

公司管治報告

Corporate Governance Report

公司按照《公司法》、《證券法》及《企業管治常規守則》的有關規定，積極完善公司法人治理結構，規範公司運作。公司董事會設有戰略發展委員會、審核委員會、薪酬委員會和提名委員會，各專業委員會對董事會負責，其成員全部由董事組成，其中審核委員會、提名委員會、薪酬委員會中獨立董事佔多數並由獨立董事擔任委員會主任委員。公司以書面形式明確了各專業委員會的職責。

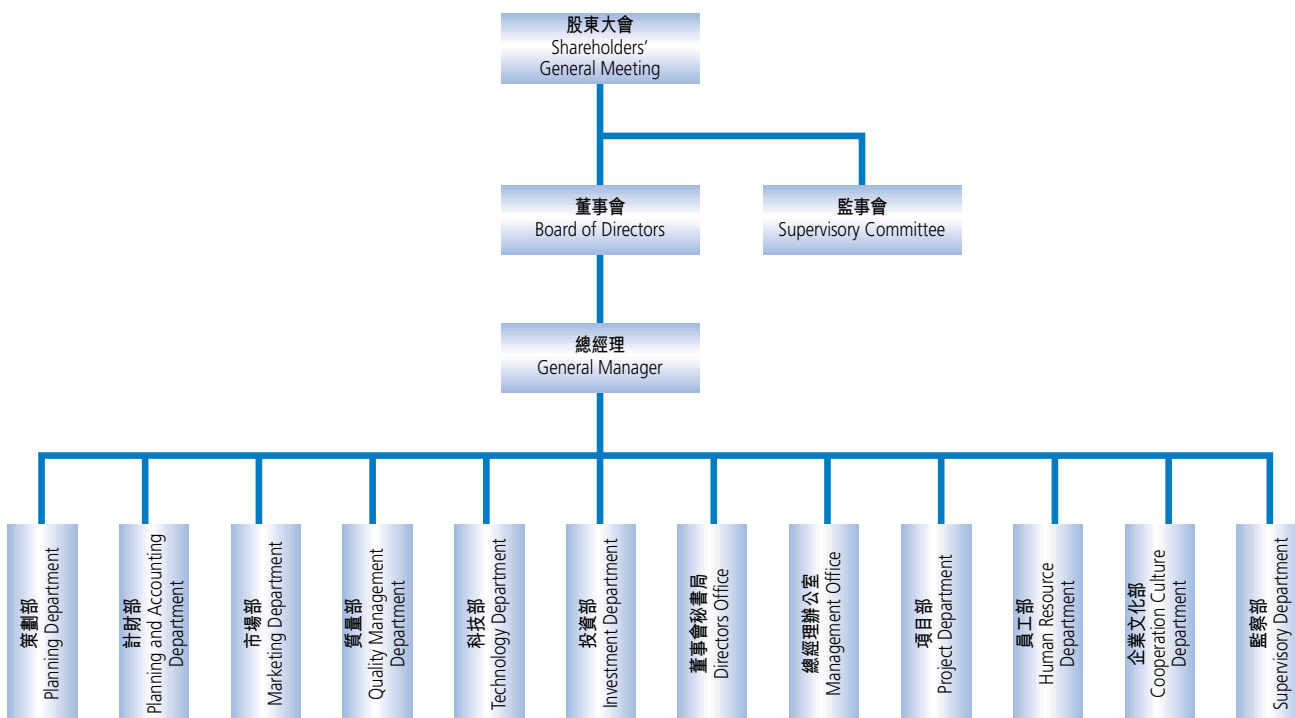
The Company has improved and perfected the company's corporate governing structure and standardized the Company's operation in accordance with relevant provisions of the PRC Company Law, the PRC Securities Law and the Code on Corporate Governance Practices. The Company's Board of Directors has set up a Strategic Development Committee, an Audit Committee, a Remuneration Committee and a Nominations Committee. All special committees report to the Board of Directors, and committees' members consist of the Directors of the Board. Independent Directors are the majorities in the Audit Committee, the Nominations Committee and the Remuneration Committee; the chairpersons in these committees are also independent Directors. The duties of these special committees are precisely outlined in writing by the Company.

於2006年期間，本公司全面遵守了《香港聯合交易所上市規則》附錄十四《企業管治常規守則》的規定。

During the year 2006, the Company fully complied with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited Appendix XIV: Code on Corporate Governance Practices.

管理架構

ORGANIZATION CHART



公司管治報告 (續)

Corporate Governance Report – (continued)

股東和股東大會

本公司的控股股東為哈爾濱電站設備集團公司，其為一家在中華人民共和國註冊的國有企業。

本公司保護股東的權益，平等對待所有股東，倡導股東積極參與公司治理。股東作為公司的所有者，享有法律、法規所規定的權利，並承擔相應的義務，股東對公司重大事項享有知情權和決定權。股東大會是公司的權力機構，依法行使職權。在批准關聯交易時，有利害關係的股東放棄在股東大會的投票權。

本公司2006年召開了一次股東周年大會和一次股東特別大會。

董事會

1. 構成

本公司董事會由11名董事組成，其中5名為獨立董事。本屆董事會是公司成立以來的第五屆董事會，各董事的任期自2006年9月29日起任期3年，到2009年9月29日屆滿。為了使董事會的決策更加科學、規範，公司董事會換屆時將獨立董事由上屆的3名，增加到本屆的5名，增加了相關專業知名人士。

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETING

The Harbin Power Plant Equipment Group Corporation, a stated-owned company registered in the People's Republic of China, is the controlling shareholder of the Company.

The Company protects shareholder's interests, treats all shareholders equally, and initiates participation of shareholders in corporate governance and management. Shareholders as the owner of the Company enjoy rights as laws and regulations provided and shoulder commensurate obligations. The shareholders enjoy rights to information and rights to decision-making for the Company's important matters. The General Meeting of Shareholders is the organ of authority of the Company, and it exercises its functions and power according to laws. In approving connected transactions, the shareholder with common interests should give up to vote at the General Meeting.

In 2006, the Company had an Annual General Meeting and an Extraordinary General Meeting.

BOARD OF DIRECTORS

1. Composition

The Company's Board of Directors is composed of eleven Directors, five of which are independent Directors. The current Board of Directors is the fifth Board of Directors of the Company. The Directors each has a term of three years calculated from 29th September, 2006; their term of office expires on 29th September, 2009. To ensure a more scientific, standardized decision making process, this session of Board of Directors increased the number of its independent Directors from three of last session to five; this session of Board of Directors also includes members who are well-known professionals of relevant professions.

公司管治報告 (續)

Corporate Governance Report – (continued)

董事會 (續)

1. 構成 (續)

公司董事長與總經理分別由不同人士擔任，並有明確分工。董事長主持董事會工作，檢查董事會決議執行情況，而總經理負責管理運作及統籌公司業務，執行董事會決議及做出日常決策。

各董事會成員的個人簡介載於本年報董事、監事與高級人員一節。

2. 獨立董事

公司本屆董事會有5名獨立董事。各獨立董事均熟悉上市公司董事、獨立董事的權力與義務。報告期內各獨立董事本着審慎負責、積極認真的態度出席董事會議，並充分發揮其經驗和特長，在完善公司治理和重大決策的制訂等方面做了大量工作，對公司重大決策和關聯交易等方面發表了中肯、客觀的意見，促進了董事會決策的規範化、科學化，維護了公司和廣大股東的利益。

本公司確認已收到每名獨立董事就其獨立性而作出的年度確認函。

BOARD OF DIRECTORS (continued)

1. Composition (continued)

Positions of the Chairperson of the Board of Directors and the General Manager are held by different individuals; their responsibility and duty are distinct and separate. The Chairperson of the Board of Directors presides over meetings of the Board of Directors and reviews on the implementation of resolutions passed by the Board of Directors. The General Manager is responsible for management and coordination of the operation of the Company, implementation of the resolutions passed by the Board of Directors and making decisions on a daily basis.

Biographies of the members of the Board of Directors are included in the Directors, Supervisors and Senior Management section of this Annual Report.

2. Independent Directors

This session of the Company's Board of Directors has five independent Directors. All the independent Directors are familiar with the powers and responsibilities of the Directors and independent Directors of a listed company. During the reporting period, all the independent Directors attended the meetings of Directors with the attitude of prudent and responsible; they fully utilized their experiences and specialties, contributed greatly toward the improvement and perfection of the corporate governance mechanism and the important decision making processes; they also provided pertinent, objective advices in regard to important decisions and connected transactions of the Company, further standardized the decision making process of the Board of Directors and making this process more scientific, therefore protected the interests of the company and the shareholders as a whole.

The Company has received annual confirmation from each of the independent Directors about his/her independence.

公司管治報告 (續)

Corporate Governance Report – (continued)

董事會 (續)

3. 董事會會議

年內本公司共舉行6次董事會議，討論公司的整體戰略、投資方案、營運及財務表現。本公司獨立董事對本公司決策事項未有異議。會議出席情況如下：

董事姓名

Name of Director

宮晶堃先生
趙克非先生
曲大庄先生
段洪義先生
商中福先生
吳偉章先生
周道炯先生
賈成炳先生
李荷君女士
丁雪梅女士
姜魁先生
耿雷先生
李根深先生
梁維燕先生
都興有先生

Mr. Gong Jing-kun
Mr. Zhao Ke-fei
Mr. Qu Da-zhuang
Mr. Duan Hong-yi
Mr. Shang Zhong-fu
Mr. Wu Wei-zhang
Mr. Zhou Dao-jiong
Mr. Jia Cheng-bing
Ms. Li He-jun
Ms. Ding Xue-mei
Mr. Jiang Kui
Mr. Geng Lei
Mr. Li Gen-shen
Mr. Liang Wei-yan
Mr. Du Xing-you

所有董事均能通過公司秘書及時獲得公司董事會必須遵守的法定、監管及其它持續責任的相關資料及最新動向，以確保其能了解應盡之職責，保證董事會的程序得以貫徹執行以及適用的法律、法規得以恰當遵守。本公司董事和董事會專業委員會有權根據工作要求聘請獨立專業機構為其服務，由此發生的合理費用由公司承擔。

BOARD OF DIRECTORS (continued)

3. Meetings of the Board of Directors

During the year, six Board of Directors' meetings were held to discuss the overall strategies, investment plans, operation and financial performance of the Company. The independent Directors have no dissenting opinions regarding any of the Company's resolutions. Attendances of the meetings are as follows:

應參加董事會次數 Attendance Required (No.)	親自出席(次) Attendance in Person (No.)	出席率 Attendance Ratio
6	5	83%
6	6	100%
3	3	100%
6	6	100%
6	6	100%
6	5	83%
6	5	83%
3	2	67%
3	3	100%
6	4	67%
3	3	100%
3	3	100%
3	3	100%
3	3	100%
3	2	67%

The relevant information and current development of the statutory, supervisory and other continuous responsibilities of the Company's Board of Directors can be obtained by all Directors through the Secretary of the Company in a timely fashion, so as all Directors understand his/her duties, and the procedures of the Board of Directors are properly implemented and applicable laws and regulations are correctly complied. The Directors and the Board of Directors' special committees have the right to appoint independent professional organizations for their service according to the requirement of their duties; the reasonable costs incurred in those occasions are born by the Company.

公司管治報告 (續)

Corporate Governance Report – (continued)

董事會 (續)

3. 董事會會議 (續)

本公司已採納香港聯合交易所上市規則附錄十《上市公司董事進行證券交易的標準守則》作為公司董事的標準守則。本公司已向所有董事做出查詢，所有董事已確認在報告期內其已完全遵守《上市公司董事進行證券交易的標準守則》。

董事會專門委員會

公司設立了審核委員會、薪酬委員會、提名委員會、戰略發展委員會等四個專門委員會，其成員全部由董事組成。

審核委員會

本公司第五屆董事會審核委員會成員包括：李荷君、丁雪梅、段洪義。審核委員會中獨立董事佔三分之二並由獨立董事李荷君擔任委員會主任委員，符合《上市規則》第3.21條的規定。

審核委員會在本年度的主要工作包括：審閱本集團的年度、半年度業績報告和財務報告；檢討本集團採納的會計政策及會計實務的有關事項；核實公司關聯交易，以符合公平、公正、公開的原則，充分保障小股東的利益；協助董事會對集團財務匯報程序和內部監控系統的有效性做出獨立評估，就公司的重大事項提供意見。

本年度審核委員會共舉行了2次會議。

BOARD OF DIRECTORS (continued)

3. Meetings of the Board of Directors (continued)

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix X of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as a model code for Directors of the company. Specific enquiries have been made of all Directors, who have confirmed their compliance with the Model Code for Securities Transactions by Directors of Listed Companies during the reporting period.

SPECIAL COMMITTEES UNDER BOARD

The Company has established four Special Committees, namely the audit committee, the Remuneration committee, the nominations committee and the strategy development committee; their members consist of Directors.

AUDIT COMMITTEE

The Audit Committee of the fifth session of the Board of Directors includes: Li He-jun, Ding Xue-mei, and Duan Hong-yi. Two-third of the members of the Audit Committee are independent Directors and independent Director Li He-jun is the chairperson of the Committee, as in accordance with the stipulation of the Listing Rule, Article 3.21.

The major functions of the Audit Committee during the past year include: review the Group's annual and bi-annual performance reports and Financial Reports; review the Group's relevant accounting policies and accounting practices; verify connected transactions on the ground of fairness, justness and openness so as to protect the interests of the minority shareholders; assist the Board of Directors to make independent assessment on effectiveness of the financial reporting procedures and internal audit system of the Group; and make recommendations regarding important matters of the Company.

During the year, two meetings were held by the Audit Committee.

公司管治報告 (續)

Corporate Governance Report – (continued)

監事會

本公司監事會由5名監事組成，其中職工代表監事2名，獨立監事1名。

(一) 期內監事會會議情況

期內監事會共召開了3次會議，主要內容如下：

1. 2006年4月14日召開第四屆監事會二次會議，會議通過本公司2005年度監事會報告，經審計的2005年度財務報告，2005年度年報及年報摘要。
2. 2006年8月25日召開第四屆監事會三次會議，會議通過本公司2006年半年度未經審計的財務報告、2006年半年度報告等議案。
3. 2006年9月29日，公司召開第五屆第一次監事會會議，選舉郎恩齊先生為監事會主席。

SUPERVISORY COMMITTEE

The Company's Supervisory Committee consists of five supervisors, of which two supervisors are representing staff and workers and one is independent supervisor.

(A) The Supervisory Committee Meeting in the period under review

The Supervisory Committee held three meetings in the period under review, the main contents of which are as follows:

1. The Second Meeting of the Fourth Term of Supervisory Committee was held on 14th April, 2006, the meeting proved the Company's report of Supervisory Committee 2005, Audited Financial Reports 2005 and Annual Report 2005 and its summary.
2. The Third Meeting of the Fourth Term of Supervisory Committee was held on 25th August, 2006, the meeting proved related proposals, including the Company's Interim Un-audited Financial Reports 2006 and Interim Reports 2006.
3. On 29th September, 2006, the Company held the First Supervisory Meeting and voted for Mr. Lang en-qi as Chairman of the Supervisory Committee.

公司管治報告 (續)

Corporate Governance Report – (continued)

監事會 (續)

(二) 監事會對公司2006年度有關事項的獨立意見

1. 公司依法運作情況

監事會依據國家有關法律、法規對2005年公司股東大會、董事會的召開程序、決議事項、董事會對股東大會決議的執行情況、公司管理制度的執行、經營管理的效能等進行了監督、檢查，認為公司2005年度嚴格按照《公司法》、《上市規則》、本公司章程及其它有關法規制度規範運作，經營決策科學合理，進一步完善了內部管理，建立了良好的內控機制。

2. 檢查公司財務情況

監事會認真審核了董事會準備提交股東大會審議的公司2005年度財務決算報告、公司2005年度利潤分配方案，經德勤關黃陳方會計師事務所審計並出具的2005年度財務審計報告等相關資料。監事會認為：公司2005年度財務審計報告真實可靠，客觀地反映了公司的財務狀況和經營成果。監事會同意境內外會計師事務所出具的公司財務審計報告。

SUPERVISORY COMMITTEE (continued)

(B) Independent Opinions of the Supervisory Committee to the Related Matters of the Company in the Year 2006

1. *The Company's Operating Validity*

According to related laws and regulations, the Supervisory Committee has supervised and examined the convening procedures of the General Meeting and the Board of Directors Meeting 2005, resolution matters, the Board of Directors' implementation of the General Meeting resolutions, the enforcement of the Company's management rules and the efficiency of the Company's operating and managing, and the Supervisory Committee deemed that the Company has operated strictly according with the related provisions of the PRC Company Law, the Listing Rules, the Articles of Association of the Company and other regulations; that the Company operates under scientific and proper decision making procedure; and that the Company further perfected its internal management and built favorable inner control system in 2005.

2. *Reviewing the Financial Situations of the Company*

The Supervisory Committee carefully reviewed the Company's Financial Balancing Report 2005, the Company's Profit Distribution Scheme 2005 and the Audited Financial Reports 2005 (audited and submitted by Deloitte Touche Tohmatsu, etc.), which the Board of Directors arranged to submit to the General Meeting. The Supervisory Committee deemed that the Company's audited Financial Reports 2005 was true and credible, which objectively presented the Company's financial situations and business results. The Supervisory Committee approved the Company's Financial Auditing Reports submitted by accounting offices both at home and abroad.

公司管治報告 (續)

Corporate Governance Report – (continued)

監事會 (續)

(二) 監事會對公司2006年度有關事項的獨立意見 (續)

3. 股東大會決議執行情況

監事會成員列席了董事會會議和股東大會會議，監事會對股東大會決議執行情況進行了監督，認為董事會能夠認真執行股東大會決議。

(三) 監事會履行監督職責情況

監事會依照法律和公司章程對公司董事、高管人員進行監督，認為公司董事、高管人員依法執行職務，未發現違反法律法規和公司章程的行為，未發現損害公司利益的行為。

SUPERVISORY COMMITTEE (continued)

(B) Independent Opinions of the Supervisory Committee to the Related Matters of the Company in the Year 2006 (continued)

3. *The Implementation of the General Meeting Resolutions*

The members of the Supervisory Committee participated in the Board of Directors Meeting and the General Meeting without voting, the Supervisory Committee supervised the implementation of the General Meeting resolutions, and deemed that the Board of Directors could carefully carry out the General Meeting decisions.

(C) The Implementation of Supervisory Duties by the Supervisory Committee

The Supervisory Committee supervised the Directors and senior managers of the Company in accordance with the related laws and the Articles of Association of the Company, and deemed that the Directors and senior managers of the Company carried out their duties lawfully, without any act against the related laws and regulations and the Articles of Association of the Company or the interests of the Company.

公司管治報告(續)

Corporate Governance Report – (continued)

信息披露與監管

公司不斷加強信息披露和推進投資者關係管理工作，公司信息披露負責機構為董事會秘書局。公司嚴格按照相關法律法規、公司章程及上市規則的信息披露規定，做到信息披露公開、公平、真實、準確、完整、及時，提高公司的透明度。在加強投資者關係管理工作中，及時發佈中期業績報告和年度業績報告，認真接待來訪的投資者、積極參與投資者論壇，並通過舉辦電話會議、舉行業績說明會等活動，向投資者闡述公司的最新動向和發展前景。本公司強化關聯交易的監管，關聯交易都必須經過獨立董事嚴格審核。

本公司將嚴格按照境內外證券監管機構的有關法律、法規的要求，嚴格履行各項義務，不斷完善公司治理結構，提高公司管理水準。

INFORMATION PUBLICATION AND SUPERVISION

The Company continuously improves information publication management and enhances the investor communication management; the board secretaries department of the Company is responsible for the information publication. The Company discloses information on an open, fair, true, accurate, complete and timely ground and strictly in accordance with the related disclosure requirements of relative laws and regulations, the Article of Association of the Company and Listing Rules, and improves the Company's transparency. In order to improve the communication with investors, the Company issues its Interim Report and Annual Reports timely, provides quality services to investing visitors and participates in investor forums, and illustrates to the investors the Company's latest development and vision through telephone meetings and performance presentations. The Company strengthens its supervision on connected transactions, and all connected transactions must be reviewed by independent Directors.

The Company will perform its duties, continuously enhance its governance structure and improve its management strictly in accordance with related laws and regulations of securities supervisory organizations at home and abroad.