

董事會欣然提呈本公司2004年度報告和截至2004年12月31日止年度經審計的財務報表。

主要業務

本公司及其主要附屬公司主要從事各種發電設備的生產、銷售及電站工程服務業務，詳情載於財務報表附註15。

本集團所有業務均以中國為基地，其中約80.99%之集團營業額來自中國。

截至2004年12月31日止年度，本集團產品出口營業額為23,460萬美元，佔總營業額的19.01%。本集團的出口地區主要包括亞洲、非洲地區。

附屬公司

本公司擁有4家主要附屬公司。哈爾濱電機廠有限責任公司主要從事水輪發電機組、汽輪發電機的生產與銷售；哈爾濱鍋爐廠有限責任公司主要從事電站鍋爐的生產與銷售；哈爾濱汽輪機廠有限責任公司主要從事電站汽輪機的生產與銷售；哈爾濱電站工程有限責任公司主要從事電站項目總承包及電站設備成套業務。

於2004年12月31日，本公司主要附屬公司詳情載於本年報財務報表附註15。

The Directors have the pleasure in submitting their 2004 annual report and audited financial statements for the year ended 31st December, 2004.

PRINCIPLE ACTIVITIES

The Company and its principal subsidiaries are in the field of power equipment manufacture, sales and power engineering services which are set out in Note 15 to the financial statements.

All the activities of the Group are based in the PRC, where 80.99% of the Group's turnover is derived from.

The export sales of the Group for the year ended 31st December, 2004 amounted to US\$234.60 million, representing 19.01% of the Group's total turnover for the year. The Group's export markets mainly include Asian, African and American countries.

SUBSIDIARIES AND ASSOCIATED COMPANIES

The Company has four principal subsidiaries. Harbin Electrical Machinery Co., Ltd is mainly in the field of manufacture and sales of hydro generator units and steam turbine units, Harbin Boiler Co., Ltd is mainly in the field of manufacture and sales of boilers for power stations. Harbin Turbine Co., Ltd is mainly in the field of manufacture and sales of steam turbine for power stations and Harbin Power Engineering Co., Ltd is mainly in the field of the turn key construction of power station projects and complete set of power stations. Boilers for power stations, steam turbine for power stations and steam turbine units are the three main equipment of thermal equipment.

Details of the Company's principal subsidiaries as at 31st December, 2004 are set out in Note 15 to the financial statements.

業績及分配

本集團截至2004年12月31日止之年度業績載於本年報第50頁的綜合損益表中。

董事會建議本公司二零零四年度除稅及少數股東收益後溢利分配如下：

1. 提取法定盈餘公積金人民幣1,166萬元。
2. 提取法定公益金人民幣1,166萬元。
3. 董事會建議向2005年5月13日登記在股東名冊的股東派發二零零四年度股息每股人民幣0.051元，合共派發股息人民幣6,065萬元。

董事、監事

有關董事及監事的詳情載於本年報《董事、監事及高級管理人員》一節。

董事、監事及高級管理人員的股本權益

於2004年12月31日，本公司各董事、監事及高級管理人員概無在本公司及其／或在任何相關法團（定義見《證券及期貨條例》第XV部）的股份、相關股份及／或債券證（視情況而定）中擁有任何需根據《證券及期貨條例》第XV部的第7及第8分部知會本公司及香港聯交所的權益或相關股份或債券證的淡倉（包括根據《證券及期貨條例》該等章節的規定被視為或當作這些董事、監事及高級管理人員擁有的權益或淡倉），或根據《證券及期貨條例》第352條規定需記錄於本公司保存的登記冊的權益或淡倉，或根據上市規則附錄十中的《上市公司董事進行證券交易的標準守則》須知會本公司及香港聯交所的權益或淡倉。

FINANCIAL RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 50 of the annual report.

The Directors recommend the appropriation of profit after taxation for 2004 as follows:

1. To transfer Rmb11.66 million to the statutory surplus reserve.
2. To transfer Rmb11.66 million to the statutory public welfare fund.
3. The Directors recommend that the dividend for shareholders who registered on shareholder' list until 13th May, 2005 is Rmb0.051 per share, payment of dividends is totally amounted to Rmb60.65 million.

DIRECTORS AND SUPERVISORS

Details of directors and supervisors are set out in the Section "Director, Supervisors and Senior Management" of the annual report.

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

As at 31st December, 2004, none of the directors, supervisors and senior management of the Company had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company of any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such director, supervisor or senior management is taken or deemed to have under such provisions of the SFO) or which was required to be entered 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 HKSE pursuant to the Model Code for Securities Transactions by Directors of Listing Companies as contained in Appendix 10 to the Listing Rules.

董事、監事的服務合約

各董事及監事均與本公司訂有服務合約，該等合約於2006年6月20日到期。除此以外，各董事及監事與本集團任何成員公司之間概無任何既有或建議的服務合約。

董事、監事在重要合約中的權益

年內各董事或監事概無在本公司及其附屬公司訂立的重要合約中直接或間接擁有權益。

董事及監事酬金

截至2004年12月31日止之年度，本公司董事及監事酬金詳情載於本年報財務報表附註10。

獲最高酬金的前五名人士

獲最高酬金的前五名人士均為本公司董事及監事。

員工退休及福利計劃

員工退休及福利計劃詳情載於本年報財務報表附註37。

固定資產

本集團固定資產的變動詳情載於本年報財務報表附註14。

儲備

於2004年12月31日，本公司可供分派的儲備總額為人民幣6,244萬元，本集團及本公司年內的儲備變動情況載於財務報表綜合股東權益變動表。

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

There are service contracts between every Director, supervisor and the Company. The contracts will expire by 20th June, 2006 and can be terminated without compensation (legal compensation is not included). Besides this, there are no existing and suggesting service contracts between every Directors, supervisor and any of its subsidiaries

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Apart from service contracts, no contract of significance, to which the Company or any of its subsidiaries was a party and in which a director or supervisor of the Company had material interests in whether directly or indirectly, existed at the end of the year or at any time during the period.

REMUNERATION OF DIRECTORS AND SUPERVISORS

Details of the salaries and bonuses of the directors or supervisors of the Company for the year ended 31st December, 2004 are set out in Note 10 to the financial statements.

FIVE HIGHEST PAID PERSONNEL

The five highest paid personnel of the Company during the year are all directors and supervisors.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme are set out in Note 37 to the financial statements.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in Note 14 to the financial statements.

RESERVES

The Company's reserves available for distribution are 62.44 million until 31st December, 2004. Movements in the reserves of the Group during the year are set out in the Statement of Changes in Equity.

財務摘要

本集團過去五年之財務摘要載於本年報《財務摘要》一節。

借款及利息資本化

本集團銀行借款和其他借貸細節載於本年報財務報表附註26和28。

本集團期間內在建工程的利息資本化金額為人民幣544.4萬元。

購買、出售及贖回本公司之上市證券

年內本公司或其附屬公司概無購買、出售及贖回任何本公司之上市證券。

優先購買權

根據本公司章程或中國法律，並無優先購買權規定本公司須按持股比例向現有股東提呈發售新股之建議。

重大訴訟事項

年內本公司無任何重大訴訟事項。

重大合約

本集團年內簽訂的重大合約詳情載於本年報《管理層論述與分析》一節。

FINANCIAL HIGHLIGHTS

The financial highlights of the Group for the last five years are set out in the Section “Financial Highlights” to the annual report.

BORROWINGS AND INTEREST COSTS CAPITALISED

Details of bank loans and other borrowings of the Group are set out in Note 26 and 28 to the financial statements.

Interest capitalized by the Group during the year amounted to Rmb5.444 million in respect of construction-in-progress.

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

No purchase, sale or redemption of the Company's listed securities has been made by the Company or any of its subsidiaries during the period.

PRE-EMPTIVE RIGHTS

According to the Article of Association of the Company and the laws of the PRC, there are no provisions for pre-emptive rights requiring the Company to offer new shares to the existing shareholders in proportion to their shareholdings.

MAJOR LITIGATION

The Company was not engaged in any major litigation of material importance during the year.

MATERIAL CONTRACTS

The material contracts of the Group for the year are detailed in the Section Management Discussion and Analysis of the annual report.

主要供應商和客戶

1. 期內本集團首五大供應商合共佔總採購百分比為12.45.其中最大的供應商為舞陽鋼鐵有限公司,佔總採購百分比為3.21。
2. 期內本集團首五大客戶合共佔總營業額百分比為17.94.其中最大的客戶是韓城工程,佔總營業額百分比為4.69。
3. 本公司董事、監事及其聯繫人以及任何股東(根據董事會所知擁有5%或以上本公司股本者)在上述供應商或客戶中概無任何權益。

H股所得款項之運用

期內本公司募集資金的運用詳情載於《管理層論述與分析》一節。

委托存款及逾期定期存款

於2004年12月31日,本公司在商業銀行或非銀行金融機構未有委托存款,亦未有逾期未取回的存款。

稅收政策

根據中國財政部及中國國家稅務局於1994年3月29日發出之《關於企業所得稅若干優惠政策的通知》中關於(國務院批准的高新技術產業開發區內的高新技術企業,減按15%稅率徵收所得稅)之規定,本集團主要附屬公司一直執行15%的稅率。董事會認為,由於本集團符合國家有關法律、法規之規定,因此,本集團主要附屬公司仍應執行15%企業所得稅率。

根據國家稅務總局之規定由2003年10月15日開始,本集團新接出口產品定單退稅率為13%。

MAJOR SUPPLIERS AND CUSTOMERS

1. The aggregate amount of purchases during the period attributable to the Group's five largest suppliers represented 12.45% of the Group's total purchases. Among which the largest supplier is Wuyang Iron Co., Ltd., presenting 3.21%.
2. 17.94% of the total turnover of the Group during the period was attributable to the Group's five largest customers. Amongst which the Hancheng Project was the largest customer, accounting for 4.69% of the total turnover.
3. None of the directors, supervisors, their associates or any shareholders of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) has any interest in above mentioned suppliers or customers.

PROCEEDS FROM THE H SHARES ISSUE

The use of listing proceeds of the Company for the period details in the Section "Management Discussion and Analysis" of the annual report.

ENTRUSTED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31st December, 2004, the Company had no entrusted deposits in commercial banks or non-bank financial institutions and had no due deposits that had not been withdrawn.

INCOME TAX AND EXPORT VAT REBATE

Pursuant to the regulation of the Notice on Several Preferential Income Tax Policies issued by the PRE Ministry of Finance and the State Tax Bureau on 29th March, 1994, the high technological enterprises in the high technological development zones approved by the PRC State Council enjoy an income tax rate of 15% in main subsidiaries, so the taxable income earned by the Group are subject to a rate of 15%. So the Board of Directors of the Company holds that, according to the relevant regulations of PRC laws, the Group still enjoys an income tax rate of 15% in main subsidiaries.

Pursuant to the stipulations in the document of the PRC Ministry of Finance, the export VAT rebate applicable to the Group' newly signed export products contracts is 13% from 15th October, 2003.

稅收政策 (續)

根據財政部、國家稅務總局2004年9月14日頒布的《東北地區擴大增值稅抵扣範圍若干問題的規定》，東北地區部分企業(含本公司)增值稅由生產型轉為消費型，擴大了增值稅抵扣範圍，自2004年7月1日起實際發生購進固定資產、用於自製(含改擴建、安裝)固定資產的購進貨物或應稅勞務等項目的進項稅額，可以抵扣，這一政策將對本公司的發展產生積極影響。

關聯交易

有關關聯交易詳情載於本年報財務報表附註38。

服務協議延續

本公司及附屬公司(本集團)於2004年12月10日與哈電集團及其附屬公司(母集團)達成一份新的服務協議。根據該項新服務協議，母集團為本集團提供有關員工培訓、員工療養、員工住房、醫療等服務，交易額為人民幣4992萬元；本集團為母集團提供有關供水、供電、電訊等服務，交易額為人民幣892萬元。新服務協議從2005年1月1日起至2007年12月31日止，為期三年。

INCOME TAX AND EXPORT VAT REBATE (continued)

According to Regulations on the Issues about Increasing VAT Rebate Scope in Northeast Area issued by the PRE Ministry of Finance and the State Tax Bureau in 10th September, 2004, the VAT of part of northeast areas companies (including the Company) turned from production type to consumption type, which enlarged the VAT rebate scope. By 1st July, 2004, the income tax for actually capital asserts purchased products, purchased products for self construction (include restructure and construction extension) or tax payable labor project can be rebated. This policy will have a positive effect on the Company.

CONNECTED TRANSACTIONS

For the connected transactions, see the details in Note 38 to the financial statements of the annual report.

SERVICE AGREEMENT EXTENSION

The Company and its subsidiaries (the Group) signed a service agreement with Harbin Power Plant Equipment Group Corporation and its subsidiaries (the Parent Group) on 10th December, 2004. According to the new agreement, the parent group will provide services in training, recuperation, housing, medical etc. for the Group's employees and the annual trade value will be RMB49,920,000; The Group will provide water supply, power supply and tele-communication service to the Parent Group and the annual trade will be RMB8,920,000. The duration of the new agreement is three years starting from 1st January, 2005 to 31st December, 2007.

對關聯交易的確認

本公司審核委員會已經審核了載於財務報表附註38中的關聯交易（定義見上市規則），並且確認：

1. 這些交易是本公司按照其業務一般通常過程達成的；及
2. 這些交易是(I)按照通常商業條款（運用此條款時須參考中國境內由類似的企業達成的類同性質的交易）達成的或(II)（如無可比較的例子）按照對本公司的股東而言，為公平和合理的條款達成的以及；
3. 這些交易是(I)按照與相關的協議條款達成的或(II)（如無這類協議）按照不比第三方可取得的條件差的條款達成的。

合資格會計師

本公司已經存在一位符合《上市規則》第3.24條規定的會計師，惟彼未具有香港會計師公會或獲香港會計師公會認可獲豁免其會籍考試要求所認可的類似會計師組織之資深會員或會員資格。為此，本公司將委聘一位具有該資深會員或會員資格的人士協助本公司會計師履行其監督本公司財務匯報程序及內部監控的職責，本公司目前尚未找到合適人選。

CONFIRMATION ON CONNECTED TRANSACTIONS

The Audit Committee have, in such capacity, reviewed the connected transactions referred to in Note 38 to the financial statements and confirmed that:

1. Such transactions have been entered into by the Company in the ordinary and usual course of its business; and
2. Such transactions have been entered into either (I) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities with PRC) or (II) (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
3. Such transactions have been entered into either (I) in accordance with the terms of the relevant agreements governing such transactions or (II) (where there is no such agreement) on terms no less favorable than terms available to third parties.

QUALIFIED ACCOUNTANT

The Company already has an accountant who meets the regulations set out in article 3.24 of the List Rules, but he is neither a fellow or associate member of the Hong Kong Society of Accountants nor of a similar body of accountants recognized by that Society for the purpose of granting exemptions from the examination requirement for membership of that Society. Therefore, the Company will employ a person who meets the above-mentioned qualification to assist the Company's accountant in supervising the Company's financial reporting procedures and internal controls. Until now, the Company has not found such a suitable person yet.

董事會專門委員會

本公司於2004年8月27日成立了董事會專門委員會，包括戰略發展委員會、審核委員會、薪酬委員會和提名委員會。戰略發展委員會由五名董事組成，其中執行董事三名、非執行董事兩名。審核委員會由三名董事組成，其中獨立非執行董事兩名、非執行董事一名。薪酬委員會由三名董事組成，其中獨立非執行董事一名、非執行董事兩名。提名委員會由三名董事組成，其中獨立非執行董事兩名、執行董事一名。（詳見公司管治報告一節）

獨立非執行董事獨立性的確認

本公司已經收到每名獨立非執行董事就其獨立性作出的年度確認函，其獨立性符合《上市規則》第3.13條所載的任何一項獨立指引，屬於獨立人士。

股本情況

於2004年12月31日，本公司總股本為1,189,151,000股，其中發起人持有720,000,000股，佔總股本的60.55%，境外H股股東持有469,151,000股，佔總股本的39.45%。本公司在二零零四年內概無發行任何股票。

股東人數

於2004年12月31日，本公司註冊股東人數及類別如下：

| | |
|-----------------|-------------|
| 國有法人股股東（由發起人持有） | 1 |
| H股股東數 | 121 |
| | <hr/> |
| 股東總數 | 122 |
| | <hr/> <hr/> |

BOARD OF DIRECTORS SPECIAL COMMITTEE

The Company established Board of Director Special Committee in 27th August, 2004, including Strategy Develop Committee, Supervision Committee, Salary Committee and Nomination Committee. Strategy Develop Committee is consisted of 5 directors. Among which, 3 members are executive directors and 2 members are non-executive directors. Supervision Committee is consisted of 3 directors. Among which, 2 members are independent non-executive directors and 1 members are non-executive directors. Salary Committee is consisted of 3 directors. Among which, 2 members are independent non-executive directors and 1 members are executive directors. Nomination Committee is consisted of 3 directors. Among which, 2 members are independent non-executive directors and 1 members are executive directors.

THE CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS INDEPENDENCE

The Company has already received the Annual Letter of Confirmation from every independent non-executive director on their independence. Their independence accord to every independence index issued in article 3.13 in List Regulation and they are independent person.

SHARE CAPITAL STRUCTURE

As at 31st December, 2004, the share capital structure of the Company comprised of 1,189,151,000 shares, of which 720,000,000 shares were held by the promoter (representing 60.55% of the entire share capital) and 469,151,000 shares were held by overseas H shares investors (representing 39.45% of the entire share capital). The Company did not issue any stocks in the year of 2004.

NUMBER OF SHAREHOLDERS

Details of the Company's registered shareholders as at 31st December, 2004 were as follows:

| | |
|--|-------------|
| Holders of State Shares (held by the Promoter) | 1 |
| Holders of H Shares | 121 |
| | <hr/> |
| Total number of shareholders | 122 |
| | <hr/> <hr/> |

首十名股東

於2004年12月31日，本公司股東名冊上持股量最多的首十名股東的持股情況如下：

TOP TEN SHAREHOLDERS

At 31st December, 2004, the top ten registered shareholders who hold the most shares were as follows:

| 股東名稱 Name of Shareholders | 股數 Number of Shares | 持股百分比 Percentage of Shares Holding | 備註 Remark |
|---|------------------------|---------------------------------------|-----------------------|
| 哈爾濱電站設備集團 Harbin Power Plant Equipment Group Corporation | 720,000,000 | 60.55% | 國有法人股 state shares |
| HKSCC Nominees Limited | 457,890,798 | 38.50% | H股 H shares |
| HSBC Nominees (Hong Kong) Limited A/C BR-1 | 7,410,000 | 0.62% | H股 H shares |
| Cheung Yum Tin | 460,000 | 0.04% | H股 H shares |
| HSBC Nominees (Hong Kong) Ltd | 254,000 | 0.02% | H股 H shares |
| Li Siu Kei | 250,000 | 0.02% | H股 H shares |
| Tang Lai Ming Cavini | 250,000 | 0.02% | H股 H shares |
| Yang Tak Kee | 120,000 | 0.01% | H股 H shares |
| Au Lei Man | 100,000 | 0.008% | H股 H shares |
| Chan Suk Wan | 100,000 | 0.008% | H股 H shares |

H股股東股權分析(根據2004年12月31日股東名冊)

範圍

Scope (number of shares)

| | |
|----------------|----------------|
| 1-1000 | 1-1000 |
| 1,001-5,000 | 1,001-5,000 |
| 5,001-10,000 | 5,001-10,000 |
| 10,001-100,000 | 10,001-100,000 |
| 100,001-以上 | 100,001-above |

合計 total

INTEREST'S IN THE SHARE CAPITAL ANALYSIS OF HOLDERS OF H SHARES (ACCORDING TO SHAREHOLDERS LIST AT 31ST DECEMBER, 2004)

| 人數 People Number | 持股數 Number of Share Holding | 佔已發行H股百分比 Percentage to Issued H Shares |
|---------------------|--------------------------------|--|
| 3 | 202 | 0.000% |
| 24 | 58,000 | 0.012% |
| 37 | 336,000 | 0.072% |
| 50 | 2,122,000 | 0.452% |
| 7 | 466,634,798 | 99.464% |
| <u>121</u> | <u>469,151,000</u> | <u>100%</u> |

最佳應用守則及標準守則

本公司在2004年任何時間均已遵守香港聯交所上市規則《最佳應用守則》的規定。

本公司董事、監事及高級管理人員於報告期內均遵守《標準守則》中所載的有關標準。

核數師

自本公司成立日始，德勤·關黃陳方會計師行及德勤華永會計師事務所有限公司已被聘任為核數師。

承董事會命
董事長
耿雷

於中國·哈爾濱·二零零五年四月十六日

CODE OF BEST PRACTICE

The Company obeyed the regulation of Code of Best Practice of Stork Exchange of Hong Kong Limited at any time in 2004.

Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies within the period under review.

AUDITORS

Messrs. Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants Limited have acted as auditors of the Company since its date of incorporation.

On behalf of the Board of Directors
Chairman
Geng Lei

Harbin, the People's Republic of China, 16th April, 2005