

董事長報告書

Chairman's Statement



董事長耿雷先生
Mr. Geng Lei, Chairman

致各位股東：

本人欣然提呈哈爾濱動力設備股份有限公司二零零五年一月一日至十二月三十一日之年度報告，並代表本公司全體同仁向各位股東致意。

二零零五年是公司發展史上的重要一年，國內實施科學發展觀，得益於強大的市場需求和公司發展戰略的有效實施，公司全體同仁共同努力，公司業務保持高速增長，核心競爭力進一步增強。

截止二零零五年十二月三十一日，公司實現除稅及少數股東收益後溢利為人民幣46,499萬元，比上年增長295.5%；每股溢利為人民幣0.39元（基本）；實現營業額人民幣1,846,411萬元，比上年增長80.7%。創造了公司成立以來的最好業績。（有關上述業績的討論詳見本年報《管理層論述與分析》一節）

To all shareholders:

I am pleased to present the annual report of Harbin Power Equipment Co., Ltd (the Company) for the year ended 31st December 2005. On behalf of the Company, I would like to extend my gratitude to our shareholders.

2005 is an important year in the Company's developing history. With the support of the implementation of Scientific Concept of Development, great market demand, effective implementation of the company's developing strategy and hard working of all the Company's employees, the Company's business has improved rapidly and has further increases its leading competitive capability.

For the year ended 31st December 2005, the Company recorded consolidated profit after taxation and minority interest of Rmb464.99 million, representing an increase of 295.5% over last year; earnings per share was Rmb0.39 Yuan (basic). Turnover was Rmb18,464.11 million, representing an increase of 80.7% over last year. The Company has actually reached the highest result since inception. (Pls see details in the section "Management Discussion and Analysis").

董事長報告書(續)

Chairman's Statement – (continued)

董事會向股東大會建議從當年可供分配的利潤中提取人民幣7,774萬元向股東派發末期股息，即每股股息人民幣0.061元。H股股東的股息將以港幣支付，匯率仍按股息宣派日前一周中國人民銀行公佈的平均匯率計算，即港幣1元兌換人民幣1.0329元，每股H股可得股息0.0591港元。該股息將於二零零六年八月十六日或之前派發予二零零六年五月十六日已經登記在股東名冊上之股東。

公司期內正式簽訂合同人民幣184億元，累計在手訂單人民幣690億元。在大力拓展市場的工作中，公司特別注重代表產品發展方向的高新技術產品市場的開發。江蘇泰州百萬千瓦級超超臨界機組、北京太陽宮燃機奧運項目、秦山核電二期擴建工程汽水分離再熱器以及宣城600MW和古城300MW火電機組脫硫島的中標，鞏固了公司在燃機、超超臨界等高新技術產品市場的領先優勢，為公司開發核電、環保等方向性產品市場奠定了基礎。

The Board of Directors recommends a final dividend of Rmb77.74 million from the profit of the year available for distribution. The final dividend was Rmb0.061 Yuan per share. Dividend of shareholders for H shares will be paid in Hong Kong dollars, the exchange rate used, this is HK\$1 = Rmb1.0329, is based on average closing rate of the People's Bank of China during the calendar week proceeding the date of recommending final dividend. The final dividend for every H share will be HK\$0.0591. On or before the day of 16th August 2006, the dividend will be distributed to shareholders who have registered on the shareholders' list by the day of 16th May 2006.

During the review period, the officially signed contract value is amounted to Rmb18.4 billion, adding up the total value of contracts on hand to Rmb69 billion. On the market exploitation front, the Company paid close attention to the high-tech market, which represents the direction of our product development. The winning contracts of Jiangsu Taizhou 1000MW class ultra super critical unit project, Beijing Taiyanggong gas turbine Olympics project, the second stage of extension of Qinshan nuclear power plant moisture separator reheater project, Xuancheng 600MW thermal power unit Desulphurization Island project and Gucheng 300MW thermal power unit Desulphurization Island project, kept the Company in the leading position in such high-tech market as gas turbine and ultra super critical products, and laid a foundation for the Company's development in the fields of nuclear power and environment protection products.

董事長報告書(續) Chairman's Statement – (continued)

公司科技領先戰略成效顯著，公司堅持引進、吸收基礎上的再次創新和自主開發相結合的科技發展道路。自主開發的構皮灘水輪機模型轉輪在瑞士洛桑試驗台通過驗證，最高效率達95.17%，達到國際領先水平；大型空冷機組、超臨界機組投入成功，標誌著公司在重大產品的設計、製造上達到國際先進水平。代表國內大型火電機組發展方向的600MW、百萬千瓦級超超臨界汽輪機和汽輪發電機、電站鍋爐的技術引進、技術開發進展順利。

二零零五年，各生產性子公司的產品產量都超過了2000萬千瓦，再創歷史新高。得益於公司生產組織體系的有效運行和社會化協作體系的不斷完善，公司順利完成了全年生產任務，兌現了對用戶的承諾，維護了公司市場信譽。

為滿足秦皇島出海口基地二期建設的需要，根據公司股東周年大會的授權及董事會決議，公司增發8530萬股H股，募集資金淨額3.7億港元。增發結束後，公司股票價格持續上漲，本人特別向各位股東的信任和支援表示衷心感謝。

二零零六年，國內宏觀環境依然良好，公司在手任務飽滿，我們將繼續施行技術領先、國際化發展、機制創新、管理創新和以人為本的發展戰略，大力推進機制、體制改革，加快提高公司核心競爭力。

The Company has made a significant progress in the strategy of technology advancement. The Company pursued the technology development strategy by combining re-innovation and independent development on the basis of technology introduction and absorption. In particular, the self-developed Goupitan hydraulic turbine model runner has passed the test of EPFL-LMH, CH-1015 laboratory, Switzerland, with the highest efficiency up to 95.17%, of which has reached the leading international standard; the manufacturing of large scale air-cooling generating unit and ultra super critical unit has been successfully carried on, reflecting the Company's capability in heavy duty product designing and manufacturing has come up to the most advanced world standard; the technology introduction and development for manufacturing 600MW, 1000MW class ultra super critical steam turbine and turbine-generator and power plant boiler has been progressing smoothly.

In the year of 2005, the output of each productive subsidiary exceeded 20,000MW, recording its highest level ever. With the support of the effective implementation of producing organization system and the continuing improvement of social cooperation system, the Company has successfully achieved the annual production target, and thus fulfills its commitment to the customers and maintains the Company's good reputation.

On the basis of the authorization of the annual general meeting and the resolution of the board of directors, the Company further issued 85.3 million H shares and raised the net proceeds of HK\$370 million, to fund the second stage of Qinhuangdao Seaside Workshop Construction Project. After the placing, the Company's share price saw a continuous increase, I'm here to give my sincere acknowledgement and thanks to shareholders for their trust and support.

Given that the domestic macro environment is still positive, with full contracts on hand, we will seek to accelerate the mechanism and system renovation and to further increase the Company's leading competitive capability with implementation of technology advancement, international development, system renovation, management renovation and strategy of regarding human resource as the core of the Company's development in 2006.

董事長報告書(續)

Chairman's Statement – (continued)

公司將對今年生產過程加強科學組織力度，制定切實可行的解決措施；加強對所屬分、子公司的協調組織，科學調配內部資源，提高生產組織水平和市場競爭能力；積極學習、借鑒國際大公司選擇供應商的程序和方式，通過採用科學的供應鏈管理，真正整合社會資源為我所用，加快構建、完善現代化、社會化生產組織體系；加快對引進技術的消化、吸收和再創新，加強與國內科研院所、高等院校之間的技術交流與合作，充分借助科研院所和大專院校的人才優勢、技術優勢，增強公司自主創新能力；抓住新的發展機遇，研究市場對我們內部機制、體制的要求，積極進行業務流程重組和組織結構調整的研究和探索，為深化改革奠定基礎。

本人堅信，公司一定能夠把握住發展的機遇，在2006年取得新的業績，更好的回報各位股東的信任和支援。

董事長
耿雷

於中國•哈爾濱，二零零六年四月十四日

The Company will seek to strengthen the organization in a more scientific way and to develop an effective and practical solution for the production process; to improve the cooperation among its subsidiaries and branches and to allocate the interior resources scientifically, so as to realize further synergies and improve competitive capability; to learn the procedure and manner of supplier selection from famous multinational corporations, to conduct scientific management on the supply chain and make full use of the social resources to accelerate and reform modernization process and socialization of production organization system; strengthen the cooperation and technology exchange with domestic scientific research institutes and universities; speed up its step on the absorption of introduced technology, so as to fully improve the Company's capability of independent development and innovation through external personnel and technical edge; carry out business process reorganization and organization structure adjustment review through pursuing new develop opportunities, reinforcing understanding on the market's demand for our internal mechanism and system, to laid a foundation for further innovation.

I believe that the Company will grasp develop opportunity and make much more outstanding achievement in the work of 2006, and to reward our shareholders for their trust and support.

Chairman
Geng Lei

Harbin, the People's Republic of China, 14th April 2006