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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 2022**

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 2022, 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, 2022	January 1, 2022
Current assets:			
Cash and bank		17,300,785,271.18	13,601,882,949.85
△ Settlement reserve			
△ Due from banks and other financial institutions			1,160,000,000.00
Transactional financial assets		202,376,414.36	1,586,755.20
☆ Financial assets at fair value through profit and loss			
Derivative assets			
Notes receivable		1,542,259,070.99	2,673,559,748.96
Accounts receivable	II	7,445,375,580.96	7,247,643,005.32
Receivables for financing		2,145,369.50	
Prepayments		4,893,228,667.72	4,053,396,852.51
△ Premium receivable			
△ Reinsurance premium receivable			
△ Reinsurance reserve receivable			
Other receivables		2,319,174,604.73	1,320,694,485.73
Including: Dividend receivable			
△ Buying back the sale of financial assets		1,170,000,000.00	1,600,000,000.00
Inventories		9,404,890,448.68	9,277,188,524.26
Including: raw materials		2,696,392,291.07	2,929,891,292.03
Merchandise inventories (finished goods)		261,843,643.64	392,202,142.70
Contract assets	III	8,309,814,549.85	9,376,793,737.57
Held-for-sale assets			
Current portion of non-current assets		294,952,361.15	532,462,521.58
Other current assets		639,006,924.66	655,929,163.44
Total current assets		<u>53,524,009,263.78</u>	<u>51,501,137,744.42</u>

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

Items	Notes	December 31, 2022	January 1, 2022
Non-current assets:			
△ Loans and advances issued			31,200,000.00
Debt investments			
☆ Available-for-sale financial assets			
Other debt investments			
☆ Held-to-maturity investments			
Long-term receivables		398,961,054.90	251,453,934.46
Long-term equity investments		377,317,390.52	380,662,063.58
Other equity instruments investments		845,123,706.24	253,742,400.98
Other non-current financial assets			
Investment property		172,730,282.18	192,097,586.49
Fixed assets		5,984,855,681.05	5,412,526,694.03
Including: Cost		16,029,713,555.55	14,931,804,461.28
Accumulated depreciation		9,994,028,936.15	9,469,795,888.44
Impairment		51,042,555.23	49,481,878.81
Construction in progress		209,898,568.77	750,210,600.69
productive biological assets			
Oil and gas assets			
The right-of-use assets			
Intangible assets		889,960,351.63	961,518,817.12
Development disbursements		100,344,344.80	106,224,822.46
Goodwill		23,919,751.92	23,919,751.92
Long-term deferred expenses		2,274,060.63	7,488,107.98
Deferred tax assets		723,805,905.84	738,010,696.54
Other non-current assets		30,330,169.80	
Including: authorised reserve material			
Total non-current assets		9,759,521,268.28	9,109,055,476.25
Total assets		63,283,530,532.06	60,610,193,220.67

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

Items	Notes	December 31, 2022	January 1, 2022
Current liabilities:			
Short-term borrowings		4,812,857,850.77	5,223,060,625.25
△ Borrowings from central bank			68,654,568.37
△ Placement from banks and other financial institutions			
Transactional financial liabilities			
☆ Financial liabilities at fair value through profit and loss			
Derivative liabilities			
Notes payable		7,048,462,096.55	7,257,666,848.12
Accounts payable	IV	13,796,665,716.93	13,875,963,319.42
Advances from customers		1,422,059.69	
Contract liabilities	III	17,428,435,136.82	15,045,611,306.96
△ Securities sold under agreement to repurchase			
△ Deposits and placements from other financial institutions		639,643,187.93	365,927,085.43
△ Securities brokering			
△ Securities underwriting			
Employee benefits payable		574,937,056.92	527,038,717.74
Including: salary payable		224,166,512.70	181,109,149.95
Welfare benefits payable			18,192.00
# Employee bonus and welfare fund			
Taxes and surcharges payable		656,162,164.88	354,342,491.05
Including: taxes payable excluding surcharges		641,262,128.67	347,839,831.60
Other payables		462,738,498.12	544,545,445.84
Including: Dividend payable		3,482,983.73	3,482,486.16
△ Fees and commissions payable			
△ Reinsurance amounts payable			
Held-for-sale liabilities			
Current portion of non-current liabilities		402,060,308.88	1,188,794,302.00
Other current liabilities		35,452,401.56	463,280.00
Total current liabilities		45,858,836,479.05	44,452,067,990.18

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

Items	<i>Notes</i>	December 31, 2022	January 1, 2022
Non-current liabilities:			
△ Reserve of insurance contract			
Long-term borrowings		2,391,903,973.83	1,033,066,644.43
Bonds payable			
including: preferred stocks			
perpetual debts			
Lease liabilities		88,421,052.65	
Long-term payable		22,101,896.71	20,419,794.29
Long-term employee benefits payable		345,492,088.56	386,096,909.56
Provisions		1,949,943,875.77	2,259,633,261.28
Deferred income		236,321,218.22	264,222,683.35
Deferred tax liabilities		10,224,586.23	
Other non-current liabilities		6,423,408.10	
Including: authorized reserve fund			
		<hr/>	<hr/>
Total non-current liabilities		5,050,832,100.07	3,963,439,292.91
		<hr/>	<hr/>
Total liabilities		50,909,668,579.12	48,415,507,283.09
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CONSOLIDATION BALANCE SHEET (CONTINUED)*(Apart from special notes: the unit of amount is RMB)*

Items	Notes	December 31, 2022	January 1, 2022
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		4,338,736,992.12	4,338,736,992.12
Less: treasury shares			
Other comprehensive income		49,765,047.57	-8,899,799.96
Including: Currency translation reserve		-2,714,672.67	-9,378,391.12
Specialized reserve		45,479,801.06	43,527,398.71
Surplus reserve		888,849,702.10	809,136,649.47
Including: statutory surplus reserve		888,849,702.10	809,136,649.47
Other surplus reserve			
# Reserve fund			
# Corporate development fund			
# Return of investment			
△ General risk reserve			
Retained earnings	V	4,698,595,292.71	4,679,669,917.68
Equity attributable to parent company		11,727,949,835.56	11,568,694,158.02
* Minority interests		645,912,117.38	625,991,779.56
Total owner's equity		12,373,861,952.94	12,194,685,937.58
Total liabilities and owner's equity		63,283,530,532.06	60,610,193,220.67

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		24,984,261,415.23	21,569,761,574.55
Including: operating revenue	VI	24,643,794,215.80	21,225,312,673.12
△ Interest income		340,467,199.43	344,448,901.43
△ Premium earned			
△ Fees and commissions income			
2. Total cost		24,746,152,616.39	25,265,460,929.82
Including: operating cost	VI	21,780,363,716.94	22,203,289,221.55
△ Interest expenses		15,449,717.68	8,707,374.94
△ Fees and commissions expenses		77,557.00	88,948.32
△ Cash surrender amount			
△ Net expenses of claim settlement			
△ Net provisions for insurance reserves			
△ Policy dividend expenses			
△ Reinsurance expenses			
Taxes and surcharges		169,280,840.08	162,821,235.78
Selling expenses		623,905,440.69	637,642,567.16
Administrative expenses		1,295,326,666.40	1,568,420,576.11
Research and development expenses		726,641,980.52	670,530,779.51
Financial expenses		135,106,697.08	13,960,226.45
Including: interest expenses		243,366,883.60	217,051,183.83
Interest income		39,853,821.40	36,998,158.16
Net exchange loss (“-” for net proceeds)		-91,282,588.56	-182,901,643.18
Other costs and expenses			
Add: Other income		148,370,309.20	199,239,987.33
Investment income (“-” for loss)		39,180,200.28	44,892,619.81
Including: investment income from			
associates and joint ventures		10,692,995.08	14,009,966.57
Income from derecognition of financial assets at amortised cost			
△ Gain on foreign exchange (“-” for loss)		57,521.53	542.24
Net exposure hedging returns (“-” for losses)			
Gain from fair-value changes (“-” for loss)		789,659.16	
☆ Credit losses (“-” for loss))		-331,571,253.69	-478,423,715.20
Impairment on assets (“-” for loss)		57,980,876.51	-422,701,680.68
Proceeds from asset disposal (“-” for loss)		2,785,668.86	62,017,794.98

CONSOLIDATION INCOME STATEMENTS (CONTINUED)

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

Items	Notes	Current Period	Prior Period
3. Operating profits (“-” for loss)		155,701,780.69	-4,290,673,806.79
Add: non-operating income		56,170,684.16	66,649,191.71
Including: Government grants		9,590,163.94	15,591,086.05
Less: non-operating expenses		6,095,779.97	-23,757,772.06
4. Profit before tax (“-” for loss)		205,776,684.88	-4,200,266,843.02
Less: income tax	VII	76,348,414.01	-99,400,458.43
5. Net profit (“-” for net loss)		129,428,270.87	-4,100,866,384.59
(1) By ownership			
Net profit attributable to parent company		98,638,427.66	-4,142,448,248.42
* Profit/loss attributable to minority share-holders		30,789,843.21	41,581,863.83
(2) By going concern basis			
Continuous operating profit and loss		129,428,270.87	-4,100,866,384.59
Termination of the business profit and loss			
6. Other comprehensive income after tax		58,617,543.53	-165,785,487.23
Other comprehensive income after tax attributable to parent company		58,664,847.53	-165,834,269.48
(1) Comprehensive income not to be reclassified as profit or loss		57,939,321.96	-19,847,328.02
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		57,939,321.96	-19,847,328.02
4. Fair value changes in enterprise’s own credit risk			
5. Others			

CONSOLIDATION INCOME STATEMENTS (CONTINUED)

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

Items	Notes	Current Period	Prior Period
(2) Other comprehensive income to be reclassified as profit or loss		725,525.57	-145,986,941.46
1. Share of other comprehensive income of an associate			
2. Net gain on debt instruments at fair value through other comprehensive income		-478,296.00	493,242.75
☆ 3. Gain or loss from fair value changes of available-for-sale financial assets			
4. The amount of financial assets reclassified into other comprehensive income			
☆ 5. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
6. Other debt investment credit impairment provision			
7. Cash flow hedging reserve		-5,459,896.88	-142,432,057.13
8. Currency translation reserve		6,663,718.45	-4,048,127.08
9. Other profit or loss to be reclassified			
* Other comprehensive income after tax attributable to minority share-holders		-47,304.00	48,782.25
7. Total comprehensive income		188,045,814.40	-4,266,651,871.82
Total comprehensive income attributable to parent company		157,303,275.19	-4,308,282,517.90
* Total consolidated income attributable to minority share-holders		30,742,539.21	41,630,646.08
8. Earnings per share:			
Basic earnings per share	VIII	0.058	-2.427
Diluted earnings per share	VIII	0.058	-2.427

Corporate representative:

Chief Accountant:

Accounting Supervisor:

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

Items	Current Period	Prior Period
1. Cash flows from operating activities:		
Cash received from sales and services	30,821,412,822.45	24,511,352,247.87
△ Net increase in deposits and placements from financial institutions	281,301,610.77	-102,064,659.24
△ Net increase in due to central banks	-68,654,568.37	-37,970,466.63
△ Net increase in placement from financial institutions	-	-
△ Cash received from premiums of original insurance contracts	-	-
△ Net amount of reinsurance business	-	-
△ Net increase in insured's deposits and investments	-	-
△ Net increase in disposal of financial assets at fair value through profit and loss	-	-
△ Cash received from interests, fees and commissions	215,869,310.14	344,444,380.14
△ Net increase of placement from banks and other financial institutions		
△ Net increase in repurchasing		
△ Net cash received from agent sales of securities		
△ Net increase in repurchase funds	400,000,000.00	
Taxes and surcharges refunds	540,970,202.27	327,111,594.81
Other cash receipts related to operating activities	978,684,382.48	996,338,479.57
Total cash inflows from operating activities	33,169,583,759.74	26,039,211,576.52
Cash paid for goods and services	23,057,949,076.85	20,022,137,548.77
△ Net increase in loans and advances	39,606,983.18	-560,175,970.78
△ Net increase in deposits with central banks and other financial institutions	79,626,544.47	-12,523,282.53
△ Cash paid for claim settlements on original insurance contracts		
△ Net increase of due from banks and other financial institutions	-1,310,000,000.00	540,000,000.00
△ Cash paid for interest, fees and commissions	-1,691,463.83	16,777,296.65
△ Cash paid for policy dividends	-	-
Cash paid to and for employees	2,581,619,169.14	2,498,130,635.79
Taxes and surcharges cash payments	1,526,195,293.70	1,117,167,897.70
Other cash payments related to operating activities	2,449,206,351.03	1,384,154,694.14
Total cash outflows from operating activities	28,422,511,954.54	25,005,668,819.74
Net cash flows from operating activities	4,747,071,805.20	1,033,542,756.78

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

Items	Current Period	Prior Period
2. Cash flows from investing activities:		
Cash received from withdraw of investments	687,857,857.43	5,173,675,793.24
Cash received from investment income	95,223,211.93	94,420,255.60
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	8,936,012.83	83,274,308.68
Net cash received from disposal of subsidiaries and other business units	—	—
Other cash receipts related to investing activities	25,850,274.96	29,232,738.30
Total cash inflows from investing activities	817,867,357.15	5,380,603,095.82
Cash paid for fixed assets,intangible assets and other long-term assets	372,921,086.20	375,945,410.74
Cash payments for investments	1,095,544,615.57	4,029,900,000.00
△ Net increase in pledged loans		
Net cash paid for acquiring subsidiaries and other business units		-379.62
Other cash payments related to investing activities	9,827,900.02	
Total cash outflows from investing activities	1,478,293,601.79	4,405,845,031.12
Net cash flows from investing activities	-660,426,244.64	974,758,064.70

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

Items	Current Period	Prior Period
3. Cash flows from financing activities:		
Cash received from investments by others	4,888,840.00	36,367,940.00
Including: cash received by subsidiaries from minority shareholders' investments		
Cash received from borrowings	4,175,095,724.38	4,759,620,782.31
Other cash receipts related to other financing activities	397,850,000.00	10,000,000.00
Total cash inflows from financing activities	4,577,834,564.38	4,805,988,722.31
Cash repayments for debts	4,745,699,765.52	5,124,260,047.40
Cash payments for distribution of dividends, profit and interest expenses	282,026,116.29	325,040,273.21
Including: dividends or profit paid by subsidiaries to minority shareholders	300,000.00	–
Other cash payments related to financing activities	14,178,193.42	14,463,191.01
Total cash outflows from financing activities	5,041,904,075.23	5,463,763,511.62
Net cash flows from financing activities	-464,069,510.85	-657,774,789.31
4. Effect of foreign exchange rate changes on cash and cash equivalents	33,007,963.21	-27,602,084.47
5. Net increase in cash and cash equivalents	3,655,584,012.92	1,322,923,947.70
Add: beginning balance of cash and cash equivalents	12,620,970,173.01	11,298,046,225.31
6. Ending balance of cash and cash equivalents	16,276,554,185.93	12,620,970,173.01

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										Total owner's equity			
	Equity attributable to parent company													
	Paid-in capital	Preferred stock	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	△ General risk provision		Retained earnings	Subtotal	Minority interests
1. Ending balance of last year	1,706,523,000.00	-	-	-	4,338,736,092.12	-	-8,899,799.96	43,527,398.71	809,136,649.47	-	4,679,669,917.68	11,568,694,158.02	625,991,779.56	12,194,685,937.58
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	-	-	-	4,338,736,092.12	-	-8,899,799.96	43,527,398.71	809,136,649.47	-	4,679,669,917.68	11,568,694,158.02	625,991,779.56	12,194,685,937.58
3. Increase/decrease for current year "Δ" for decrease														
(1) Total comprehensive income							58,664,847.53	1,952,402.35	79,713,052.63		18,925,375.03	159,255,677.54	19,920,337.82	179,176,015.36
(2) Owner's contributions and withdrawals of capital							58,664,847.53				98,638,427.66	157,403,275.19	30,742,539.21	188,045,814.40
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								1,952,402.35						2,245,730.06
2. Utilization of specialized reserve														30,568,485.49
(4) Profits distribution														
1. Appropriation of surplus reserve														
Including: statutory surplus reserve														
Discretionary surplus reserve														
Reserve fund														
Corporate development fund														
Return of investment														
Δ 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	-	-	-	4,338,736,092.12	-	49,765,047.57	45,479,801.06	888,849,702.10	-	4,698,595,292.71	11,727,949,835.56	645,912,117.38	12,373,861,952.94

Corporate representative:

Chief Accountant:

Accounting Supervisor:

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

Items	Prior period												
	Equity attributable to parent company												
	Other equity instruments					Other comprehensive income							
	Paid-in capital	Preferred stock	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Specialized reserve	Surplus reserve	△ General risk provision	Retained earnings	Subtotal	Minority interests	Total owner's equity
1. Ending balance of last 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
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	-	-	-	4,341,412,461.31	-	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
3. Increase/decrease for current year "Δ" 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	-	-	-	4,338,736,092.12	-	43,527,398.71	809,136,649.47	-	4,679,669,917.68	11,568,694,158.02	625,991,779.56	12,194,685,937.58

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

2022 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

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

II. ACCOUNTS RECEIVABLE

Items	Closing balance	Opening balance
Accounts receivable	12,480,343,446.34	11,791,212,565.05
Less: bad-debt provision	<u>5,034,967,865.38</u>	<u>4,543,569,559.73</u>
Net accounts receivable	<u><u>7,445,375,580.96</u></u>	<u><u>7,247,643,005.32</u></u>

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

Age	Closing balance Amount	Opening balance Amount
Within one year	4,733,433,105.49	4,640,228,704.28
One to two years	1,560,475,463.06	1,610,962,970.55
Two to three years	739,175,172.72	596,602,000.90
Over three years	<u>412,291,839.69</u>	<u>399,849,329.59</u>
Net amount	<u><u>7,445,375,580.96</u></u>	<u><u>7,247,643,005.32</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 Company regularly assesses the customer's credit.

III. CONTRACT ASSETS AND CONTRACT LIABILITIES

1. Details of contractual assets and contractual liabilities

	Contract assets
Opening balance	10,843,283,535.57
Increase in this period	773,384,469.19
Converted in to accounts receivable in this period	2,032,637,232.59
Closing balance	9,584,030,772.17
Contract asset impairment provision	1,274,216,222.32
Net closing balance	8,309,814,549.85
Including: listed as contract assets	8,309,814,549.85
listed as other non-current assets	
	Contract liabilities
Opening balance	15,045,611,306.96
Increase in this period	10,302,034,827.83
Interest adjustment	
The income confirmed in the current period includes the income in the balance at the beginning of the year.	7,919,210,997.97
Closing balance	17,428,435,136.82
Including: listed as contract liabilities	17,428,435,136.82
listed as other non-current liabilities	

IV. ACCOUNTS PAYABLE

Items	Closing balance	Opening balance
Within one year	11,288,408,105.28	11,119,876,552.54
One to two years	1,194,304,241.76	1,045,491,677.88
Two to three years	334,659,482.02	867,841,747.48
Over three years	979,293,887.87	842,753,341.52
Total	<u>13,796,665,716.93</u>	<u>13,875,963,319.42</u>

V. UNDISTRIBUTED PROFIT

Items	Current period
Balance before adjustment at the end of preceding period	4,679,669,917.68
Adjust the total undistributed profit at the beginning of the year (increase +, decrease -)	
Opening balance after adjustment	4,679,669,917.68
Add: Net profit attributable to owners of the parent company	98,638,427.66
Other increase	
Less: Appropriation of statutory surplus reserve	79,713,052.63
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>4,698,595,292.71</u>

VI. OPERATING INCOME AND OPERATING COST

Items	Amount of this period		Amount of the previous period	
	Income	Cost	Income	Cost
Main business	24,447,152,066.39	21,648,685,492.69	21,003,111,081.37	22,062,496,837.01
Other business	196,642,149.41	131,678,224.25	222,201,591.75	140,792,384.54
Total	<u>24,643,794,215.80</u>	<u>21,780,363,716.94</u>	<u>21,225,312,673.12</u>	<u>22,203,289,221.55</u>

VII. INCOME TAX EXPENSE

Items	Current period	Previous period
Current income tax calculated based on tax law and related regulations	61,180,112.09	75,606,451.78
Adjustment to deferred income tax	15,168,301.92	-175,006,910.21
Others		
Total	<u>76,348,414.01</u>	<u>-99,400,458.43</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	98,638,427.66	-4,142,448,248.42
Consolidated net profit attributable to ordinary shareholders of the parent company (After deducting non-recurring gains and losses)	-282,928,051.65	-4,631,482,955.87
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>)	0.058	-2.427
basic eps (<i>Yuan per share</i>) (After deducting non-recurring gains and losses)	-0.166	-2.714

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	98,638,427.66	-4,142,448,248.42
Adjusted net profit attributable to ordinary shareholders of the parent company (after deducting non-recurring gains and losses)	-282,928,051.65	-4,631,482,955.87
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	0.058	-2.427
Diluted Earnings Per share (After deducting non-recurring gains and losses)	-0.166	-2.714

IX. SEGMENT INFORMATION

(1) Segments financial information for 2022

Unit: Ten thousand yuan

Items	New power system with new energy as the main body	Clean and efficient industrial systems	Green and low-carbon drive system	Others	Offset	Total
(I) Operating income	2,544,682.58	319,977.08	133,728.56	72,307.67	-606,316.46	2,464,379.43
Including: external transaction income	1,970,627.23	305,116.27	132,468.15	56,167.78		2,464,379.43
Segments transaction income	574,055.35	14,860.81	1,260.41	16,139.89	-606,316.46	
(II) Income on investment in joint ventures and joint ventures	1,714.51	119.22	-79.24	9.94	-695.13	1,069.30
(III) Impairment on assets	11,651.52	-1,488.03	-2,062.34	-2,303.06		5,798.09
(IV) Credit losses	-43,908.13	5,349.92	626.34	3,810.06	964.69	-33,157.12
(V) Depreciation and amortization charges	55,630.82	7,069.74	11,284.31	4,753.23	-1,124.74	77,613.36
(VI) Total profit	150,128.97	5,093.21	4,015.26	21,369.91	-160,029.68	20,577.67
(VII) Income tax expense	3,073.01	1,319.71	-1,826.28	5,068.40		7,634.84
(VIII) Net profit	147,055.95	3,773.50	5,841.54	16,301.52	-160,029.68	12,942.83
(IX) Total assets	7,064,848.94	780,760.97	453,986.30	2,096,184.91	-4,067,428.06	6,328,353.06
(X) Total liabilities	5,359,743.69	598,059.33	376,617.95	1,762,570.59	-3,006,024.71	5,090,966.85

(2) Segments financial information for 2021

Unit: Ten thousand yuan

Items	New power system with new energy as the main body	Clean and efficient industrial systems	Green and low-carbon drive system	Others	Offset	Total
(I) Operating income	2,134,075.45	365,275.61	101,500.50	71,860.8	-550,181.09	2,122,531.27
Including: external transaction income	1,685,894.43	277,215.06	101,020.06	58,401.72		2,122,531.27
Segments transaction income	448,181.02	88,060.56	480.44	13,459.07	-550,181.09	
(II) Income on investment in joint ventures and joint ventures	2,013.81	101.11	-59.16	9.04	-663.80	1,401.00
(III) Impairment on assets	-33,850.54	59.26	-8,069.99	-408.90		-42,270.17
(IV) Credit losses	-38,503.80	-2,812.70	1,750.60	-7,562.62	-713.85	-47,842.37
(V) Depreciation and amortization charges	52,919.15	7,756.65	10,329.65	5,837.10	300.14	77,142.69
(VI) Total profit	-329,620.05	-65,116.44	-16,244.26	20,287.06	-29,333.00	-420,026.69
(VII) Income tax expense	-13,482.04	-2,318.44	587.34	5,273.09		-9,940.05
(VIII) Net profit	-316,138.01	-62,797.99	-16,831.60	15,013.97	-29,333.00	-410,086.63
(IX) Total assets	6,695,157.66	966,923.08	395,702.99	1,835,261.86	-3,832,026.26	6,061,019.33
(X) Total liabilities	5,142,290.53	791,693.69	323,037.84	1,503,759.98	-2,919,231.31	4,841,550.73

(3) Region information

Items	Income from external customers	
	2022	2021
1. Domestic (China)	19,972,485,717.71	17,493,341,565.23
2. Overseas		
– Islamic Republic of Pakistan	997,222,999.88	2,115,008,987.34
– Republic of Turkey	1,475,627,131.49	
– The United Arab Emirates	1,213,636,167.05	777,868,431.72
– The Republic of Ecuador	62,304,134.59	113,928,657.84
– The Republic of Iraq	140,012,504.69	449,639,039.95
– other countries	782,505,560.39	275,525,991.04
Overseas subtotal	4,671,308,498.09	3,731,971,107.89
Total	24,643,794,215.80	21,225,312,673.12

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.	72,431,212.00	58,500,000.00		-13,548,813.12				117,382,398.88			
Russia-China Power Equipment Co., Ltd.	451,095.69			-451,095.69							
Harbin Qingfeng New Energy Co., LTD		2,000,000.00						2,000,000.00			
Subtotal	72,882,307.69	60,500,000.00		-13,999,908.81				119,382,398.88			
3. Associates											
General Electric – Harbin Power Services (Qinhuangdao) Company	162,911,833.94			18,262,895.77			83,649,184.00	97,525,545.71			
Harbin HE Liling Hydropower Equipment New Technology Development Co., Ltd.	7,707,006.74			266,782.24			138,376.53	7,835,412.45			
Harbin Huitong Power Engineering Company Limited	10,461,301.59			4,067,744.64			3,096,402.74	11,432,643.49			
Hunan Wuling Harbin Electric Energy Efficiency Technology Co., Ltd	1,350,355.16	1,800,000.00		1,098,907.12				4,249,262.28			
Harbin Ruifeng New Energy Co., Ltd.	32,813,923.62	14,700,000.00		7,000,160.99			4,153,704.87	50,360,379.74			
Shenyang Dewat Steam Turbine Power Co., Ltd.	51,129,085.68			-6,085,320.03				45,043,765.65			
Liaocheng Xiangguang Power Generation Co., Ltd.	116,179,000.00							116,179,000.00		84,811,282.29	
Harbin Electric (Dalian) Electric Power Design Co., Ltd.	10,038,531.45			81,733.16				10,120,264.61			
Subtotal	392,591,038.18	16,500,000.00		24,692,903.89			91,037,668.14	342,746,273.93		84,811,282.29	
Total	468,473,345.87	77,000,000.00		10,692,995.08			91,037,668.14	465,128,672.81		87,811,282.29	

XI. NET CURRENT ASSETS

Items	Closing balance	Opening balance
Current assets	53,524,009,263.78	51,501,137,744.42
Less: current liabilities	<u>45,858,836,479.05</u>	<u>44,452,067,990.18</u>
Net current assets	<u>7,665,172,784.73</u>	<u>7,049,069,754.24</u>

XII. TOTAL ASSETS MINUS CURRENT LIABILITIES

Items	Closing balance	Opening balance
Total assets	63,283,530,532.06	60,610,193,220.67
Less: current liabilities	<u>45,858,836,479.05</u>	<u>44,452,067,990.18</u>
Total assets minus current liabilities	<u>17,424,694,053.01</u>	<u>16,158,125,230.49</u>

XIII. DIVIDEND

Based on the Company's total share capital of 1,706,523,000 shares, the board of directors recommends a final dividend of RMB0.006 per share (tax inclusive) for the year 2022, representing 10.38% of the Company's earnings per share for the year 2022, for a total dividend of RMB10,239,138.00.

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 March 29, 2023, that is, 1 RMB is equivalent to HK \$1.1433, and the dividend of H-share shareholders will be HK \$0.00686 per share.

The Company will review and approve the 2022 final dividend distribution plan at the 2022 Annual General Meeting of Shareholders to be held on 25 May 2023.

No shareholder has told the Company to waive or agree to waive any dividend as of 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

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

MACRO-ECONOMY AND INDUSTRY DEVELOPMENT1

In 2022, in the face of a complex and severe situation and numerous risks and challenges at home and abroad, China efficiently coordinated the prevention and control of the COVID-19 pandemic and economic and social development, increased its efforts in macro-regulation and control, achieving stable economic operation, steady improvement in development quality and maintained stable overall social situation, and has made extremely hard-won new achievements in its development.

In the national energy work conference, it was emphasized that we should give play to the role of coal to ensure the satisfaction of basic needs, solidify the foundation of electricity supply security, commit to adjusting and optimizing the energy structure, strengthen the construction of wind and solar power generation, coordinate hydropower development and ecological protection, and actively develop nuclear power in a safe and orderly manner. According to the relevant statistics from China Electricity Council, as of the end of 2022, the total installed capacity of power generation on a consolidated basis in China was 2.56 billion kilowatts, an increase of 7.8% over the end of the previous year, of which the installed capacity of non-fossil energy power generation was 1.27 billion kilowatts, an increase of 13.8% over the end of the previous year, the percentage of which in the total installed capacity increased to 49.6%, representing an increase of 2.6 percentage points year-on-year, with the power continuing with the trend of green and low carbon transformation. By type, the installed capacity of hydropower generation amounted to 410 million kilowatts, an increase of 6.2% over the end of the previous year (including 45.79 million kilowatts of pumped storage, an increase of 25.8% over the end of the previous year); nuclear power 55.53 million kilowatts, an increase of 4.3% over the end of the previous year; wind power connected to the grid 365 million kilowatts, an increase of 10.6% over the end of the previous year, of which, onshore wind power 335 million kilowatts, an increase of 11.7% over the end of the previous year, and offshore wind power 30.46 million kilowatts, an increase of 15.4% over the end of the previous year; solar power generation connected to the grid 390 million kilowatts, an increase of 25.8% over the end of the previous year; thermal power 1.33 billion kilowatts, an increase of 2.3% over the end of the previous year, of which, the percentage of coal power in the total installed capacity of power generation was 43.8%, representing a decrease of 2.9 percentage points year-on-year. By amount of power generation, in 2022, the power generation capacity of industrial enterprises above designated size in the nation was 8.39 trillion kilowatt hours, representing a growth of 2.2% year-on-year, of which thermal power, hydropower and nuclear power generation of industrial enterprises above designated size increased by 0.9%, 1.0% and 2.5% year-on-year, respectively. The amount of wind and solar power generation on a consolidated basis connected to the grid grew by 16.3% and 30.8% year-on-year, respectively. Non-fossil energy power generation on a consolidated basis increased by 8.7% year-on-year, representing 36.2% of total power generation, an increase of 1.7 percentage points year-on-year. Coal power generation on a consolidated basis increased by 0.7% year-on-year, representing 58.4% of total power generation on a consolidated basis, a decrease of 1.7 percentage points year-on-year.

PRODUCTION AND OPERATION

In 2022, the Company earnestly studied and implemented a series of important statements by General Secretary Xi Jinping on building the nation into a world power in technology and manufacturing, on peak carbon emission and carbon neutrality, and creating world-class enterprises, adhered to the direction of high-end, intelligent and green development of the industries, focused on its principal business, i.e. equipment manufacturing, relied on and gave play to its advantages in professional expertise, anchored the development goal of building itself into a world-class equipment manufacturing enterprise, adhered to its development orientation of being an equipment manufacturer, a system integrator and an operation and maintenance service provider, built “three systems (i.e. the new power system with new energy as the main body, the green and low-carbon driven system, and the clean and efficient industrial system)” industrial layout, implemented the development idea of “three steps” work arrangement, tackling difficulties, forging ahead with determination and taking serious measures to improve the quality and increase the efficiency, leading to the stability and improvement of the production and operation of the Company and new results having been achieved in the reform and development of the Company.

New contracts

In 2022, the orders of the Company recorded slight increase, thereby realizing RMB33.632 billion worth of duly signed contracts, representing a year-on-year increase of 17.67%, of which RMB17.038 billion (or 50.66%) for new-type power equipment, a year-on-year increase of 10.26% (RMB6.929 billion (or 20.60%) for thermal power equipment, a year-on-year decrease of 26.74%; RMB4.231 billion (or 12.58%) for hydropower equipment, a year-on-year increase of 33.22%; RMB3.404 billion (or 10.12%) for nuclear power equipment, a year-on-year increase of 7.76%; RMB2.028 billion (or 6.03%) for steam equipment, a year-on-year increase of 104.85%); RMB1.376 billion (or 4.09%) for green and low carbon driven equipment, a year-on-year increase of 22.39%; RMB4.826 billion (or 14.35%) for clean and efficient industrial system, a year-on-year decrease of 19.47%; RMB5.671 billion (or 16.86%) for EPC and trading, a year-on-year increase of 168.11%; and RMB4.720 billion (or 14.04%) for modern manufacturing and service industry, a year-on-year increase of 19.89%.

New-type power equipment: In 2022, the formal contract value of the Company's thermal power equipment declined due to the cycle of taking effect of new contracted projects. The Company maintained its leading market share in hydropower equipment, and its competitiveness in the nuclear power conventional island market improved significantly, together with the steam power equipment projects awarded in the previous year carried over into formal orders for this year, resulting in an increase in the formal contract value.

Green and low carbon driven equipment: The Company saw an increase in its orders from the electromotor industry and a steady level of its orders from the marine equipment industry, with an increase in the formal contract value.

Clean and efficient industrial system: The Company saw an increase in its equipment orders, but a decrease in its orders for engineering projects and a decline in the formal contract value.

EPC and trading: The Company continued to increase its efforts in developing the overseas EPC market for power projects and secured orders for a number of EPC projects in Southeast Asia, North America and Europe, resulting in a significant 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 significant growth in the formal contract value.

Production

In order to ensure the Company's sustainable and healthy development and further reduce 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 15,267MW in 2022, down by 25.5% over the same period last year, of which 2,697MW were produced by water turbine generator units, down by 71.7% significantly over the same period last year, mainly due to the concentrated production and delivery of large hydropower projects such as Baihetan hydropower station unit in 2021 with a significant increase in production as compared with previous years, while falling back to general level in 2022; and 12,570MW were produced by steam turbine generators, up by 15.0% over the same period last year. Output of steam turbines for power stations was 10,095MW, up by 31.6% over the same period last year and that of boilers for power stations was 14,017MW, up by 3.3% over the same period last year.

Scientific research and innovation

In 2022, the Company invested RMB1.269 billion in science and technology in total, with the R&D investment intensity of 5.20%, and completed 345 scientific research projects and development of 166 new products. The Company received 26 scientific and technological awards at or above the ministerial and provincial-level throughout the year, including: The 1,000MW Baihetan hydro generator unit won the China Good Design Award (Gold) granted by the Innovative Design Alliance of China and the Chinese Mechanical Engineering Society; the Research on Safety and Reliability of High-Level Layout Turbine won the Special Award for National Power Industry Equipment Management Innovation Achievement Project (Technology Category) for 2021 awarded by the China Electrical Equipment Management Association; and the Research on High Temperature Gas-Cooled Reactor Steam Generator Manufacturing Technology and Engineering Application won the First Prize in Science and Technology from the China Nuclear Energy Association. The Company completed 409 patent licenses, including 125 invention patents.

In 2022, the Company continued to make progress in traditional products such as hydropower, nuclear power, steam power, thermal power and general equipment, and achieved remarkable results in new energy storage, pollution and carbon reduction, and digital intelligence. Our self-developed Ya-lung River Lianghekou hydropower generator units, the highest one in China, was put into operation with high quality; all the three units of the Yangjiang Pumped Storage Power Station with 400MW single-unit capacity, which was the largest one of its kind in China, and 700m high water head, were all put into production for power generation, with their overall technical level reaching the international leading level; the first domestic shielded main pump of CAP1000 passed the engineering durability test examination; the SPIC's Nuanhe No. 1, a key project of the national "14th Five-Year" plan and a comprehensive nuclear energy utilization demonstration project in Haiyang, Shandong Province, whose design and goods supply the Company participated in, outperformed in the completing its first task in heating supply season; won the bidding for the expander and solar-thermal slot type heat collection and auxiliary heat source modules of the 10MW "power generation, power grid, power load, power storage-integrating" compressed air energy storage project of Three Gorges Corporation in Ulanqab, achieving a "zero" breakthrough in compressed air expander and solar-thermal collection; entered into the contract for Xinjiang Qinghua's large-scale coal-to-natural gas pressurized bubbling fluidized bed gasifier, which was the first one of its kind in China, and fire-water pipes-integrated waste heat recovery system, achieving another success in the field of industrial heat recovery; entered into the 2022 boiler intelligent diagnosis system contract with Guangdong Datang International Leizhou Power Generation Co., Ltd., achieving a breakthrough in intelligent power plant boiler intelligent diagnosis system.

Capital expenditure and significant investments held

In 2022, the Company injected a total of capital expenditures worth RMB564 million for major construction and technological transformation projects. The major projects include:

Advancing the High Temperature Gas-Cooled Reactor Steam Generator High Technology Industrialization Construction Project and the Pressurised Water Reactor Steam Generator Improvement Project in a steady manner; investing in the Dehui 1 × 40MW Biomass Thermal Power Cogeneration Project; investing in the Wangkui 1 × 40MW Biomass Thermal Power Cogeneration Project, all of which have now been put into commercial operation.

In 2023, the Company intends to commit an investment of RMB1.638 billion in key construction and technological transformation projects, mainly for the technical measures and technological transformation projects, the pumped storage industry infrastructure reengineering construction project (phase I), state-level power generation equipment research centre R&D base construction project of subsidiaries and continue to invest in the High Temperature Gas-Cooled Reactor Steam Generator High Technology Industrialization Construction Project and the Pressurised Water Reactor Steam Generator Improvement Project.

MAJOR ACQUISITIONS AND SALES OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures of the Company in 2022.

MAJOR FINANCIAL INDEXES

Profit

In 2022, net profit attributable to the owner of the parent company realized by the Company registered RMB98.64 million, representing an increase of 4,241.09 million over the same period last year; earnings per share were RMB0.058.

The increase in profit of the Company was mainly due to the Company's goal of turning around and increasing profitability, deepening quality and efficiency improvement, and significantly improving product profitability. During the period, expenses decreased year-on-year, asset quality continued to be improved and impairment losses significantly decreased.

Operating revenue

In 2022, the Company recorded an operating revenue of RMB24,643.79 million, representing an increase of 16.11% over the same period last year. Of which RMB11,745.98 million (or 47.66%) for new-type power equipment, a year-on-year increase of 32.39% (RMB6,834.07 million (or 27.73%) for thermal power equipment, a year-on-year increase of 37.77%; RMB2,752.83 million (or 11.17%) for hydropower equipment, a year-on-year increase of 0.55%; RMB1,275.7 million (or 5.18%) for nuclear power equipment, a year-on-year increase of 53.46%; RMB613.72 million (or 2.49%) for steam equipment, a year-on-year increase of 737.67%); RMB1,217.46 million (or 4.94%) for green and low carbon driven equipment, a year-on-year increase of 35.83%; RMB5,157.59 million (or 20.93%) for clean and efficient industrial system, a year-on-year increase of 8.34%; RMB3,147.20 million (or 12.77%) for EPC and trading, a year-on-year decrease of 5.56%; and RMB3,178.91 million (or 12.90%) for modern manufacturing and service industry, a year-on-year increase of 1.19%.

In 2022, the Company recorded a revenue from export of RMB4,671.31 million (or 18.96% of the total operating revenue), increasing by RMB939.34 million over the same period of the previous year. The export of the Company was dominated by Asia and South America, in which export to Asia amounting to RMB4,288.51 million, export to North America amounting to RMB266.71 million while export to South America amounting to RMB73.76 million.

Cost

In 2022, the operating costs of the Company amounted to RMB21,780.36 million, representing a decrease of 1.9% as compared with the corresponding period of last year.

Gross profit and gross profit margin

In 2022, the Company realized a gross profit from operating business of RMB2,863.43 million, representing a year-on-year increase of RMB3,841.41 million, and a gross profit margin of 11.6%, representing a year-on-year increase of 16.2 percentage points. The gross profit of new-type power equipment was RMB1,664.39 million, with a gross profit margin of 14.17%, representing a year-on-year increase of 10.13 percentage points (of which, gross profit of thermal power equipment was RMB919.43 million, with a gross profit margin of 13.45%, representing a year-on-year increase of 15.58 percentage points; the gross profit of hydropower equipment was RMB449.35 million, with a gross profit margin of 16.32%, representing a year-on-year increase of 8.64 percentage points; the gross profit of nuclear power equipment was RMB341.88 million, with a gross profit margin of 26.8%, representing a year-on-year decrease of 2.5 percentage points; the gross profit of steam equipment was RMB28.92 million, with a gross profit margin of 4.71%, representing a year-on-year decrease of 18.04%); the gross profit of green and low carbon driven equipment was RMB-42.59 million, with a gross profit margin of -3.5%, representing a year-on-year increase of 20.05 percentage points; the gross profit of clean and efficient industrial system was RMB66.59 million, with a gross profit margin of 1.29%, representing a year-on-year increase of 2.15 percentage points; the gross profit of EPC and trading was RMB118.96 million, with a gross profit margin of 3.78%, representing a year-on-year increase of 65.37 percentage points. The gross profit of modern manufacturing and service industry was RMB991.10 million, with a gross profit margin of 31.18%, representing a year-on-year increase of 2.94 percentage points. During the year, the Company comprehensively implemented quality and efficiency improvement, focused on the implementation of major projects, further strengthened international engineering project management and cost control, and took positive measures to effectively address fluctuations in raw material prices. Various measures have achieved significant results, with significant increases in gross profit and gross profit margins.

Expenses for the Period

In 2022, the Company incurred expenses of RMB2,780.98 million in the period, a decrease of RMB109.57 million or 3.8% year-on-year. Firstly, the accumulated administrative expenses amounted to RMB1,295.33 million, a decrease of RMB273.09 million year-on-year; secondly, the accumulated selling expenses amounted to RMB623.91 million, a decrease of RMB13.74 million year-on-year; thirdly, the accumulated finance expenses amounted to RMB135.1 million, an increase of RMB121.14 million year-on-year, mainly due to the year-on-year increase in financial expenses as a result of the decrease in the forward exchange settlement of subsidiaries; fourthly, the accumulated research and development expenses amounted to RMB726.64 million, an increase of RMB56.11 million year-on-year. The Company further increased its efforts in supporting technological innovation and 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 2022, the balance of the Company's borrowings amounted to RMB7,606.82 million (31 December 2021: RMB7,444.92 million), all of which amounts were borrowed from various financial institutions, such as commercial banks and state-funded entrusted loans, at LPR, and the increase in the borrowings was mainly due to the increase of RMB881.76 million in the state-funded entrusted loans. Among those borrowings, the amount repayable within one year amounted to RMB5,214.92 million, representing a decrease of RMB1,196.94 million as compared with the beginning of the year; the borrowings repayable after one year amounted to RMB2,391.90 million, representing an increase of RMB1,358.84 million as compared to the beginning of the year, mainly due to the increase in long-term policy-based preferential borrowings during the year. As of 31 December 2022, 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 flows

As of 31 December 2022, the monetary capital of the Company was RMB17,300.79 million, representing an increase of RMB3,698.90 million as compared with the beginning of the year. During the period, the net cash flow generated from operating activities of the Company was RMB4,747.07 million; the net cash flow from investing activities was RMB-660.43 million; the net cash flow from financing activities was RMB-464.07 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 movements

As of 31 December 2022, the total assets of the Company amounted to RMB63,283.53 million, representing an increase of RMB2,673.33 million or 4.4% as compared to the beginning of the year, out of which RMB53,524 million was current assets, accounting for 84.58% of total assets; and RMB9,759.52 million was non-current assets, accounting for 15.42% of total assets.

Liabilities

As of 31 December 2022, total liabilities of the Company amounted to RMB50,909.66 million, representing an increase of RMB2,494.16 million as compared to the beginning of the year, out of which RMB45,858.83 million was current liabilities, accounting for 90.1% of the total liabilities; and RMB5,050.83 million was non-current liabilities, accounting for 9.9% of the total liabilities. As of 31 December 2022, the gearing ratio of the Company was 80.5%. The scale of liabilities increased to some extent due to factors such as increase in contract liabilities and new entrusted loans under state-owned capital operating budget funds.

Owners' interests

As of 31 December 2022, the total equity attributable to the owners of the parent company of the Company amounted to RMB11,727.94 million, representing an increase of RMB159.25 million as compared to the beginning of the year; the net asset value per share was RMB6.87, representing an increase of RMB0.09 as compared with the beginning of the year. During the period, the return rate on net assets of the Company was 1.1%.

GEARING RATIO

As of 31 December 2022, the Company's gearing ratio (non-current liabilities over total shareholders' equity) was 0.41:1, compared with that of 0.33:1 at the beginning of the year.

CONTINGENT LIABILITIES AND PLEDGES

As of 31 December 2022, the Company pledged its assets of RMB90.74 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 2022, the amount of the Company's deposits in foreign currencies was equivalent to RMB673.48 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 2022, RMB126 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	1.5	0.3	By 24 October 2026
Investment in a nuclear power technology upgrading project	4.86	3.9	0.96	By 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	
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Total	12.67	11.41	1.26	

DIVIDEND

Based on the Company's total share capital of 1,706,523,000 shares, the board of directors recommends a final dividend of RMB0.006 per share (tax inclusive) for the year 2022, representing 10.38% of the Company's earnings per share for the year 2022, for a total dividend of RMB10,239,138.00.

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 March 29, 2023, that is, 1 RMB is equivalent to HK \$1.1433, and the dividend of H-share shareholders will be HK \$0.00686 per share.

The Company will review and approve the 2022 final dividend distribution plan at the 2022 Annual General Meeting of Shareholders to be held on 25 May 2023.

No shareholder has told the Company to waive or agree to waive any dividend as of 31 December 2022.

CLOSURE OF REGISTER FOR THE PURPOSE OF DIVIDEND PAYMENT

The final dividend for the year of 2022 of the Company will be distributed on 25 July 2023, and the register of members of the Company will be closed from 19 June 2023 to 23 June 2023 (both dates inclusive). Final dividends for the year of 2022 of the Company will be distributed to shareholders whose names appear in the register of members of the Company on 19 June 2023.

In order to be qualified for the final dividends for 2022, 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 16 June 2023.

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.

SIGNIFICANT EVENTS AFFECTING THE COMPANY

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. Pursuant to the share appreciation rights incentive plan and scheme, one-third of the number of stock appreciation rights granted to each grantee (Second Transcription Period) was not exercised as the 2022 annual results of the Company did not meet the target level for the second transcription period of the stock appreciation rights.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NONEXECUTIVE 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 2022, 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 2022, 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 2022, none of the Directors or Supervisors of the Company 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 29 December 2022, the Company, Power Equipment Company and Jiamusi Electric, a subsidiary of Harbin Electric Corporation, renewed the entrusted management agreement, to continue to entrust Jiamusi Electric with all the businesses and assets of Power Equipment Company, with Jiamusi Electric exercising the day-to-day operating and management right of Power Equipment Company.

For details, please refer to the Company's announcement dated 29 December 2022 published on the website of the Hong Kong Stock Exchange.

CONTINGENT LIABILITIES – GUARANTEES

As of 31 December 2022, total internal guarantees in favour of the Company made by the Company and its subsidiaries amounted to RMB1,808.25 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 2022 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 2022, the Company had no significant investment in securities of subsidiaries. On 23 November 2022, Harbin Electric Machinery Co., Ltd., a subsidiary of the Company, subscribed for 39,401,103 shares issued by China Southern Power Grid Energy Storage Co., Ltd. (南方電網儲能有限公司), at a subscription price of RMB12.69 per share for a total amount of RMB500 million, which constitutes a discloseable transaction of the Company. For details, please refer to the Company's announcement dated 23 November 2022 published on the website of the Hong Kong Stock Exchange.

STAFF REMUNERATION, RETIREMENT AND BENEFITS SCHEME

In 2022, the total salaries of the Company amounted to RMB1,657.52 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 2022.

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

As of 31 December 2022, 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 2022, the Company had no major pending litigation.

SHARE ISSUANCE

On 28 December 2022, the Company entered into the Domestic Shares Subscription Agreement with Harbin Electric Corporation, the controlling shareholder, pursuant to which the Company agreed to issue and the controlling shareholder agreed to subscribe in cash for new Domestic Shares at a total subscription price of approximately RMB1.7 billion (the “**Issuance**”). The Company will convene an Extraordinary General Meeting and a H Shares Class Meeting on 12 April 2023 to consider and, if thought fit, approve, among other things, the Domestic Shares Subscription, the Special Mandate and the proposed amendments to the Articles (as the case may be). For details, please refer to the circular of the Company dated 20 March 2023 published on the website of the Hong Kong Stock Exchange. Details of the issue of shares are as follows:

Reasons for issue

In the strategic context of promoting green and low-carbon transformation and development in the PRC, the proceeds from the issue of new Domestic Shares and the Domestic Share Subscription provide financial support for the Company’s reform, transformation and sustainable development, which is conducive to the Company’s stimulation of the momentum of business development and steady introduction of new strategies, hence enabling the Company to create greater value for the Shareholders as a whole.

Type of issue

The Issuance has adopted private placement and the issued shares are Domestic Shares.

Numbers and total nominal value

The Issuance shall not exceed 556,009,000 new Domestic Shares. The number of new Domestic Shares to be issued is calculated by dividing the amount of the total subscription price in Hong Kong dollars equivalent to approximately RMB1.70 billion (equivalent to approximately HK\$1.91 billion based on the agreed exchange rate) by the Final Subscription Price and rounded down to the nearest thousand. The par value of each share is RMB1.

Issue price

The Initial Subscription Price, being HK\$3.43 per new Domestic Share, was determined after arm's length negotiations between the Company and the Subscriber at the average closing price of the H Shares of the Company on the 20 trading days immediately preceding the date of the Domestic Share Subscription Agreement plus a premium of 10%, rounded off to the nearest two decimal places. The Final Subscription Price is determined with reference to the Initial Subscription Price. In the event that the Closing Price is higher than the Initial Subscription Price, the Company is entitled to adjust the Final Subscription Price to the value of the Closing Price, subject to the maximum price of HK\$3.60 per new Domestic Share (being the initial Subscription Price plus a premium of 5%, rounded off to the nearest 2 decimal places). In the event that the Closing Price is equal to or lower than the Initial Subscription Price, the Final Subscription Price shall be the same as the Initial Subscription Price.

The net price of each share certificate

To be determined based on the actual issuance.

Description of subscriber

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.

Market price of the securities on the date of issue

To be determined based on the actual issuance.

Use of proceeds

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. Over the next three years, 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 RMB200 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 10 of the Listing Rules throughout the period.

CORPORATE GOVERNANCE CODE

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 14 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. Mr. Sun Zhi-yong has resigned from the position as an executive Director on 15 February 2022, on 26 August 2022, the Board of the Company appointed Mr. Zhang Ying-jian as an executive Director in accordance with the authorization of the annual general meeting, and during such period, the number of the Board members was below the quorum as required under the Articles of Association of the Company.

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 2022, 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 2022 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 2023 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 2022 annual general meeting of the Company.

OUTLOOK

In the report on the 20th CPC National Congress, it was proposed that achieving peak carbon emission and carbon neutrality will be an extensive and profound systemic economic and social change, and we should implement the actions for peak carbon emission in a planned and step-by-step manner. We should further promote the energy revolution, strengthen the clean and efficient use of coal, increase the exploration and development of oil and gas resources and increase storage and production, accelerate the planning and construction of new energy systems, coordinate hydropower development and ecological protection, actively develop nuclear power in a safe and orderly manner, and strengthen the construction of energy production, supply, storage and marketing systems to ensure energy security. In the Analysis and Forecast Report on the Situation of Electricity Supply and Demand in China for 2023 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 2023 as well as the installed capacity of non-fossil energy power generation is estimated to reach another record high. It is estimated that for the whole year of 2023, the national newly added installed capacity of power generation will reach around 250 million kilowatts and the newly added installed capacity of non-fossil energy power generation will reach 180 million kilowatts. It is estimated that by the end of 2023, the national total installed capacity of power generation will reach 2.81 billion kilowatts, of which the total installed capacity of non-fossil energy power generation will reach 1.48 billion kilowatts, representing an increase to around 52.5% of the total installed capacity. Hydropower is 420 million kilowatts, grid-connected wind power is 430 million kilowatts, grid-connected solar power is 490 million kilowatts, nuclear power is 58.46 million kilowatts, and biomass power generation is approximately 45 million kilowatts. Both the installed capacity of solar power and that of wind power will exceed the installed capacity of hydropower in 2023.

In 2023, the Company will adhere to the guidance by Xi Jinping's thought of socialism with Chinese characteristics in the new era, fully implement the spirit of the 20th CPC National Congress and the important instructions and comments from General Secretary Xi Jinping, adhere to the direction of high-end, intelligent and green development of the industry, strive to have a deep grasp of the opportunities of the development of the industry, anchor the development goal of building the Company into a world-class equipment manufacturing enterprise, adhere to its development orientation of being an equipment manufacturer, a system integrator and an operation and maintenance service provider, 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. The Company will, sticking closely to the development goal of "one growth, one stability and four enhancements", continue to increase market development efforts, improve efficiency and effectiveness, comprehensively improve risk prevention and control capabilities, and make every effort to achieve a high level of stable growth; coordinate to promote the green and low-carbon industrial transformation, strengthen technological research and development and capacity building in related

fields, and further accelerate the development of the new power system with new energy as the main body, the green and low-carbon driven system and the clean and efficient industrial system; resolutely take up the major responsibility for scientific and technological innovation, strengthen technological support for transformation and upgrading, continuously improve our scientific and technological innovation capabilities, continuously increase R&D investment and technological incentives, and comprehensively enhance the core competitiveness of the enterprise; accelerate the digitalization of production, the intelligentization of equipment, the informationization of management, and make every effort to shape new advantages of digitalization empowerment; persistently deepen the reform, vigorously deepen the reform centering on the construction of itself into a world-class enterprise, continuously improve the value creation capacity and operational efficiency of the Company, fully promote the Company to accelerate the realization of its high-quality development, and strive to build itself into a world-class equipment manufacturing enterprise, to reward the shareholders with fabulous performance.

By Order of the Board
Harbin Electric Company Limited
Company Secretary
Ai Li-song

Harbin, the PRC
29 March 2023

As at the date of this announcement, the executive Directors of the Company are Mr. Cao Zhi-an, Mr. Wu Wei-zhang and Mr. Zhang Ying-jian; 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.