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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 2021**

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 2021, 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, 2021	January 1, 2021
Current assets:			
Cash and bank		13,601,882,949.85	12,248,710,271.39
△ Settlement reserve			
△ Due from banks and other financial institutions		1,160,000,000.00	676,000,000.00
Transactional financial assets		1,586,755.20	201,804,166.47
☆ Financial assets at fair value through profit and loss			
Derivative assets			
Notes receivable		2,673,559,748.96	3,449,736,818.53
Accounts receivable	II	7,247,643,005.32	6,150,804,226.22
Receivables for financing			
Prepayments		4,053,396,852.51	2,943,908,354.75
△ Premium receivable			
△ Reinsurance premium receivable			
△ Reinsurance reserve receivable			
Other receivables		1,320,694,485.73	1,121,689,573.11
Including: dividend receivable			
△ Buying back the sale of financial assets		1,600,000,000.00	1,500,000,000.00
Inventories		9,277,188,524.26	8,245,995,247.86
Including: raw materials		2,929,891,292.03	2,876,563,564.28
Merchandise inventories (finished goods)		392,202,142.70	339,640,064.19
Contract assets	III	9,376,793,737.57	11,230,143,320.48
Held-for-sale assets			
Current portion of non-current assets		532,462,521.58	
Other current assets		655,929,163.44	909,520,855.73
Total current assets		51,501,137,744.42	48,678,312,834.54

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

Items	Notes	December 31, 2021	January 1, 2021
Non-current assets:			
△ Loans and advances issued		31,200,000.00	24,593,595.00
Debt investments			
☆ Available-for-sale financial assets			
Other debt investments			299,978,100.00
☆ Held-to-maturity investments			
Long-term receivables		251,453,934.46	294,242,908.47
Long-term equity investments		380,662,063.58	394,669,474.11
Other equity instruments investments		253,742,400.98	571,317,537.94
Other non-current financial assets			167,567,126.04
Investment property		192,097,586.49	202,575,484.38
Fixed assets		5,412,526,694.03	5,645,998,218.56
Including : original price of fixed assets		14,931,804,461.28	14,643,182,941.70
Accumulated depreciation		9,469,795,888.44	8,950,135,400.59
provisions for impairment of fixed			
assets		49,481,878.81	47,049,322.55
Construction in progress		750,210,600.69	114,308,312.64
productive biological assets			
Oil and gas assets			
The right-of-use assets			
Intangible assets		961,518,817.12	968,448,496.00
Development disbursements		106,224,822.46	53,460,949.36
Goodwill		23,919,751.92	
Long-term deferred expenses		7,488,107.98	7,733,999.22
Deferred tax assets		738,010,696.54	538,049,449.57
Other non-current assets			
Including:authorised reserve material			
Total non-current assets		<u>9,109,055,476.25</u>	<u>9,282,943,651.29</u>
Total assets		<u>60,610,193,220.67</u>	<u>57,961,256,485.83</u>

CONSOLIDATION BALANCE SHEET (CONTINUED)

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

Items	Notes	December 31, 2021	January 1, 2021
Current liabilities:			
Short-term borrowings		5,223,060,625.25	5,140,606,340.72
△ Borrowings from central bank		68,654,568.37	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		7,257,666,848.12	6,275,459,425.43
Accounts payable	IV	13,875,963,319.42	12,979,384,960.79
Advances from customers			
Contract liabilities	III	15,045,611,306.96	12,017,553,327.95
△ Securities sold under agreement to repurchase			
△ Deposits and placements from other financial institutions		365,927,085.43	467,991,744.67
△ Securities brokering			
△ Securities underwriting			
Employee benefits payable		527,038,717.74	538,332,153.08
Including: salary payable		181,109,149.95	243,839,270.44
Welfare benefits payable		18,192.00	16,968.18
# Employee bonus and welfare fund			
Taxes and surcharges payable		354,342,491.05	450,081,285.12
Including: taxes payable excluding surcharges		347,839,831.60	434,074,977.60
Other payables		544,545,445.84	429,757,945.73
Including: dividend payable		3,482,486.16	3,482,873.50
△ Fees and commissions payable			
△ Reinsurance amounts payable			
Held-for-sale liabilities			
Current portion of non-current liabilities		1,188,794,302.00	
Other current liabilities		463,280.00	428,655.00
Total current liabilities		44,452,067,990.18	38,406,220,873.49

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

Items	<i>Notes</i>	December 31, 2021	January 1, 2021
Non-current liabilities:			
△ Reserve of insurance contract			
Long-term borrowings		1,033,066,644.43	1,884,779,453.00
Bonds payable			
including: preferred stocks			
perpetual debts			
Lease liabilities			
Long-term payable		20,419,794.29	42,881,194.29
Long-term employee benefits payable		386,096,909.56	152,433,979.11
Provisions		2,259,633,261.28	1,009,074,468.47
Deferred income		264,222,683.35	265,816,002.56
Deferred tax liabilities			
Other non-current liabilities			
Including: authorized reserve fund			
		<hr/>	<hr/>
Total non-current liabilities		3,963,439,292.91	3,354,985,097.43
		<hr/>	<hr/>
Total liabilities		48,415,507,283.09	41,761,205,970.92
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CONSOLIDATION BALANCE SHEET (CONTINUED)*(Apart from special notes: the unit of amount is RMB)*

Items	Notes	December 31, 2021	January 1, 2021
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	4,341,412,461.31
Less: treasury shares			
Other comprehensive income		-8,899,799.96	-20,928,123.89
Including: Currency translation reserve		-9,378,391.12	-5,330,264.04
Specialized reserve		43,527,398.71	41,743,525.66
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	4,679,669,917.68	8,799,327,500.41
Equity attributable to parent company		11,568,694,158.02	15,677,215,012.96
* Minority interests		625,991,779.56	522,835,501.95
Total owner's equity		12,194,685,937.58	16,200,050,514.91
Total liabilities and owner's equity		60,610,193,220.67	57,961,256,485.83

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		21,569,761,574.55	23,999,703,493.48
Including: operating revenue	VI	21,225,312,673.12	23,760,399,708.62
△ Interest income		344,448,901.43	239,303,784.86
△ Premium earned			
△ Fees and commissions income			
2. Total cost		25,265,460,929.82	24,377,795,080.59
Including: operating cost	VI	22,203,289,221.55	21,056,908,588.88
△ Interest expenses		8,707,374.94	9,600,470.13
△ Fees and commissions expenses		88,948.32	44,316.99
△ Cash surrender amount			
△ Net expenses of claim settlement			
△ Net provisions for insurance reserves			
△ Policy dividend expenses			
△ Reinsurance expenses			
Taxes and surcharges		162,821,235.78	167,046,550.28
Selling expenses		637,642,567.16	675,859,315.66
Administrative expenses		1,568,420,576.11	1,304,707,938.61
Research and development expenses		670,530,779.51	976,707,037.96
Financial expenses		13,960,226.45	186,920,862.08
Including: interest expenses		217,051,183.83	233,562,605.22
Interest income		36,998,158.16	47,077,675.59
Net exchange loss (“-” for net proceeds)		-182,901,643.18	-21,696,224.40
Other costs and expenses			
Add: Other income		199,239,987.33	477,041,547.59
Investment income (“-” for loss)		44,892,619.81	76,633,822.67
Including: investment income from associates and joint ventures		14,009,966.57	5,826,738.34
Income from derecognition of financial assets at amortised cost			
△ Gain on foreign exchange (“-” for loss)		542.24	5,694.79

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)		-478,423,715.20	-71,445,008.59
Impairment on assets ("-" for loss)		-422,701,680.68	-70,549,613.94
Proceeds from asset disposal ("-" for loss)		62,017,794.98	5,790,846.33
3. Operating profits("-" for loss)		-4,290,673,806.79	39,603,113.01
Add: non-operating income		66,649,191.71	77,195,702.90
Including: Government grants		15,591,086.05	5,596,779.91
Less: non-operating expenses		-23,757,772.06	39,840,938.92
4. Profit before tax("-" for loss)		-4,200,266,843.02	76,957,876.99
Less: income tax	VII	-99,400,458.43	60,902,792.05
5. Net profit ("-" for net loss)		-4,100,866,384.59	16,055,084.94
(1) By ownership			
Net profit attributable to parent company		-4,142,448,248.42	-7,280,537.53
* Profit/loss attributable to minority shareholders		41,581,863.83	23,335,622.47
(2) By going concern basis			
Continuous operating profit and loss		-4,100,866,384.59	16,055,084.94
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		-165,785,487.23	9,935,232.98
Other comprehensive income after tax attributable to parent company		-165,834,269.48	9,978,790.73
(1) Comprehensive income not to be reclassified as profit or loss		-19,847,328.02	-83,969,464.70
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		-19,847,328.02	-83,969,464.70
4. Fair value changes in enterprise's own credit risk			
5. Others			
(2) Other comprehensive income to be reclassified as profit or loss		-145,986,941.46	93,948,255.43
1. Share of other comprehensive income of an associate			
2. Net gain on debt instruments at fair value through other comprehensive income		493,242.75	-440,417.25
☆ 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		-142,432,057.13	103,748,011.74
8. Currency translation reserve		-4,048,127.08	-9,359,339.06
9. Other profit or loss to be reclassified			
* Other comprehensive income after tax attributable to minority share-holders		48,782.25	-43,557.75
7. Total comprehensive income		-4,266,651,871.82	25,990,317.92
Total comprehensive income attributable to parent company		-4,308,282,517.90	2,698,253.20
* Total consolidated income attributable to minority share-holders		41,630,646.08	23,292,064.72
8. Earnings per share:			
Basic earnings per share	VIII	-2.427	-0.004
Diluted earnings per share	VIII	-2.427	-0.004

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		24,511,352,247.87	22,079,206,795.17
△ Net increase in deposits and placements from financial institutions		-102,064,659.24	-104,306,590.35
△ Net increase in due to central banks		-37,970,466.63	106,625,035.00
△ 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		344,444,380.14	241,572,735.87
△ 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		327,111,594.81	213,870,752.12
Other cash receipts related to operating activities		996,338,479.57	1,308,632,762.76
Total cash inflows from operating activities		26,039,211,576.52	23,845,601,490.57
Cash paid for goods and services		20,022,137,548.77	16,332,187,339.84
△ Net increase in loans and advances		-560,175,970.78	177,577,502.03
△ Net increase in deposits with central banks and other financial institutions		-12,523,282.53	159,607,066.52
△ Cash paid for claim settlements on original insurance contracts			
△ Net increase of due from banks and other financial institutions		540,000,000.00	-290,000,000.00
△ Cash paid for interest, fees and commissions		16,777,296.65	5,745,278.26
△ Cash paid for policy dividends			
Cash paid to and for employees		2,498,130,635.79	2,537,276,312.93
Taxes and surcharges cash payments		1,117,167,897.70	1,032,013,697.61
Other cash payments related to operating activities		1,384,154,694.14	1,910,308,680.84
Total cash outflows from operating activities		25,005,668,819.74	21,864,715,878.03
Net cash flows from operating activities		1,033,542,756.78	1,980,885,612.54

CONSOLIDATION CASH FLOW STATEMENT (CONTINUED)

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

Items	Notes	Current Period	Prior Period
2. Cash flows from investing activities:			
Cash received from withdraw of investments		5,173,675,793.24	2,562,060,650.00
Cash received from investment income		94,420,255.60	164,115,919.26
Net cash received from disposal of fixed assets,intangible assets and other long-term assets		83,274,308.68	8,277,529.97
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts related to investing activities		29,232,738.30	13,355,599.94
Total cash inflows from investing activities		<u>5,380,603,095.82</u>	<u>2,747,809,699.17</u>
Cash paid for fixed assets,intangible assets and other long-term assets		375,945,410.74	350,527,377.92
Cash payments for investments		4,029,900,000.00	3,063,489,400.00
△ Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other business units		-379.62	277,614,400.71
Other cash payments related to investing activities			236,005,238.59
Total cash outflows from investing activities		<u>4,405,845,031.12</u>	<u>3,927,636,417.22</u>
Net cash flows from investing activities		<u>974,758,064.70</u>	<u>-1,179,826,718.05</u>

CONSOLIDATION CASH FLOW STATEMENT (CONTINUED)

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

Items	Notes	Current Period	Prior Period
3. Cash flows from financing activities:			
Cash received from investments by others		36,367,940.00	866,975,100.00
Including: cash received by subsidiaries from minority shareholders' investments			
Cash received from borrowings		4,759,620,782.31	5,556,390,196.59
Other cash receipts related to other financing activities		10,000,000.00	39,030.91
Total cash inflows from financing activities		4,805,988,722.31	6,423,404,327.50
Cash repayments for debts		5,124,260,047.40	4,754,571,695.71
Cash payments for distribution of dividends, profit and interest expenses		325,040,273.21	297,703,653.21
Including: dividends or profit paid by subsidiaries to minority shareholders			
Other cash payments related to financing activities		14,463,191.01	3,748,855.22
Total cash outflows from financing activities		5,463,763,511.62	5,056,024,204.14
Net cash flows from financing activities		-657,774,789.31	1,367,380,123.36
4. Effect of foreign exchange rate changes on cash and cash equivalents		-27,602,084.47	-67,615,503.84
5. Net increase in cash and cash equivalents		1,322,923,947.70	2,100,823,514.01
Add: beginning balance of cash and cash equivalents		11,298,046,225.31	9,197,222,711.30
6. Ending balance of cash and cash equivalents		12,620,970,173.01	11,298,046,225.31

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							Other						
	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				4,341,412,461.31		-20,928,123.89	41,743,525.66	809,136,649.47	15,677,215,012.96	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		-20,928,123.89	41,743,525.66	809,136,649.47	15,677,215,012.96	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 "4" For decrease														
(1) Total comprehensive income					-2,675,469.19		12,028,323.93	1,783,873.05		-4,119,657,582.73	-4,119,657,582.73	-4,108,520,854.94	103,156,277.61	-4,005,364,577.33
(2) Owner's contributions and withdrawals of capital					-2,675,469.19		-165,834,269.48			-4,142,448,248.42	-4,142,448,248.42	-4,308,323,517.90	41,630,646.08	-4,266,651,871.82
1. Common stock contributed by owners										219,425,012.11	219,425,012.11	216,749,542.92	69,312,990.07	286,062,532.99
2. Capital contributed by other equity instruments holders													67,638,413.95	67,638,413.95
3. Share-based payment recorded in owner's equity														
4. Others														
(3) Accrual and utilization of specialized reserve					-2,675,469.19					219,425,012.11	219,425,012.11	216,749,542.92	1,674,576.12	218,424,119.04
1. Accrual of specialized reserve								1,783,873.05				1,783,873.05	82,319.30	1,866,192.35
2. Utilization of specialized reserve								27,893,296.53				27,893,296.53	1,111,823.84	29,005,120.37
(4) Profit distribution								-26,109,423.48				-26,109,423.48	-1,029,504.54	-27,138,928.02
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								177,862,593.41						
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				4,338,736,992.12		-8,899,799.96	43,527,398.71	809,136,649.47	11,568,694,158.02	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:

CONSOLIDATION STATEMENTS OF CHANGES IN EQUITY

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

Items	Prior period										Total owner's equity			
	Equity attributable to parent company					Other								
	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				4,249,144,205.66		-30,906,914.62	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		-30,906,914.62	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 "4" For decrease														
(1) Total comprehensive income					92,268,255.65		9,978,790.73	201,770.17			-4,872,437.53	97,576,379.02	246,309,951.22	343,886,330.24
(2) Owner's contributions and withdrawals of capital					92,268,255.65		9,978,790.73				-7,280,537.53	2,698,253.20	23,292,064.72	25,990,317.92
1. Common stock contributed by owners					92,268,255.65							92,268,255.65	215,453,770.40	307,722,026.05
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					15,268,395.65			201,770.17				15,268,395.65	121,342,830.40	136,611,226.05
1. Accrual of specialized reserve								201,770.17				201,770.17	71,208.83	272,979.00
2. Utilization of specialized reserve								29,623,559.25				29,623,559.25	960,476.37	30,584,035.62
(4) Profit distribution					76,999,860.00			-29,421,789.08				76,999,860.00	-889,267.54	-30,311,056.62
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 owners/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		-20,928,123.89	41,745,525.66	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:

2021 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	11,791,212,565.05	10,429,736,197.91
Less: bad-debt provision	<u>4,543,569,559.73</u>	<u>4,278,931,971.69</u>
Net accounts receivable	<u><u>7,247,643,005.32</u></u>	<u><u>6,150,804,226.22</u></u>

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

Items	Closing balance Amount	Opening balance Amount
Within one year	4,640,228,704.28	3,911,991,961.36
One to two years	1,610,962,970.55	1,227,320,012.10
Two to three years	596,602,000.90	632,624,065.73
Over three years	<u>399,849,329.59</u>	<u>378,868,187.03</u>
Net amount	<u><u>7,247,643,005.32</u></u>	<u><u>6,150,804,226.22</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	11,230,143,320.48
Increase in this period	4,115,140,754.07
Converted in to accounts receivable in this period	5,999,031,800.49
Closing balance	10,843,283,535.57
Contract asset impairment provision	1,466,489,798.00
Net closing balance	9,376,793,737.57
Including: listed as contract assets	9,376,793,737.57
listed as other non-current assets	

	Contract liabilities
Opening balance	12,017,553,327.95
Increase in this period	7,572,943,509.17
Interest adjustment	
The income confirmed in the current period includes the income in the balance at the beginning of the year.	4,544,885,530.16
Closing balance	15,045,611,306.96
Including: listed as contract liabilities	15,045,611,306.96
listed as other non-current liabilities	

IV. ACCOUNTS PAYABLE

Items	Closing balance	Opening balance
Within one year	11,119,876,552.54	9,459,879,114.35
One to two years	1,045,491,677.88	2,318,199,262.55
Two to three years	867,841,747.48	524,058,113.93
Over three years	842,753,341.52	677,248,469.96
Total	<u>13,875,963,319.42</u>	<u>12,979,384,960.79</u>

V. UNDISTRIBUTED PROFIT

Items	Current period
Balance before adjustment at the end of preceding period	8,799,327,500.41
Adjust the total undistributed profit at the beginning of the year(increase + , decrease -)	
Opening balance after adjustment	8,799,327,500.41
Add: Net profit attributable to owners of the parent company	-4,142,448,248.42
Other increase	41,562,418.70
Less: Appropriation of statutory surplus reserve	
Appropriation of discretionary surplus reserve	
Appropriation of general risk reserve	
Dividends payable on ordinary shares	18,771,753.01
Dividends on ordinary share converted to share capital	
Others	
Closing balance	<u><u>4,679,669,917.68</u></u>

VI. OPERATING INCOME AND OPERATING COST

Items	Amount of this period		Amount of the previous period	
	Income	Cost	Income	Cost
Main business	21,003,111,081.37	22,062,496,837.01	23,542,747,407.90	20,914,073,705.44
Other business	<u>222,201,591.75</u>	<u>140,792,384.54</u>	<u>217,652,300.72</u>	<u>142,834,883.44</u>
Total	<u><u>21,225,312,673.12</u></u>	<u><u>22,203,289,221.55</u></u>	<u><u>23,760,399,708.62</u></u>	<u><u>21,056,908,588.88</u></u>

VII. INCOME TAX EXPENSE

Items	Current period	Previous period
Current income tax calculated based on tax law and related regulations	75,606,451.78	101,470,821.11
Adjustment to deferred income tax	-175,006,910.21	-40,568,029.06
Others		
Total	-99,400,458.43	60,902,792.05

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	-4,142,448,248.42	-7,280,537.53
Consolidated net profit attributable to ordinary shareholders of the parent company (After deducting non-recurring gains and losses)	-4,631,482,955.87	-351,455,196.52
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>)	-2.427	-0.004
basic EPS (<i>Yuan per share</i>) (After deducting non-recurring gains and losses)	-2.714	-0.206

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	-4,142,448,248.42	-7,280,537.53
Adjusted net profit attributable to ordinary shareholders of the parent company (after deducting non-recurring gains and losses)	-4,631,482,955.87	-351,455,196.52
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 <i>Per share</i>	-2.427	-0.004
Diluted Earnings <i>Per share</i> (After deducting non-recurring gains and losses)	-2.714	-0.206

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 2021							
Total amount of reportable segment assets	37,340,257,437.26	7,474,624,147.77	6,636,918,288.58	2,384,294,155.33	4,912,594,713.21	13,400,741,951.48	72,149,430,693.63
Including: increase the amount of construction in progress in the current period	131,873,669.09	7,916,449.19		15,503,065.53	36,806,339.78	671,951,628.16	864,051,151.75
Purchase of fixed assets and intangible assets	196,122,186.28	57,854,959.52	5,384,179.53	24,886,159.68	2,432,186.19	68,402,023.55	355,081,694.75
Total amount of reportable segment liabilities	<u>34,664,334,019.49</u>	<u>4,617,054,964.48</u>	<u>8,349,149,924.87</u>	<u>1,908,665,746.92</u>	<u>3,366,086,527.27</u>	<u>10,409,570,968.41</u>	<u>63,314,862,151.44</u>
Jan to Dec 2021							
Segment income							
Income from external customers	7,561,961,568.28	2,727,478,768.28	4,495,838,372.45	851,801,954.47	1,100,634,751.14	4,487,597,258.50	21,225,312,673.12
Income between segment	5,407,895,755.34					22,250,055.24	5,430,145,810.58
Reportable segment income	12,969,857,323.62	2,727,478,768.28	4,495,838,372.45	851,801,954.47	1,100,634,751.14	4,509,847,313.74	26,655,458,483.70
Reportable segment gross margin	<u>308,271,661.32</u>	<u>176,321,807.26</u>	<u>-1,839,447,461.10</u>	<u>31,148,066.60</u>	<u>209,399,819.55</u>	<u>265,778,156.64</u>	<u>-848,527,949.73</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 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>

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

Items	Closing balance	Opening balance
Assets		
Reportable segment assets	72,149,430,693.63	67,642,506,331.14
Offset segment related transaction	-27,046,118,311.31	-24,085,995,845.81
Reportable segment net assets	45,103,312,382.32	43,556,510,485.33
Deferred tax assets	738,010,696.54	538,049,449.57
Other non-current assets		
Financial asset and its change record in current profit and loss based on fair value	1,586,755.20	201,804,166.47
Restricted and pledged bank borrowing		
Bank deposit	10,152,550,330.53	9,119,340,973.69
Central bank deposit	637,921,395.25	701,491,386.38
Cash and cash equivalent	58,408,809.78	7,358,706.92
Undistributed headquarters and company assets	3,918,402,851.05	3,836,701,317.47
Total assets	<u>60,610,193,220.67</u>	<u>57,961,256,485.83</u>

Items	Closing balance	Opening balance
Liabilities		
Reportable segment liabilities	63,314,862,151.44	54,659,224,880.48
Offset segment related transaction	-15,691,761,499.36	-13,926,199,847.85
Reportable segment net liabilities	47,623,100,652.08	40,733,025,032.63
Tax payable	354,342,491.05	450,081,285.12
Deferred tax liabilities		
Undistributed liabilities	438,064,139.96	578,099,653.17
	<hr/>	<hr/>
Total liabilities	48,415,507,283.09	41,761,205,970.92
	<hr/> <hr/>	<hr/> <hr/>

Items	Current period	Previous period
Income		
Income from external customers	21,225,312,673.12	23,760,399,708.62
Income between segment	5,430,145,810.58	5,569,331,834.35
Reportable segment income	26,655,458,483.70	29,329,731,542.97
Reportable segment gross margin	-848,527,949.73	2,723,683,948.22
Offset segment loss	129,448,598.70	20,192,828.48
Report segment gross margin from external customers of the group	-977,976,548.43	2,703,491,119.74
Long-term equity investment gain based on equity method	14,009,966.57	5,826,738.34
Interest income	381,447,059.59	286,381,460.45
Chinese government grants	214,831,073.38	482,638,327.50
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	225,758,558.77	243,163,075.35
Impairment loss for the present period of long-term assets such as fixed assets and intangible assets		
Undistributed other income and net income	143,959,096.12	148,202,548.44
Undistributed headquarters and corporate expenses	3,750,778,931.48	3,306,636,653.40
	<hr/>	<hr/>
Total income	-4,200,266,843.02	76,957,876.99
	<hr/> <hr/>	<hr/> <hr/>

(3) Region information

Items	Income from external customers	
	2021	2020
1. Domestic (China)	17,493,341,565.23	17,604,151,922.66
2. overseas		
– Islamic Republic of Pakistan	2,115,008,987.34	2,591,760,519.00
– The United Arab Emirates	777,868,431.72	2,395,497,262.37
– The Republic of Ecuador	113,928,657.84	296,682,438.31
– The Republic of Iraq	449,639,039.95	682,407,954.44
– other countries	275,525,991.04	189,899,611.84
Overseas subtotal	3,731,971,107.89	6,156,247,785.96
Total	21,225,312,673.12	23,760,399,708.62

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.	32,529,109.82			-8,597,897.82					72,431,212.00		
Russia-China Power Equipment Co., Ltd.		2,061,283.42		-1,610,187.73					451,095.69		
Subtotal	34,590,393.24	48,500,000.00		-10,208,085.55					72,882,307.69		
3. Associates											
General Electric – Harbin Power Services (Qinhuangdao) Company	140,545,273.52			22,366,560.42					162,911,833.94		
Harbin HE Liling Hydropower Equipment New Technology Development Co., Ltd.	7,351,181.39			355,825.35					7,707,006.74		
Harbin Huitong Power Engineering Company Limited	4,801,075.38	3,350,000.00		3,444,436.69			1,134,210.48		10,461,301.59		
Hunan Wuling Harbin Electric Energy Efficiency Technology Co., Ltd.		900,000.00		450,355.16					1,350,355.16		
Harbin Ruifeng New Energy Co., Ltd.	29,912,893.70			3,901,914.25			1,000,884.33		32,813,923.62		
Shenyang Dewat Steam Turbine Power Co., Ltd.	57,702,000.00			-6,572,914.32					51,129,085.68		
Liaocheng Xiangguang Power Generation Co., Ltd.	110,000,000.00	6,179,000.00							116,179,000.00	84,811,282.29	
Harbin Electric (Dalian) Electric Power Design Co., Ltd.	9,766,656.88			271,874.57					10,038,531.45		
Subtotal	360,079,080.87	10,429,000.00		24,218,052.12			2,135,094.81		392,591,038.18	84,811,282.29	
Total	397,669,474.11	58,929,000.00		14,009,966.57			2,135,094.81		468,473,345.87	87,811,282.29	

XI. NET CURRENT ASSETS

Items	Closing balance	Opening balance
Current assets	51,501,137,744.42	48,678,312,834.54
Less: current liabilities	<u>44,452,067,990.18</u>	<u>38,406,220,873.49</u>
Net current assets	<u>7,049,069,754.24</u>	<u>10,272,091,961.05</u>

XII. TOTAL ASSETS MINUS CURRENT LIABILITIES

Items	Closing balance	Opening balance
Total assets	60,610,193,220.67	57,961,256,485.83
Less: current liabilities	<u>44,452,067,990.18</u>	<u>38,406,220,873.49</u>
Total assets minus current liabilities	<u>16,158,125,230.49</u>	<u>19,555,035,612.34</u>

XIII. DIVIDEND

The 15th Meeting of the 9th Session of the Board of Directors reviewed and approved the 2021 annual profit distribution plan, recommending not to pay dividends.

MANAGEMENT DISCUSSION AND ANALYSIS

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

MACRO-ECONOMY AND INDUSTRY DEVELOPMENT

In 2021, by calmly coping with the changes of the century and the COVID-19 outbreak, China has made new strides in building a new development pattern, achieved new results in high-quality development, and made a good start to the “14th Five-Year Plan”, maintaining its global leadership in economic development and pandemic prevention and control, accelerating the growth of national strategic science and technological forces, and improving the resilience of the industrial chain. At present, under the impact of COVID-19, the evolution of the changes of the century has accelerated, and the external environment has become more complex, severe and uncertain. China has strong resilience of economy, and the favorable long-term fundamentals has not changed. China has made efforts to reach a peak in carbon emissions in 2030 and “carbon-neutralization” in 2060. Accelerating the clean and low-carbon transformation of energy is the only way to achieve the “dual-carbon” goal, opening up a new and broad space for the development of energy equipment manufacturing industry and providing a rare historical opportunity, but also putting forward urgent requirements for the technological upgrade and leapfrog development of energy equipment manufacturing enterprises.

From the perspective of the overall situation of the power industry, according to the relevant statistics of the China Electricity Council, the investment scale of domestic power engineering has shown steady fluctuation in recent years; the power generation capacity has been rising year on year, while the structure of the power generation industry has been adjusted and the installed generating capacity of renewable energy has been increasing year on year; the power generation capacity has been fluctuating and the electricity consumption of the whole society has been increasing year by year, resulting in a more active demand in the power industry.

From the perspective of the installed capacity of power generation equipment, the transformation of clean and low-carbon energy continued to accelerate, with the national installed capacity of non-fossil energy power generation exceeding that of coal-fired power for the first time in 2021. As of the end of 2021, the total installed capacity of power generation in China was approximately 2.38 billion kilowatts, an increase of 7.9% over the end of the previous year, of which hydropower generation installed capacity was 390 million kilowatts (including 36 million kilowatts of pumped storage), thermal power 1.30 billion kilowatts, nuclear power 53.26 million kilowatts, wind energy 330 million kilowatts, photovoltaic power generation 310 million kilowatts, and biomass power generation 37.98 million kilowatts. The installed capacity of renewable energy exceeded 1 billion kilowatts, and the installed capacity reached 1.063 billion kilowatts, accounting for 44.8% of the total installed power generation capacity. In 2021, the newly installed power generation capacity in China was 180 million kilowatts, representing a decrease of 7.9% over the previous year, of which the newly installed capacity of renewable energy was 130 million kilowatts,

accounting for 76.1% of the newly installed power generation capacity in China. Among them, hydropower increased by 23.49 million kilowatts, wind power increased by 47.57 million kilowatts, photovoltaic power generation increased by 54.88 million kilowatts, and biomass power generation increased by 8.08 million kilowatts, accounting for 13.3%, 27%, 31.1% and 4.6% of the newly installed capacity in China, respectively.

PRODUCTION AND OPERATION

In 2021, in the face of unprecedented changes of the century, the Company has made effort on the production and operation as well as reform and development, and realised year-on-year growth in total industrial output, worth of duly signed contracts and power generation equipment output, as well as key breakthroughs in the construction of major projects and positive progress in the development of independent technologies, gaining remarkable results. However, due to factors such as significant decline in the coal power industry, rise in raw material prices and exchange rate fluctuations, the Company experienced a significant decline in efficiency level in 2021.

Impact of the COVID-19 pandemic

The COVID-19 pandemic has had great impacts on the execution and economic benefits of the Company's overseas projects. As a result of the pandemic, the on-site personnel of some overseas projects of the Company were unable to rotate normally as planned, resulting in increased travel expenses and expenses for pandemic prevention; to address the shortage of manpower, the Company employed a large number of foreign personnel, resulting in increase in labour costs and significant increase in project management costs; the pandemic has impacted the raw material market where the project is located, affecting ocean freight and leading to the increase in procurement costs; some projects were not implemented as planned, affecting the overall production cycle of the projects.

New contracts

In 2021, the orders of the Company recorded slight increase, thereby realizing RMB28.582 billion worth of duly signed contracts, representing a year-on-year increase of 5.51%, of which RMB9.458 billion (or 33.09%) for thermal power equipment, a year-on-year decrease of 2.47%; RMB3.176 billion (or 11.11%) for hydropower equipment, a year-on-year increase of 92.23%; RMB3.159 billion (or 11.05%) for nuclear power equipment, a year-on-year increase of 632.01%; RMB0.99 billion (or 3.46%) for steam equipment, a year-on-year decrease of 47.87%; RMB4.111 billion (or 14.38%) for power engineering, a year-on-year decrease of 21.35%; RMB4.055 billion (or 14.19%) for power station services, a year-on-year increase of 21.24%; and RMB3.633 billion (or 12.71%) for other products, a year-on-year decrease of 24.91%.

Hydropower industry: With the hydropower market improving in an all-round way in 2021, the Company seized the opportunity to vigorously expand the market, the market share of domestic hydropower main units has been the first for three consecutive years, and the formal contracted value of the Company's hydropower equipment was higher than the previous year.

Nuclear power industry: The Company gave full play to its competitive advantages of the main equipment of nuclear island, and obtained the steam generator contracts for the CX project of CNNC and the Lianjiang project of SPIC, and the formal contract value of the nuclear power equipment increased significantly.

Steam power industry: Affected by the effective period of newly-signed projects, the formal contract value of the Company's steam power equipment decreased.

International market: Following the gradual containment of the COVID-19 in key overseas markets, the results of international market development have improved. In 2021, the overseas formal contract value of the Company was RMB5.874 billion, representing a significant increase of 428.19% over the previous year.

Other products: In 2021, orders for small and medium-sized machinery, such as biomass power generation, waste-to-energy and blast furnace gas, decreased significantly. Although orders for key projects and general equipment increased to a certain extent, they could not compensate for the significant decline in orders for small and medium-sized machinery, while orders for other products declined overall.

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 2021 increase greatly, while other products remain relatively stable. During the year, output of the Company's power generation equipment amounted to 20,480MW, up by 14.5% over the same period last year, of which 9,550MW were produced by water turbine generator units, up by 39.1% over the same period last year and 10,930MW by steam turbine generators, down by 0.7% over the same period last year. Output of steam turbines for power stations was 7,670MW, down by 31.6% over the same period last year and that of boilers for power stations was 13,570MW, up by 3.4% over the same period last year.

Scientific research and innovation

In 2021, the Company invested RMB1.334 billion in science and technology in total, with the R&D investment intensity of 6.37%, and completed 344 scientific research projects and development of 254 new products.

The Company received 24 scientific and technological awards at or above the provincial level throughout the year. “Technology and Application of Prevention and Control for High Temperature Corrosion of Ultra-Supercritical Power Plant Boiler” won the first prize of China electric power scientific and technological progress award; “Development and Application of 1000MW Ultra-Supercritical Unit with High Load Rate” won the second prize of China electric power scientific and technological progress award; “Technology Innovation and Industrialization for Coupled Biomass Gasification Power Generation of Large Coal-fired Units” won the second prize of Chinese machinery industry science and technology award; “Development and Application of High-efficiency Ultra-Supercritical Boiler for Burning High-alkali Coal in Xinjiang” won the second prize of Chinese machinery industry science and technology award; Xi Jinping, General Secretary of the Central Committee of the Chinese Communist Party, President of the People’s Republic of China, and Chairman of the Central Military Commission, sent a letter of congratulations on taking the lead for the power generation of the Baihetan hydropower station unit, the world’s first 1 million-kilowatt hydropower unit designed and manufactured by the Company, and Li Keqiang, Member of the Standing Committee of the Political Bureau of the Communist Party of China (CPC) Central Committee and Premier of the State Council, provided comments and instructions. The Company completed 536 patent licenses, including 108 invention patents.

In 2021, the Company continued to make progress in traditional products such as hydropower, nuclear power, gas power, thermal power and general equipment, and achieved remarkable results in new energy storage, pollution and carbon reduction, and digital intelligence. Yangjiang Power Station No. 1 pumped storage unit was successfully connected to the grid for the first time, which is currently the largest single pumped storage unit in China , and also the pumped storage unit with the highest comprehensive technical difficulty and technical level; “Nuanhe No. 1” was put into operation in Haiyang, Shandong; Junliang City 650MW gas-steam combined cycle cogeneration unit, the first 9H combined cycle unit in China, passed the 168-hour trial operation; Qing’an County’s 80MW biomass cogeneration project, the world’s first biomass cogeneration unit with the largest single capacity, was connected to the grid; the world’s first 50-megawatt distributed compensator passed the 168-hour trial operation; the national pilot demonstration project of Jintan salt-cavern compressed air energy storage was successfully connected to the grid; the equipment commissioning of Shanghai Jinshan Rural Sewage Treatment Project and Jiamusi Huanan County Rural Sewage Treatment Project was completed; the Company won the bid of the Ministry of Industry and Information Technology for the project of “Digital Twin Whole Life Cycle Management System for Key Equipment in Power Generation Industry”.

Capital expenditure and significant investments held

In 2021, the Company injected a total of capital expenditures worth RMB1,015 million for major construction and technological transformation projects. The major projects include:

Investing in the Dehui 1 × 40MW Biomass Thermal Power Cogeneration Project, the project has been grid-connected by the end of 2021; investing in the Wangkui 1 × 40MW Biomass Thermal Power Cogeneration Project, the project is currently being implemented.

In 2022, the Company intends to commit an investment of RMB0.77 billion in key construction and technological transformation projects, mainly for technical measures and technological transformation projects of subsidiaries, high-tech industrialisation construction project of steam generator for HTSC and further investment for the Dehui 1 × 40MW Biomass Thermal Power Cogeneration Project and the Wangkui 1 × 40MW Biomass Thermal Power Cogeneration Project.

MAJOR ACQUISITIONS AND SALES OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 9 April 2021, Harbin Boiler Company Limited, a wholly-owned subsidiary of the Company, entered into the “Investment Agreement in Zesheng Environmental Company* (澤盛環保公司)” to increase the capital of Zesheng Environmental Company by RMB120 million in cash to hold approximately 50.42% equity interests in Zesheng Environmental Company, making in Zesheng Environmental Company a subsidiary of Harbin Boiler Company Limited.

For more details, please refer to the announcements published by the Company on the website of the Stock Exchange of Hong Kong Limited on 9 April 2021 and 28 April 2021.

MAJOR FINANCIAL INDEXES

Profit

In 2021, net profit attributable to the owner of the parent company realized by the Company registered RMB-4,142.45 million, representing a decrease of 4,135.17 million over the same period last year; earnings per share were RMB-2.427.

The decrease in the Company's profits was mainly attributable to: firstly, the decrease in gross profit from traditional industries due to the decrease in product prices and increase in costs, which led to an increase in the number of loss contracts to be executed; secondly, the impact of the overseas pandemic and the increase in construction costs, which led to a larger loss on overseas international projects; thirdly, the increase in current overheads due to the one-off accrual of extra expenses for retired staff by the Company.

Operating income

In 2021, the Company recorded an operating income of RMB21,225.31 million, representing a decrease of 10.67% over the same period last year, of which operating income from the main thermal power equipment (including thermal power and steam power products) was RMB7,561.96 million (or 35.63% of the total operating income), representing a year-on-year decrease of 13.18%. Operating income from main hydropower equipment was RMB2,727.48 million (or 12.85% of the total operating income), representing a year-on-year increase of 11.14%. Operating income from engineering services for power stations was RMB4,495.84 million (or 21.18% of the total operating income), representing a year-on-year decrease of 29.81%. Operating income from ancillary equipment and supplementary products for power stations was RMB851.80 million (or 4.01% of the total operating income), representing a year-on-year decrease of 8.55%. Operating income from AC/DC motors and other products and services was RMB4,487.60 million (or 21.14% of the total operating income), representing a year-on-year increase of 18.35%. Operating income from nuclear power products was RMB1,100.63 million (or 5.19% of the total operating income), representing a year-on-year decrease of 25.00%.

The decrease in the Company's operating revenue was mainly attributable to: firstly, a year-on-year decrease in operating revenue from the domestic traditional industry segment due to a decline in market demand and continued low prices; secondly, a significant decline in operating revenue from international engineering projects due to the impact of the pandemic and international policies on the coal and power industry, as some projects were not executed as expected or did not commence as scheduled.

In 2021, the Company recorded an income of export of RMB3,731.97 million (or 17.58% of the total operating income), decreasing by RMB2,424.28 million over the previous year. The export was dominated by Asia and South America, in which export to Asia amounting to RMB3,603.95 million while export to South America amounting to RMB118.49 million.

Cost

In 2021, the operating costs of the Company amounted to RMB22,203.29 million, representing an increase of 5.44% as compared with the corresponding period of last year.

The increase in the Company's operating costs was mainly due to: firstly, higher product costs due to significant fluctuations in raw material prices; secondly, higher projected liabilities due to projected losses on certain outstanding contracts; thirdly, higher construction costs for international projects due to the impact of factors such as overseas pandemic.

Gross profit and gross profit margin

In 2021, the Company realized a gross profit from operating business of RMB-977.98 million, representing a year-on-year decrease of 136.17%, and a gross profit margin was -4.61%, representing a year-on-year decrease of 15.99 percentage points. Out of the gross profit, RMB200.89 million was attributable to the gross profit from main thermal power equipments, decreasing by RMB1,083.92 million over the previous year, while the corresponding gross profit margin was 2.66%, representing a year-on-year decrease of 12.09 percentage points; RMB176.32 million was attributable to the gross profit from main hydropower equipment, decreasing by RMB235.74 million over the previous year, while the corresponding gross profit margin was 6.46%, representing a year-on-year decrease of 10.33 percentage points; RMB-1,839.45 million was attributable to the gross profit from engineering services for power stations, decreasing by RMB1,640.98 million over the previous year, while the corresponding gross profit margin was -40.91%, representing a year-on-year decrease of 37.82 percentage points; RMB31.15 million was attributable to the gross profit from ancillary equipment and supplementary products for power stations, decreasing by RMB70.50 million over the previous year, while the corresponding gross profit margin was 3.66%, representing a year-on-year decrease of 7.26 percentage points; RMB243.72 million was attributable to the gross profit from AC/DC motors and other products and services, decreasing by RMB484.79 million over the previous year, while the corresponding gross profit margin was 5.43%, representing a year-on-year decrease of 13.78 percentage points; RMB209.40 million was attributable to the gross profit from nuclear products, decreasing by RMB165.54 million over the previous year, while the corresponding gross profit margin was 19.03%, representing a year-on-year decrease of 6.52 percentage points. The decrease in the Company's gross profit and gross profit margin was mainly due to the decrease in operating income and increase in operating costs in 2021 as a result of a combination of factors such as contract prices, raw material prices and the pandemic.

Expenses for the Period

In 2021, the Company's selling expenses incurred amounted to RMB637.64 million, representing a decrease of RMB38.22 million or 5.65% as compared to the corresponding period of last year, primarily due to the strength of cost control enhanced by the Company to reduce unnecessary expenses; the administrative expenses incurred amounted to RMB1,568.42 million, representing a year-on-year increase of RMB263.71 million or 20.21%, primarily due to the one-off accrual of extra expenses by the Company; the research and development expenses incurred amounted to RMB670.53 million, representing a year-on-year decrease of RMB306.18 million or 31.35%, mainly due to the closure of major specialised research and development projects in 2020 and a larger base of research and development expenses; the finance expenses incurred amounted to RMB13.96 million, representing a year-on-year decrease of RMB172.96 million or 92.53%, mainly due to an increase in foreign exchange gains from forward exchange settlement in 2021.

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 2021, the Company's total borrowings amounted to RMB7,444.92 million (31 December 2020: RMB7,025.39 million), all of which amounts were borrowed from various financial institutions, such as commercial banks and state-funded entrusted loans, at LPR. Among those borrowings, the amount repayable within one year amounted to RMB6,411.85 million, representing an increase of RMB1,271.25 million as compared with the beginning of the year, primarily due to the increase of state-funded entrusted loan and supplementary working fund; the borrowings repayable after one year amounted to RMB1,033.07 million, representing a decrease of RMB851.71 million as compared to the beginning of the year. As at 31 December 2021, 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 2021, the monetary capital of the Company was RMB13,601.88 million, representing an increase of RMB1,353.17 million as compared with the beginning of the year. During the period, the net cash flow generated from operating activities of the Company was RMB1,033.54 million; the net cash flow from investing activities was RMB974.76 million; net cash flow from financing activities was RMB-657.77 million. The Company overcame unfavorable factors such as declining revenue, rising purchase prices and recurring pandemic situation, increased its repayment efforts

by means of annual capital budget, monthly rolling capital plan, financial instruments in the industry chain and various means, balanced the overall capital scale, and strictly adhered to the principle of keeping expenses in line with income to increase monetary capital.

Asset structure and movements

As at 31 December 2021, the total assets of the Company amounted to RMB60,610.19 million, representing an increase of RMB2,648.94 million or 4.57% as compared to the beginning of the year, out of which RMB51,501.44 million was current assets, accounting for 84.97% of total assets; and RMB9,109.05 million was non-current assets, accounting for 15.03% of total assets.

Liabilities

As at 31 December 2021, total liabilities of the Company amounted to RMB48,415.51 million, representing an increase of RMB6,654.30 million as compared to the beginning of the year, out of which RMB44,452.07 million was current liabilities, accounting for 91.81% of total liabilities; and RMB3,963.44 million was non-current liabilities, accounting for 8.19% of total liabilities. As at 31 December 2021, the gearing ratio of the Company was 79.88%. The scale of liabilities increased significantly due to factors such as increase in contract liabilities and the increase in estimated liabilities for loss-making contracts.

Owners' interests

As at 31 December 2021, the total equity attributable to the owners of the parent company amounted to RMB11,568.69 million, representing a decrease of RMB4,108.52 million as compared to the beginning of the year; the net asset value per share was RMB6.78, representing a decrease of RMB2.41 as compared with the beginning of the year. During the period, the return rate on net assets of the Company was -30.41%.

GEARING RATIO

As at 31 December 2021, the Company's gearing ratio (non-current liabilities over total shareholders' equity) was 0.34:1, compared with that of 0.21:1 at the beginning of the year.

CONTINGENT LIABILITIES AND PLEDGES

As at 31 December 2021, the Company pledged its assets of RMB94.65 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 2021, the amount of the Company's deposits in foreign currencies was equivalent to RMB405.21 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 2021, RMB185 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 (RMB100 million)	Amount of the proceeds used (RMB100 million)	Remaining amount of the proceeds (RMB100 million)	Intended use time
Investment in a joint venture project on gas turbine	1.8	0.91	0.89	Before 24 October 2026
Investment in a nuclear power technology upgrading project	4.86	3.9	0.96	Before 31 December 2023
Purchase of raw materials for the production and operation of the nuclear power business	3	3	0	
Purchase of raw materials for the production and operation of the gas turbine business	1.47	1.47	0	
Conducting financial leasing business	1.54	1.54	0	
Total	12.67	10.82	1.85	

DIVIDEND

The Board did not recommend the payment of the final dividend for the year ended 31 December 2021.

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 (First Transcription Period) was not exercised as the 2021 annual results of the Company did not meet the target level for the first 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 2021, 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 2021, 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 2021, 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 30 November 2021, the Company, Power Equipment Company and Jiamusi Electric, a subsidiary of Harbin Electric Corporation, entered into an entrusted management agreement, 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 30 November 2021 published on the website of the Hong Kong Stock Exchange.

CONTINGENT LIABILITIES – GUARANTEES

As of 31 December 2021, total internal guarantees in favour of the Company made by the Company and its subsidiaries amounted to RMB2,253.36 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 2021 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 2021, the Company had no significant investment in securities.

STAFF REMUNERATION, RETIREMENT AND BENEFITS SCHEME

In 2021, the total salaries of the Company amounted to RMB1,619.45 million. During the year, the Company made a one-off provision of RMB288.19 million for non-planning expenses of retirees.

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 2021.

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

As of 31 December 2021, 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 2021, 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.

OUTLOOK

At present, China's external environment will become increasingly complex, the competition pattern of different industries worldwide will be restructured at an accelerated pace, economic globalisation will encounter adverse currents, trade protectionism will be lifted up, and the economic development and competition of major countries will become more intense. As a strategic industry in the national economy, energy equipment manufacturing industry will play a more pivotal role in promoting economic growth, increasing fiscal revenue, improving people's livelihood, providing employment opportunities, and promoting energy transformation. With the accelerated implementation of China's "dual-carbon" goals, the energy structure is set to usher in rapid adjustment. The newly installed capacity of infrastructure is expected to reach a record high in 2022. According to the Analysis and Forecast Report on the Situation of Electricity Supply and Demand in China in 2021-2022, it is estimated that by the end of 2022, the national installed power generation capacity will reach 2.6 billion kilowatts, representing a year-on-year increase of approximately 9%, and the total installed capacity of non-fossil energy power generation will reach 1.3 billion kilowatts, which is expected to reach half of the total installed capacity for the first time. Hydropower is 410 million kilowatts, grid-connected wind power is 380 million kilowatts, grid-connected solar power is 400 million kilowatts, nuclear power is 55.57 million kilowatts, and biomass power generation is approximately 45 million kilowatts. The installed capacity of coal power is approximately 1.14 billion kilowatts.

2022 is the year when the 20th National Congress of the Communist Party of China will be held, an important year linking the past and the next in the "14th Five-Year Plan", and a crucial year for the transformation and development of the Company. The Company will adhere to the direction of high-end, intelligent and green development of the industry, further optimise its strategic layout around the "three systems", including the new power system with new energy as the subject, green and low-carbon drive system, and clean and efficient industrial system, accelerate the transformation of the Company from a pure manufacturing enterprise to an equipment manufacturer, a system integrator and an operation and maintenance service provider, implement the "three-step" strategic arrangement of stabilising the foundation, accelerate promoting the Company to come across difficulties and achieve healthy and sustainable development, insist on economic benefits as the center, and carry out comprehensive loss-reversal actions. The Company will strive to win the battle to turn losses and increase profits, make every effort to develop the market, comprehensively improve quality and efficiency, pay close attention to product quality management, and do a good job in the implementation of major projects, collect the strength of the whole company to win the battle of turning losses and increasing profits, adhere to the innovation-driven development strategy, carry out solid action of leading science and technology, continue to improve its technological innovation system, deepen the reform of the innovation system and mechanism, accelerate technological research and transformation of achievements, and spare no effort to create a source of original technology; continuously improve the ability and level of scientific and technological

self-reliance and self-improvement, adhere to the goal of building a globally competitive world-class equipment manufacturing enterprises, vigorously carry out catch-up actions, continue to deepen the benchmarking work, strengthen assessment and incentive constraints, enhance risk management and control, and continuously enhance management level; strive to promote the deepening of the enterprise reform, optimise the modern enterprise system with Chinese characteristics, comprehensively fulfil the three-year action objectives and tasks of the state-owned enterprise reform, establish a sound market-oriented operation and management mechanism, and highlight special tasks of reform. With stronger responsibilities, stricter requirements and more practical measures, the Company will do its utmost to achieve a stable recovery in production and operation with greater determination, stronger commitment and more practical measures.

By Order of the Board
Harbin Electric Company Limited
Ai Lisong
Company Secretary

Harbin, PRC
25 March 2022

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