

宏觀經濟與行業發展

2004年中國經濟繼續保持快速增長，國內生產總值比上年增長9.5%。伴隨國民經濟快速增長，電力需求更加旺盛，全年發電量比上年增長14.8%，儘管如此，國內仍有26個省級電網曾經拉閘限電，電力緊缺影響了經濟發展和居民生活。為滿足電力需求，電源建設步伐進一步加快，全年新批開工項目超過6000萬千瓦，推動了發電設備的旺盛需求。國家振興東北老工業基地相關政策的逐步落實，為公司創造了良好的政策環境。本集團迎來了前所未有的發展機遇。

訂貨情況

面對有利的外部環境和快速增長的市場定單，本集團調整營銷策略，以「為用戶服務」為宗旨，著眼於集團長遠發展，著力在大容量機組及新產品項目上下功夫，在鞏固常規產品市場佔有率的同時，擴大本集團在新產品開發方面的優勢，推動產品的升級換代，為集團的長遠發展奠定基礎。全年累計新接訂單達302億元，僅次於歷史最好水平的2003年。其中主機設備訂單259億元，佔定單總量的85.76%；工程服務項目訂單19億元，佔定單總量的6.30%。在新接訂單中600MW火電主機產品的市場佔有率約為45%，300MW火電主機產品的市場佔有率約為32%，大型水電機組的市場佔有率為66%。600MW火電及大型水電與上一年相比均有提高。特別是三峽右岸4X700MW大型水電機組、白蓮河300MW抽水蓄能水輪機、營口2X600MW兩缸兩排氣超超臨界、浙江鎮海等7台燃氣—蒸汽聯合循環項目以及巴基斯坦恰其瑪2台核電蒸發器等新產品合同的簽定，增加了本集團產品品種，進一步推動了集團主導產品的升級換代，鞏固了本集團主導產品的領先地位。

MACRO-ECONOMY SITUATION AND INDUSTRY DEVELOPMENT

In the year of 2004, China economy continued to grow rapidly. The gross domestic product grew by 9.5 per cent compared with last year. With the rapid development of economy, the demand for electric power obviously increased. The electric power consumption grew by 14.8 per cent compared with that of last year. In spite of this, 26 provincial electric power grids restricted power supply by turning off power brakes and the shortage of electricity have effected economy development and people's life. In order to meet power demand, the power supply construction was speeded up and the new approved start-up projects for the whole year have exceeded 60000MW. The step-by-step implementation of the national policy "To revitalize the Northeast old industry base" has created a sound policy environment. Now, the Group faces unprecedented opportunities.

NEW CONTRACTS

With positive external environment and rapidly increasing contracts, the Group adjusted marketing strategy, took "Serving our customer" as tenet, focused on long term development, and took effort on unit with big capacities and new products. Consolidating the market occupation rate of regular products, meanwhile, the Group enlarged its advantages in exploring new products and impelled product's upgrade, which laid foundation for the Group's long-term development. The new-receiving contracts have already amounted to Rmb30.2 billion, which just next to the history record in the year of 2003. Among which, the main equipments contracts have reached Rmb25.9 billion, representing 85.76 per cent of the whole contracts; engineering service contracts was up to Rmb1.9 billion, representing 6.3 per cent of the whole contracts. Among new contracts, the market share of 600MW thermal power main units' product is 45 per cent, for 300MW thermal power main units product is 32 per cent, for large hydro power units product is 66 per cent. 600MW thermal power main units and large hydro power units have increased to certain extent compared with that of last year. Especially, the contracts of 4X700MW Three Gorges Project right bank large-scale hydro power equipment, Bailianhe 300MW pump storage hydraulic turbine, Yingkou 2X600MW ultra super critical units with double casings and double exhausts, 7 gas-steam combined cycle units such as Zhenhai project in Zhejiang province and 2 units of Chashma nuclear steam generator in Pakistan have broadened the Group's product lines, impelled the Group's upgrading on leading products and consolidated the Group's leading position in its main products.



生產與服務

2004年生產的特點是新產品多、交貨周期緊，生產任務繁重，主要設備滿負荷運行。為了滿足客戶的需求，確保交貨周期，本集團採取了改進生產組織方式等多項措施，對生產瓶頸環節進行改造，增添關鍵設備，新建鍋爐生產廠房，同時通過加強質量控制，完善質量管理體系，增加對外擴散的數量，加強對外採購、擴散產品的管理，從而使產品產量大幅度提高。全年共完成發電設備14,555MW（以汽輪發電機組和水電機組計），比上年增長137.39%，其中電站鍋爐完成50台12,295MW，比上年增長133.52%；電站汽輪機完成63台13,677MW，比上年增長205.15%；汽輪發電機完成48台12,122MW，比上年增長137.50%；水輪發電機組完成25台2,433MW，比上年增長136.84%。

期內，本集團自主開發的山西大同600MW空冷汽輪機和本集團製造的我國首台國產化沁北600MW超臨界機組的投入運行以及本集團與GE公司合作生產的9FA重型燃氣輪機在本集團秦皇島分公司總裝試車成功，為本集團進一步拓展市場，提升核心競爭力起到重要作用。

電站工程服務方面，蘇丹吉利一期聯合循環電站項目，已完工並於2004年1月移交用戶，經過一年的質保期運行，整個電廠運轉良好；韓城2X600MW火電項目，1號機設備已全部運到現場；越南高岸2X50MW火電總承包項目，電廠設計和採購工作已全部完成；蘇丹麥洛威輪變電項目，已完成設計工作，招標工作大部分已完成，設備材料採購完成85%，線路施工已全面開始。

PRODUCTS AND SERVICES

The feature of the year of 2004 is diversified products, tight schedule, heavy task and full-load operation of main facilities. In order to ensure delivery schedule and meet customers' demand, the Group adopted various measures to improve production organization, conducted innovation on production bottlenecks, purchased key facilities and set up a new boiler workshop. Meanwhile, the Group also enhanced quality control, improved quality assurance system, increased outsourcing and strengthened the management of outsourced products. Thus, the product output increased by a big margin and created the record in the history of the Group. The total output for the year was up to 14,555MW (in terms of steam turbine generator units and hydro power turbine generator units), representing an increase of 137.39 per cent compared with that of last year. Among which, 50 units of utility boiler with total capacity of 12,295MW, an increase of 133.52 per cent over last year; 63 steam turbines for power plant with total capacity of 13,677MW, an increase of 205.15 per cent over 2003 and 48 turbine generators with total capacity of 12,122MW, an increase of 137.50 per cent over 2003; 25 units of hydro power turbo-generators with total capacity of 2,433MW, an increase of 136.84 per cent over last year.

The Shanxi Datong air-cooling steam turbine units with 600MW exploited by the Group itself has been put into operation after installation within this year and it operates well. This is one of the largest capacity air-cooling units, which is of significant meanings in further broadening air-cooling unit market. The domestic first super critical unit of Qinbei project with 600MW has been put into operation; The 9FA heavy-duty gas turbine manufactured by HPEC-GE consortium achieved success in assembly and test and completed assembly for 6 units and test for five units within the year, which symbolized that the Group has made progress in the field of heavy duty gas turbine manufacture.

In respect of engineering services, the delivery of whole power plant for stage one project of Sudan El Gaili combined-cycle power station project was completed in January, 2004 and operated well during the warranted year; For HenCheng thermal power units (2X600MW), the first unit was delivered to site; for the general contracting project of CaoNgan Thermal power plant in Vietnam (2X55MW), the power plant and sourcing work were completed and 95 per cent equipments has been delivered to site; for Sudan Marowei Transmission and Distribution Line project, the design work is done, most part of tender work has been completed, 85 per cent equipment material has been purchased and the line construction already began.

科研開發與技術合作

2004年，本集團投入技術開發費用2.04億元，完成了167項新產品開發和科研課題，主要對已有的600MW、300MW火電主機設備進行改進，並對600MW、1000MW超超臨界、300MW循環流化床鍋爐、300MW抽水蓄能機組、重型燃氣輪機等展開科研工作。對已經引進的技術進行消化吸收，基本掌握了9F級重型燃氣輪機的總裝和試車技術，其他重要產品如浙江玉環1000MW超超臨界鍋爐、常熟600MW超臨界鍋爐、開遠300MW循環流化床鍋爐、新型三缸四排汽600MW機組以及大型抽水蓄能機組的研製都取得重要進展。

在自主研發的同時本集團還加強了與跨國公司的合作，技術引進工作取得了重要進展。先後與國外公司簽署了600-1000MW超超臨界鍋爐技術許可協議、300-1000MW單筒式除氧器技術轉讓協議、選擇催化NO_x還原系統(SCR)技術轉讓協議、濕法煙氣脫硫技術的許可協議；引進了300MW抽水蓄能機組製造技術和200MW空冷汽輪發電機技術。這些項目的實施，將使本集團主導產品達到當代國際水平，對本集團的長遠發展具有重要意義。

本集團主導產品年內捷報頻傳，秦山2X650MW核電站獲得國家科技進步一等獎，該電站2X650MW常規島設備由本集團提供；本集團製造的天津大唐盤山4號機組刷新了國產600MW機組連續運行的最新記錄，該機組在全國17家發電企業的38台機組競賽中榮獲特等獎；十里泉電廠6號機組在全國80家發電企業217台機組的全國火電30萬千瓦大機組競賽中榮獲特等獎，為本集團爭得了榮譽。

R&D AND TECHNOLOGY COOPERATION

In the year of 2004, the Group invested 204 million in R&D and completed 167 items of new products' R&D. Among which, the 600MW and 300MW thermal power units were upgraded; the 600MW and 1000MW ultra super critical units, the 300MW Circulated Fluidized Bed Boiler, the 300MW pump storage project and heavy duty gas turbine have been researched and developed. By absorbing the digesting technology, the Group has mastered assembly and test skill for 9FA gas turbine. The R&D for the other projects such as Zhejiang Yuhuan 1000MW ultra super critical boiler, Changshu 600MW super critical boiler, Kaiyuan 300 MW circulated fluidized boiler, new type 600MW units with 3 casings and 4 exhausts and large-scale pumped storage unit have been successfully developed.

Meanwhile, the Group strengthened its cooperation with international companies and achieved a lot in technology transfer. Within the year, the Group successfully signed with foreign companies Technology License Agreement on 600-1000MW ultra super critical boiler; Technology Transfer Agreement on 300-1000MW deaerator, SCR and wet fuel gas desulphurization; introduced manufacture technology on 300MW pumped storage units and 200MW air cooling steam turbine generation units. The enforcement of these contracts promoted the Group's leading products to international level, consolidated and improved the Group's position in this industry and was of significant meanings for the Group's further development.

The group has achieved significant results for its leading products in the year of 2004. Qinshan Nuclear Power Station Project has won the first prize of National Science Progress Award, for which the Group supplied 2X650MW conventional island equipment; the No. 4 unit of Tianjin Datang Panshan project has set up a new record of continuing operation for 600MW units. In addition, this unit won special prize in the competition with 38 units provided by 17 power generation companies; the No. 6 unit from Shiliquan Power Plant won a special prize competed with 217 thermal power units with 300MW from 80 power generation companies all over the country, which gained reputation for the Group.

溢利

2004年，本集團實現淨溢利11,757萬元，比上年增長119.88%；每股盈利0.099元，比上年增加0.054元；期末資產淨值為311,306萬元，比上年期末增加10,804萬元；每股資產淨值為2.62元，比上年期末增加0.09元。

股息

董事會建議派發2004年度股息為每股人民幣0.0510元(2003年度為每股0.0080元)。

營業額

2004年，本集團實現主營業務收入1,021,567萬元，比上年增長98.58%。其中，火電主機設備的營業額為720,811萬元，比上年增長148.65%；水電主機設備的營業額為72,816萬元，比上年增長40.69%；電站工程服務的營業額為118,067萬元，比上年增長0.06%；電站輔機及配套產品的營業額為22,461萬元，比上年增長52.66%；交直流電機及其它產品與服務的營業額為87,412萬元，比上年增長118.12%。2004年營業額增長的主要原因是發電設備需求旺盛，前期訂單較多所致。

年內，本集團出口及以外幣結算收入佔主營業務收入的19.01%，主要出口亞洲及非洲地區。

成本

年內，本集團的主營業務成本為945,268萬元，比上年增加496,150萬元，增幅為110.47%。扣除主營業務收入增長所帶來的成本相應上升的因素外，原材料價格上漲是成本上升的重要原因。

CONSOLIDATED PROFIT AFTER TAX

In 2004, the Group recorded net consolidated profit of Rmb117.57 million, an increase of 119.88 per cent as compared to that of the last year. Profit per share recorded Rmb0.099, an increase of Rmb0.054 over last year. The net assets at the end of the term recorded Rmb3,113.06 million, an increase of Rmb108.04 million compared with that of the end of 2003. Net assets per share recorded Rmb2.62, and increase of Rmb0.09 compared with that to the end of 2003.

DIVIDEND

The Board of Directors recommended a final dividend of Rmb0.0510 per share for 2004, as compared to that of Rmb0.0080 in 2003.

TURNOVER

In 2004, the Group recorded turnover of Rmb10,215.67 million, an increase of 98.58 per cent compared to the last year. During the year under review, turnover of the thermal power main units was Rmb7,208.11 million, an increase of 148.65 per cent over last year. Turnover of hydropower main units was Rmb728.16 million, an increase 40.69 per cent over last year. Turnover of power plant engineering services project was Rmb1,180.67 million, an increase of 0.06 per cent compared to last year. Turnover of power plant accessories and parts was Rmb224.61 million, an increase of 52.66 per cent over last year. Turnover of AC/DC motors and other products and services was Rmb874.12 million, an increase 118.12 per cent over last year. The increase of turnover was caused by remarkable power demand and more previous contracts.

During the year, the export sales and the domestic sales denominated in foreign currencies of the Group accounted for 19.01 per cent of the turnover of main business activities, which was mainly in Asia and in Africa.

COST

During the year, the cost of main business activities of the Group was Rmb9,452.68 million, an increase of Rmb4,961.50 million and 110.47 per cent as compared to last year. Except for the corresponding increase in cost brought by the increase in turnover of main business activities, the price increase of raw materials was the main reason for the increase in cost.

毛利及毛利率

年內，本集團營業毛利為76,299萬元，毛利率為7.47%，比上年下降5.22個百分點。

其中，火電主機設備毛利為55,919萬元，毛利率為7.76%，比上年下降5.87個百分點；水電主機設備毛利為3,572萬元，毛利率為4.91%，比上年下降18.35個百分點；電站工程服務毛利為5,968萬元，毛利率為5.05%，比上年下降0.29個百分點；電站輔機及配套產品毛利為2,606萬元，毛利率為11.60%，比上年下降14.55個百分點；交直流電機及其它產品與服務的毛利為8,233萬元，毛利率為9.42%，比上年增加0.44個百分點。毛利率下降的主要原因是本期銷售的產品大部分為2003年上半年以前的訂單，價格較低，而期內原材料價格大幅上升、外委加工擴散產品比例增大等因素。

期間費用

2004年，本集團發生營業及管理費用支出為68,398萬元，較上年增加9,962萬元。其中人工成本增加約3,896萬元；多計提壞帳準備、存貨跌價準備2,350萬元；任務量增加，管理幅度及市場開發力度加大使業務經費增加約1601萬元；醫療保險增加約615萬元。

利息支出

2004年，本集團發生利息費用4,789萬元，比上年減少6,364萬元。主要是本集團償還了大部分短期貸款，使貸款減少。

GROSS PROFIT AND PROFIT MARGIN

In 2004, the gross profit of the Group was Rmb762.99 million and the profit margin is 7.47 per cent, a decrease 5.22 per cent over last year.

Among which the profit for thermal power main units were Rmb562.84 million. The profit margin for thermal power main units was 7.76 per cent, a decrease of 5.87 per cent compared to last year. The profit for hydropower main units was 35.72 million. The profit margin for hydropower power main units was 4.91 per cent, a decrease of 18.35 per cent compared to last year. The profits for power plant engineering services were Rmb59.68 million, the profit margin for engineering services was 5.05 per cent, a decrease of 0.29 per cent over last year. And the profit for power plant accessories and parts were Rmb26.06 million. The profit margin for power plant accessories and parts were 11.60 per cent, a decrease of 14.55 per cent over last year. The profit for the AC/DC motors and other product and service was Rmb82.33 million. The profit margin for the AC/DC motors and other product and service was 9.42 per cent, a increase of 0.44 per cent compared to last year. The main reason for profit margin decrease is that most contracts for the products sold by the Group in 2004 were signed before the first half year of 2003, at that time, the contracts were secured at low prices and the price of raw material continued to grow and subcontracts were increased.

EXPENSES DURING THE YEAR

The Group's expenses from operation and administration activities during the year of 2004 amounted to Rmb683.98 million, an increase of 99.62 million compared to last year. Among which, labor cost increased about Rmb38.96 million; preparation value for bad debt and price decrease of stock-in-trade was Rmb23.50 million; expenses for business activities increased about Rmb16.01 million due to the enhancement of administration and marketing. The medical insurance increased about Rmb6.15 million.

FINANCE COSTS

During the period under review, the Group's finance cost amounted to 47.89 million, a decrease of 63.64 million over last year. This was because the Group paid back most short-term loans, which decreased the number of loans.

資金來源及借款情況

本集團之營運及發展所需資金主要有三個來源：股東資金、客戶貨款和銀行借款。本集團之借款乃根據具體項目而安排，除特殊情況外，借款一般由旗下各子公司分別籌措，但屬於資本投資性借款須先由總公司批准。由於近兩年本集團訂單及預收貨款大幅度增加，本集團營運資金充裕，償還了絕大部分營運資金貸款。截至2004年12月31日，本集團銀行借款總額為227,366萬元(2003年12月31日為262,474萬元)，均為按國家規定利率從各商業銀行及國家政策性銀行取得的借款。其中，須於一年內償還之借款為78,420萬元，比年初增加22,242萬元，原因是三峽改造貸款及伊朗工程項目共6.6億元貸款將於一年內到期所致。須於一年後償還之借款為148,946萬元，比年初減少57,350萬元。

存款及現金流量

於2004年12月31日，本集團銀行存款及現金為559,569萬元，比年初增加148,334萬元。年內，本集團經營業務現金流入淨額為720,463萬元(2003年為457,201萬元)；融資業務之現金流出淨額為40,870萬元(2003年為142,488萬元)；投資業務之現金流出淨額為569,834萬元(2003年為26,369萬元)。本集團經營業務現金流入數額較大，主要是年內新訂單大量增加，預收貨款增加所致。

資產結構及變動情況

於2004年12月31日，本集團資產總值為3,101,520萬元，比年初增加1,350,146萬元。其中，流動資產為2,480,125萬元，佔資產總值的79.96%；非流動資產為621,395萬元，佔資產總值的20.04%。

FUNDING AND BORROWINGS

The Group's funding for operation and development mainly has three resources, they are shareholder capital, customer loans and bank borrowings. The borrowings of the Group will be arranged according to specific projects. Except for those special situations, the loans will be separately conducted by subsidiaries under the Group. However, the Group must approve the capital investment borrowings in advance. With the dramatic increase of contracts and prepayment, the Group has compensated for most loads for operating funds. As at 31st December, 2004, the total sums of the Company borrowings are Rmb2,273.66 million (that at 31st December, 2003 was Rmb2,624.74 million). The Group's borrowings are loans from various commercial banks and the State's policy banks with interest rates stipulated by the state. Among which the Group's borrowings due within one year were Rmb784.20 million, an increase of Rmb222.42 million compared to the beginning of the year. The reason is that Rmb660 million loans for The Three Gorges Reconstruction and Iran projects would be due within one year. The Group's borrowings due after one year were Rmb1,489.46 million, a decrease of Rmb573.50 million compared to the beginning of the year.

DEPOSITS AND CASH INFLOW

As at 31st December, 2004, the bank deposits and cash of the Group amounted to Rmb5,595.69 million, an increase of 1,483.34 million over the beginning of the year. During the year, the net cash used by operating activities amounted to Rmb7,204.63 million (the sum in 2003 was Rmb4,572.01 million). The net cash from financing activities amounted to Rmb408.70 million (the sum in 2003 was Rmb1,424.88 million) and the net cash used by investment activities was Rmb5,698.34 million (the sum in 2003 is Rmb263.69 million). The reason that the Group's inflow sum of cash for operating activities is big is because of the increasing of new contracts and prepayment.

CAPITAL STRUCTURE AND ITS CHANGES

As at 31st December, 2004, the total assets of the Group amounted to Rmb31,015.20 million, an increase of Rmb13,501.46 million compared to the beginning of the year. Among which, the total current assets were Rmb24,801.25 million, representing 79.96 per cent of the total assets. The total non-current assets were Rmb6,213.95 million, representing 20.04 per cent of the total assets.

負債

於2004年12月31日，本集團負債總值為2,736,159萬元，比年初增加1,336,906萬元，增長95.54%。其中，流動負債總值為2,271,578萬元，佔負債總值的83.02%，比年初增長135.70%；非流動負債總值為464,581萬元，佔負債總值的16.98%，比年初增長6.68%。於2004年12月31日本集團的資產負債率為88.22%。本集團負債大幅度增加的原因是預收帳款大幅度增加所致。

股東權益

於2004年12月31日，本公司股東權益總額為311,306萬元，比年初增加10,804萬元；每股資產淨值為2.62元。2004年，本公司淨資產收益率為3.84%，比上年增長2.05個百分點。

資本與負債比率

於2004年12月31日，本集團的資本杠杆比率（非流動負債比股東權益總額）為1.49:1，上年為1.45:1。

或有負債及抵押

2004年，本集團未發生未決訴訟所產生之或有負債。於2004年12月31日，本集團有2.33億元對外擔保，其中2.07億元與承包項目有關，另外有4,818萬元資產抵押用於流動資金貸款。

LIABILITIES

As at 31st December, 2004, the Group's liabilities totaled Rmb27,361.59 million, an increase of Rmb13,369.06 million and 95.54 per cent compared to the beginning of the year. Among which, the total current liabilities were Rmb22,715.78 million, representing 83.02 per cent of the total liabilities, an increase of 135.70 per cent over the beginning of the year. The non-current liabilities were Rmb4,645.81 million, representing 16.98 per cent of the total liabilities, an increase of 6.68 per cent over the beginning of the year. At 31st December, 2004, the Group's current liability ratio is 88.22 per cent. The reason for the dramatic increasing is the increase of prepayment.

SHAREHOLDER'S FUND

As at 31st December, 2004, the shareholder's fund of the Company totaled Rmb3,113.06 million, an increase of Rmb108.04 million over the beginning of the year. The net assets per share were Rmb2.62. In 2004, the Company's assets-income ratio was 3.84 per cent, an increase of 2.05 per cent compared with that of last year.

GEARING RATIO

As at 31st December, 2004, The Group's gearing ratio (non-current liabilities/total shareholders' fund) was 1.49:1, as compared to that of 1.45:1 of last year.

CONTINGENT LIABILITIES AND MORTGAGE ASSET

In 2004, there was no any contingent liabilities arising from outstanding litigation of the Group. As at 31st December, 2004, the Group's external guarantee was Rmb233 million, among which Rmb207 million was related to contracting projects. In addition, of pledge assets with net book value of Rmb48.48 million were used for bank borrowings for working capital.



資本開支及所持重大投資情況

2004年，本集團用於基本建設和技術改造的資本開支總額約為72,053萬元，使用募集資金1.68億元。主要是為生產9FA重型燃氣輪機及大型循環流化床鍋爐和餘熱鍋爐產品而進行的基本建設和技術改造投資。出海口基地建設項目一期總投資30,758萬元，其中固定資產總投資28,258萬元，到2004年年底，已累計完成投資28,349萬元，總裝廠房、燃機試車站及配套設施於2004年4月投入使用，全年共完成6台燃機的總裝和5台燃機的試車。出海口基地的建成將為重型燃機、核電、百萬千瓦級超超臨界及其它大型產品的發展奠定基礎，提高本集團的行業地位和競爭能力。另外大型燃氣輪機項目總投資24,750萬元，其中固定資產投資21,900萬元，已完成投資11,396萬元；大型循環流化床鍋爐改造項目總投資10,700萬元，其中固定資產投資8,300萬元，已完成投資7,818萬元，廠房已竣工並投入使用。

匯率波動風險及相關對沖

本集團擁有部分外幣存款，於2004年12月31日，本集團外幣存款折合人民幣67,555萬元。本集團出口及以外幣結算之業務，存在匯兌風險。年內本集團已委托中國銀行對部分外幣結算的日元採取對沖措施，以規避匯率波動風險。

募集資金運用

2004年，本公司共運用募集資金1.68億元，用於出海口基地建設項目。

截至2004年12月31日，本集團已累計運用H股募集資金約10億元，剩餘款項約2.4億元暫存放於銀行，將用於出海口基地建設及其它技術改造項目。

CAPITAL EXPENDITURE AND IMPORTANT INVESTMENT

In the year of 2004, the Group invested Rmb720.53 million for basic construction and technology renovation and used Rmb168 million from the listing proceeds. The main projects were 9FA heavy duty gas turbine, large circulated fluidized bed boiler and heat recovery boiler. The first stage investment in Seaside Workshop Construction project of QHD was Rmb307.58 million, among which the investment in fixed assets were Rmb282.58 million. By the end of 2004, the accumulated investment was up to Rmb283.49 million. The assembly factory and test station of heavy-duty gas turbine and relevant facilities were put into operation in April, 2004. Altogether 6 units were assembled and 5 units were tested within this year. The accomplishment of Seaside Workshop Construction project of QHD will lay a foundation for the development of heavy-duty gas turbine, nuclear power, 1000MW class ultra super-critical product and the other large product and promote the Company's industry status and competitive capability. In addition, the investment in large gas turbine projects was Rmb247.50 million, among which the fixed asset investment was Rmb219 million, the completed investment was Rmb113.96 million; the investment on large circulated fluidized bed boiler renovation is Rmb107 million including the fixed asset investment of Rmb83 million, the completed investment was Rmb78.18 million. The workshop was completed and has been put into operation.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group has certain amount of deposits that are in foreign currencies. As at 31st December, 2004, the amount of the Group's deposits in foreign currencies was Rmb675.55 million after conversion. The export business of the Group is also settled in foreign currencies and there is exchange risk. In 2004, the Group entrusted the Bank of China to adopt hedging measures for part of the Japanese yen to avoid exposure to fluctuation in exchange.

USE OF LISTING PROCEEDS

The Group used a total of Rmb168 million from its listing proceed for Workshop Construction project of QHD.

As at 31st December, 2004, the Group used a total of Rmb1 billion from its listing proceedings and the remaining balance of Rmb240 million of listing proceeds was deposits in the bank and it will be used in Workshop Construction project of QHD and other technology renovation projects.

投資計劃

2005年本集團計劃投資約6.4億元繼續用於出海口基地建設項目、超臨界項目、大型燃氣輪機技術引進項目、聯合循環餘熱鍋爐技術引進及技術改造項目、大型抽水蓄能機組技術引進及企業信息化建設項目等，以促進產品升級換代，增強核心競爭能力。同時，本集團也將增添部分關鍵設備，解決生產瓶頸環節，擴大生產能力。此外，鑒於核電潛在的巨大市場需求，本公司計劃開始建設秦皇島出海口二期工程，建設資金擬通過銀行貸款等融資方式解決。

員工及薪酬

於2004年12月31日，本集團擁有在崗員工17300人，年薪酬總額為5.27億元。本集團採取崗位培訓、到大專院校培訓和到跨國公司培訓等多種措施培訓員工，提高員工素質，創建人性化的人才培養、使用機制。全年培訓8618人次。實行崗位工資制度，加強考核，把員工的個人目標與公司的目標有效結合起來，調動各方面的積極性，加快公司發展。

展望

2005年本集團將快速發展，經營業績將進一步改善。從企業外部來看，一方面中國宏觀經濟將繼續保持快速增長，國家振興東北老工業基地和大力振興裝備製造業的發展戰略將進一步實施，為公司提供了良好的外部環境。另一方面，隨著國家宏觀調控的加強，今後兩年發電設備市場將平穩發展，以大容量、高效率、低污染為特點的高新技術產品將成為市場發展的重點，市場競爭漸趨激烈。從企業內部來看，700億元的在手訂單為本集團今後幾年的發展提供了重要的保障，但同時創紀錄的生產任務也給生產系統帶來壓力。為此，公司將採取有效措施，重點做好以下幾方面工作：

INVESTMENT PLAN

In the year of 2005, in order to upgrade products and improve core competition capability, the Group are planning to invest Rmb640 million in super-critical project, large gas turbine technology transfer project, Workshop Construction project of QHD, combined cycle HRSG technology renovation and technology transfer and technology transfer and renovation of large pumped storage units projects. At the same time, the Group will buy some key equipment to solve the bottleneck problems and to enlarge producing capability. In addition, facing great potential demand of nuclear power market, the Group is planning to begin the second stage of Workshop Construction project of QHD. The construction capitals are planned to be solved by financing method such as load from bank.

STAFF AND REMUNERATION

As at 31st December, 2004, the Group's total number of staff was 17300. The annual remuneration was Rmb527 million. The Group adopted various measures such as on-job-training, training in universities and multinational companies to improve their qualities. Altogether 8618 staff has been trained. As for remuneration, the Group adopted post salary system, which enhanced check-up, effectively combined the staff's individual goal with the Company's target, brought all positive factors into play and speeded up the development of the Company.

PROSPECT

In 2005, the Group will develop rapidly. According to outer environment, China economy will continue to grow fast. The further implement of development policy of "To Thrive the Northeast Old Industry Base" and "To Thrive Equipment Manufacture Industry" will provide a sound outer environment for the Company. On the other hand, with the government's strengthening on macrostructure, the power generation equipment market will slow down and the high-tech products featuring in large capability, high efficiency and low pollution will be the key point for market development and the market competition is more and more intensified. According to the Group itself, over Rmb70 billion on-hand contracts provide guarantee for the Group's future development. However the manufacture task brings pressure for manufacture system. The Group will adopt efficient method to ensure quality and delivery schedule. Especially, the Group will pay attention to the following work:

一是以全面履行合同為重點，保質量、保交貨、保服務，樹立良好的市場信譽。本集團將根據市場形勢變化和項目情況，及時做好計劃安排和能力平衡，抓好生產組織工作，解決原材料供應與生產需求之間的矛盾。堅持持續改進質量保證體系的運行效果，用優良的質量促進產品成本的降低，滿足合同交貨的需要。創造性開展工作，科學配置內部各方面資源，深入挖掘、發揮公司內部的生產能力。加大對外擴散的比例，加大對分包廠家的計劃、質量、交貨等環節的控制，確保分包產品處於可控狀態。通過內挖潛力，外抓協作，完善現代化、社會化生產組織體系，提高生產能力，滿足市場需求。

二是以科技領先為目標，在鞏固高新技術產品平臺的同時，提高公司自主研發能力。本集團一方面加強與跨國公司的合作，加快技術引進步伐，更好地利用國外先進技術資源。重點做好核電和600MW-1000MW超超臨界機組技術引進工作。另一方面繼續堅持技術引進和自主創新相結合的原則，加快燃機及聯合循環機組、600MW-1000MW超超臨界機組、600MW超臨界機組、大型抽水蓄能機組、大型循環流化床鍋爐等引進技術的消化、吸收和創新，促進主導產品的升級換代。並通過廣泛開展與高等院校、科研院所的全方位合作構建公司科研開發應用新體系，以提高公司自主研發能力，提高核心競爭能力。

First, contracts fulfillment is the Company's key point. At the same time it will ensure quality, delivery and service, and set up good market reputation. According to market situation and project situation, the Group will make plan in time, distribute resource reasonably, devote effort to manufacture and organization work, and solve the conflict between raw material supply and market demand. Consisting on improving quality guarantee system, the Group will try to use good quality to reduce cost and meet contract delivery schedule. The Group will take actions creatively, distribute inner resource scientifically and exert manufacture capability inside the Company. The Group will increase subcontractors, strengthen control on the subcontractors' plan, quality and delivery schedule and make sure that the subcontracted products are under control. By way of inner exploration and outside cooperation, the Group will complete modernization and socialization manufacturing and organization system.

Second, regarding leading technology as the Company's target. With consolidating high-tech product platform, the Company will improve its independent R&D capability. At the same time, the Company will broaden its cooperation with multinational companies and speed up its steps on technology inducement in order to make full use of foreign advanced technologies. The Group will pay more attention to technology inducement on nuclear power and ultra super critical steam turbine with 600MW to 1000MW. Consisting with the strategy of combining the technology inducement and independent renovation, the Company will strengthen on technological understanding, absorption and renovation in field of gas turbine combined cycle units, ultra super critical, 600MW super critical units, large scale pumped storage units and circled fluidized bed boiler units and thus to push forwards product's upgrade. Cooperating with universities and research institutes in all directions, the Company will set up its new scientific research and development system in order to improve the Company's independent R&D capability and main competition capability.

三是以高新技術產品為重點，加大市場開發力度，為公司可持續發展奠定基礎。2005年本集團在鞏固大水電、抽水蓄能、600MW超臨界、超超臨界、1000MW超超臨界和大型聯合循環機組市場優勢的基礎上，做好核電項目的投標準備工作，並儘快開工建設秦皇島核電生產廠房，為迎接能源結構調整作好準備。立足於公司可持續發展，積極做好脫硫、脫硝以及風力發電等環保產品的市場開發，培育新的經濟增長點。加大以國際電站工程總承包項目為主的國際市場開發力度，構建國際、國內市場互補的戰略格局。

四是以提高產品毛利率為重點，深入開展「降成本、降費用、提高經濟效益」活動，提高管理水平。通過招標、集中採購嚴格控制採購成本，通過科學核定工時和控制質量，降低製造成本，嚴格控制管理費用、財務費用。加快結算中心的建設，對全公司的資金實行統一管理。積極推進公司大企業信息化工作，以注重實效、提高效率為原則，建立起公司資源共享的信息平臺，提高工作效率和管理水平。

五是以建立現代企業制度為方向，著眼於增強公司的活力和競爭力，不斷深化改革。積極開展業務流程重組研究，參照國內外先進企業的經驗，改造公司業務流程。積極做好主輔分離改制分流工作，精幹主業。繼續深入開展三項制度改革，完善技術人才、經營管理人才的培養、選用、考核和激勵機制，使各類人才能夠脫穎而出。

Third, regarding high-tech products as work core. The Company will strengthen on market development to lay foundation for its continuous development. In the year of 2005, the Company will make full preparation of nuclear power plant bidding work on base of consolidating large hydro power units, pumped storage units, 600MW super critical units, ultra super critical, 1000MW ultra super critical units and large scale combined cycle units. Also the Company will speed up on constructing Qinhuangdao nuclear power manufacture workshop in order to make preparation on energy source restructure. Basing itself on the Company's continuous development, the Company will take positive actions on market development in field of desulphurization, deNOx and wind energy power products etc. and tap new sources of economic growth. The Company will strengthen on international market development mainly in field of general contract for international power plant engineer project and establish a pattern that the international market and domestic market compensate mutually.

Forth, regarding product's profit margin as the core of the Company's development. The Company will promote its management capability by way of "Reduce Cost And Improve Economic Profit". The Company will strictly control sourcing cost by way of tendering and centralized sourcing and reduce manufacture cost by way of value man-hour reasonably and control quality accident. Also it will strictly control management cost and financial cost. The Company will speed up to establish the financial settlement center to unite the whole Company's management. Pushing forwards IT work, taking efficiency as principle, the Company will establish information platform for share resource and improve work efficiency and management level.

Five, regarding set up modern company as the Company's orientation. The Company will focus on its energy and competitive capability and deepen its reform. Researching on restructure of business process, the Company will renovate the Company's business process in reference to experience of advanced companies inside and outside of China. Also the Company will continue to separate the supplementary business from main business and focus on main business. Consisting with the policy of reforms for three systems, the Company will perfect training, selecting, value and encourage system for technical and managing talents, which will make talented people show themselves.

