

董事長報告書

Chairman's Statement



董事長宮晶堃先生
Mr. Gong Jing Kun, Chairman

致各位股東：

本人榮幸的向各位股東提呈本公司2006年年度報告，並對一直關注、支持公司發展的各位股東致以最誠摯的謝意。

2006年，國民經濟繼續平穩快速發展，電力需求平穩增長，全國新增發電設備裝機容量創歷史最高，發電設備市場需求仍然旺盛，國家振興裝備製造業和振興東北老工業基地戰略進一步實施，為公司的發展提供了良好的市場和政策環境。

2006年度，在各位股東的關心、支持和全體同仁的共同努力下，公司在產品產量、主營業務收入、經營溢利等多項指標上創公司歷史新高，譜寫了公司發展史上的新篇章。

To all shareholders,

It is my honor to present our Company's 2006 Annual Report to the shareholders. I would like to take this opportunity to convey my most sincere gratitude to all the shareholders who have constantly concerned for and supported the development of our Company.

During the year of 2006, the national economy grew in a fast and steady pace and the demand for power grew accordingly. The installed capacity of new power generating equipments in the country achieved the new historical high and the demand of the power equipment market soared. The further implementation of the national strategy to revitalize the equipment manufacture industry and the northeast old industrial base has provided the Company with a healthy market and a positive policy environment.

During the year of 2006, thanks to the support of all shareholders and the hard work of all of our staff members, our Company has achieved record success in many areas, including the total production output, revenue from principle business activities, and operation profit. This year contributed a glorious brand new chapter to our Company's history.

董事長報告書(續)

Chairman's Statement – (continued)

截至2006年12月31日，公司實現了除稅及少數股東收益後溢利102,458萬元，比上年增長120.3%；實現營業額2,909,802萬元，比上年增長57.5%。（詳情見本年報《管理層論述與分析》一節）

董事會向股東大會建議從當年可供分配的利潤中提取123,912,540元人民幣向股東派發末期股息，即每股股息人民幣0.090元，回報各位股東的支持和厚愛。

公司取得了285億元的新接訂單，保持了在大型水電、重型燃機等方面的國內領先地位，鞏固了常規產品的市場佔有率。國際市場開發也取得了突出的成績。

與此同時，公司投入4.5億元科研費用，用以開發新產品、提高公司持久競爭能力，700MW級全空冷水輪發電機組等科研成果已達到國際領先水準。公司經受了歷史上產品產量最高峰的考驗，滿足了用戶的需求，經濟效益和各項管理工作水平均有較大提高。

為滿足核島主設備製造建設、大型抽水蓄能機組國產化等項目的建設需要，根據2005年股東周年大會的授權，公司在香港成功的增發了10,235.5萬股H股，募集資金淨額約10億港元，為公司進一步發展提供了強有力的資金保證。借此增發成功之際，本人向各位股東對公司發展的信任和支持致以衷心的感謝。

For the year ended 31st December, 2006, the Company recorded consolidated profit after taxation and minority interest of RMB1024.58 million, representing an increase of 120.3 per cent over last year. Turnover was RMB29,098.02 million, representing an increase of 57.5 per cent over last year. (Please see details in the section "Management Discussion and Analysis").

To acknowledge the support by our shareholders, the Board of Directors proposed at the shareholders' General Meeting the payment of a final dividend of RMB123,912,540 from the profit available for dividend, representing a dividend of RMB0.090 per share. This is our Company's return to the shareholders for their great support.

In the past year, the Company obtained new orders with an amount of RMB28.5 billion. This maintained the Company's leading position on the large hydropower generation equipment and heavy-duty gas turbine market in the country, and solidified the Company's market share of its regular products. The development of the international market also produced outstanding result.

Meanwhile, the Company invested RMB450 million in technological research, to help develop new products and maintain the Company's sustainable competitiveness. Our research result on all air-cooling 700 MW hydro-generators has become a leading success in the world. Our Company faced the challenge of record high demand on our products. However, we managed to satisfy customer demand, and the overall financial and managerial performance also improved substantially.

To satisfy the demands of projects such as the Nuclear Island main equipment production project and domestically produced large size pumped storage unit project, upon the approval of the shareholders' Annual General Meeting 2005, the Company issued additional 102.355 million H shares on Hong Kong Stock Exchange, raised a net capital of approximately 1 billion Hong Kong Dollars. This provided the Company with strong financial backup for further development. I would like to take this opportunity to convey my most sincere gratitude to all the trust and support extended to our Company's development by all of our shareholders.

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

公司於2006年9月召開了股東特別大會，選舉產生了第五屆董事會成員。新一屆董事會的獨立董事由上屆的3人增至5人，滙集了電力、金融、高校、機械製造等方面的專家、領導，保證了董事會的結構合理，更富活力。在此，我謹代表新一屆董事會感謝各位股東的信任，我們將繼承哈動力五十多年發展過程中積累的優良傳統，在歷屆董事會卓有成效工作的基礎上，以誠信、創新、團結、用戶至上為宗旨，以做中國最好、世界一流為目標，為公司發展竭盡全力。

2007年，中國國民經濟將又好又快的發展，我國電力發展將以調整電源結構為重點，按照構建和諧社會和走節約型發展道路的要求，隨著國家宏觀調控的加強，發電設備市場需求必然加快向環保、高效的高新技術產品發展，核電、IGCC、風電、抽水蓄能等產品的需求上升，標誌著發電設備市場進入了一個新的競爭階段。

A shareholders' Extraordinary Meeting was held in September 2006, and the fifth session of the Board of Directors was elected at the meeting. The number of independent directors sit on this new session of the Board of Directors was increased from three of last session to five. Its members include professionals from the fields of electrical power, financial, academic and mechanical engineering. Such composition ensured the vitality and proper structure of the Board of Directors. On behalf of the new Board of Directors, I would like to acknowledge the trust bestowed on us by the shareholders. We promise to carry forward the good tradition Harbin Power has established during its over fifty years of development. Based on the foundation of the effectiveness built by the previous Board of Directors, we promise to strive to the Company's development by holding sincerity, innovation, cooperation, customer first as our objectives, and by working toward the target of making our Company the best in China, and the first class in the world.

We are certain that in year 2007 China's national economy will continue to prosper. The development of power industry will focus on the adjustment of power source structure. To fulfill the aspiration of a harmonious society and an economized development pattern, and with the State strengthening its effort on macro-management, the power equipment market will be turning its head towards the development of new sophisticated technology products that are more environmentally friendly and more efficient. The demand for nuclear power, IGCC, wind power and pumped storage-based electric power generating equipments will rise and become the focus point of the market, indicating the power equipment market has entered a new competitive stage.

董事長報告書 (續)

Chairman's Statement – (continued)

2007年是公司承前啟後、再創輝煌的重要一年，經過前幾年的努力，我們取得了寶貴的市場訂單，有了2005年、2006年兩年生產高峰的經驗，各項技術改造工程進展順利。我們要以創新的精神、求實的態度、有效的措施充分利用當前的大好發展形勢，推動公司快速持久發展。我們要站在發電設備產品發展的最前沿，努力開發核電等環保、高效的新產品，在鞏固市場佔有率的同時，搶佔市場競爭的技術制高點。我們要以提高經濟效益為目標，大力整合內部資源，加強管理，實現資源的優化配置，為公司發展打下堅實的基礎。

本人堅信，公司一定能夠把握住難得的發展機遇，在2007年再創輝煌業績，以更大的收益去回報各位股東。

董事長
宮晶堃

於中國•哈爾濱2007年4月20日

Year 2007 is going to be an important year for us to create yet another bright year where the Company will take what past has left us while set a new course. Based on past years' effort, we have won valuable contracts. Armed with the experiences gained from the production peak of 2005 and 2006, all the technical adjustment projects are progressing well. We shall seize the opportunity presented; apply innovative spirit, down to earth attitude and effective measures to ensure the fast yet sustainable development of the Company. We shall be on the leading edge of the power equipment product development, endeavor to further advance environmentally friendly and efficient new products such as nuclear power. We shall occupy the cutting edge of the technological section of the market while cement our market share. We shall set the improvement of financial performance as our goal, integrate our internal resources, tighten up the management, and realize the optimization of resources to lay the solid foundation for the Company's development.

I believe that the Company will grasp develop opportunity and make much more outstanding achievement in 2007, and to reward our shareholders for their trust and support.

Chairman
Gong Jing-kun

Harbin, the People's Republic of China, 20th April, 2007