi-hong.