哈爾濱動力設備股份有限公司

Harbin Power Equipment Company Limited

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1133)

RESULTS REPORT SUMMARY OF 2007

The Board of Directors of Harbin Power Equipment Company Limited is pleased to announce the audited Annual Results Report and Financial Statement of the Company and its subsidiaries (the Group) prepared in accordance with accounting principles generally accepted in Hong Kong for the year ended 31st December 2007 (Unless otherwise specified, the amounts are expressed in Renminbi).

RESULTS

As at 31st December 2007, the Group recorded revenue from principal operations of Rmb27,648.58 million, a decrease of 4.98 per cent over last year. Net consolidated profit recorded Rmb1,527.98 million, an increase of 49.13 per cent over last year. Earnings per share recorded Rmb1.12, an increase of Rmb0.32 over the same period of last year.

DIVIDENDS

The Board of Directors recommends to declare a dividend of Rmb0.091 per share for the year 2007 (2006: Rmb0.090 per share). Dividend for shareholders of H shares will be paid in Hong Kong dollars; the exchange rate used is based on average closing rate of the People's Bank of China during the five days preceding the date of declaring final dividend. The final dividend for every H share will be HK$0.1012. The dividend will be distributed on or before the date of 1st August 2008 to shareholders whose names appear on the Register of Members on 6th May 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of members of the Company will be closed from 6th May 2008 to 5th June 2008, both days inclusive, during which period no transfer of shares can be registered. Shareholders whose names appear on the Register of Members on 6th May 2008 shall be entitled the dividend payment for the year 2007.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2007

	Notes	2007 Rmb'000	2006 Rmb'000
Turnover	3	**27,648,584**	29,098,016
Cost of sales		**(23,320,873)**	(25,859,035)
Gross profit		**4,327,711**	3,238,981
Other income		**355,042**	384,251
Distribution costs		**(413,613)**	(365,340)
Administrative expenses		**(1,886,760)**	(1,544,047)
Other expenses		**(149,151)**	(25,583)
Finance costs		**(154,858)**	(156,654)
Share of results of associates		**37,449**	11,965
Profit before taxation		**2,115,820**	1,543,573
Income tax expense		**(331,246)**	(272,218)
Profit for the year	5	**1,784,574**	1,271,355
Attributable to:			
Equity holders of the Company		**1,527,979**	1,024,581
Minority interests		**256,595**	246,774
		1,784,574	1,271,355
Dividends	6	**123,913**	77,742
Earnings per share-basic	7	**Rmb112.3 cents**	Rmb80.4 cents

CONSOLIDATED BALANCE SHEET
At 31st December, 2007

	Notes	2007 Rmb'000	2006 Rmb'000
Non-currents assets			
Property, plant and equipment	8	**2,856,048**	2,661,786
Investment properties		**287,605**	303,075
Prepaid lease payments		**358,098**	361,412
Patents		**126,202**	73,626
Deferred tax assets		**87,105**	–
Interests in associates		**128,101**	168,448
Available-for-sale investments		**28,074**	30,947
		3,871,233	3,599,294
Current assets			
Inventories	9	**10,167,289**	11,503,691
Trade debtors	10	**8,994,565**	6,577,935
Bills receivable	10	**208,710**	316,855
Other debtors, deposits and prepayments	10	**5,339,159**	6,049,210
Prepaid lease payments		**11,760**	10,589
Amounts due from customers for contract work		**3,632,591**	3,541,262
Amounts due from fellow subsidiaries		**67,327**	54,741
Restricted bank deposits		**6,630**	12,000
Pledged bank deposits		**169,684**	40,500
Bank deposits	11	**940,000**	581,209
Cash and cash equivalents	11	**8,681,542**	5,157,262
		38,219,257	33,845,254
Current liabilities			
Amounts due to customers for contract work		**758,315**	687,187
Trade creditors	12	**5,267,391**	6,539,743
Other creditors and accrued charges	12	**2,757,797**	1,470,850
Deposits received		**17,182,390**	16,077,384
Amounts due to shareholders		**–**	1,071
Amounts due to fellow subsidiaries		**23,426**	12,952
Advance from holding company		**103,956**	277,551
Tax liabilities		**1,057,226**	490,976
Borrowings-due within one year	13	**753,387**	501,117
		27,903,888	26,058,831
Net current assets		**10,315,369**	7,786,423
Total assets less current liabilities		**14,186,602**	11,385,717

	Notes	**2007**	2006
		Rmb'000	*Rmb'000*
CAPITAL AND RESERVES			
Share capital	*14*	**1,376,806**	1,274,451
Reserves		**5,836,187**	3,557,016
Equity attributable to equity holders of the Company		**7,212,993**	4,831,467
Minority interests		**1,199,417**	947,931
TOTAL EQUITY		**8,412,410**	5,779,398
Non-current liabilities			
Deposits received		**1,621,598**	1,510,798
Borrowings-due after one year	*13*	**4,009,892**	3,871,921
Advance from holding company		**142,702**	223,600
		5,774,192	5,606,319
		14,186,602	11,385,717

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2007

	Notes	2007 Rmb'000	2006 Rmb'000
Cash flows from operating activities			
Profit before taxation		**2,115,820**	1,543,573
Adjustments for:			
Allowance for bad and doubtful debts		**262,962**	291,820
Allowance for inventories		**92,613**	113,526
Release of prepaid lease payments		**11,760**	10,589
Amortisation of patents		**71,195**	11,008
Depreciation of property, plant and equipment		**372,479**	296,455
Depreciation of investment properties		**21,906**	15,640
Finance costs		**154,858**	156,654
Impairment loss recognized in respect of available-for-sale investments		**–**	5,299
Impairment loss recognized in respect of investment properties		**2,520**	–
Impairment loss recognized in respect of patents		**8,403**	3,000
Impairment loss recognized in respect of property, plant and equipment		**46,886**	–
Dividend income		**(794)**	(40,594)
(Gain)/Loss on disposal of available-for-sale investments		**(39,136)**	4,196
Loss on disposal of property, plant and equipment		**614**	508
Loss on deemed disposal of a subsidiary		**–**	5,750
Interest income		**(229,852)**	(178,803)
Property, plant and equipment written off		**14,715**	2,584
Share of results of associates		**(37,449)**	(11,965)
Reversal of impairment loss recognised in respect of available-for-sale investments		**–**	(343)
Reversal of allowance for bad and doubtful debts		**(10,943)**	(5,003)
Reversal of impairment loss of property, plant and equipment		**(570)**	–
Reversal of allowance for inventories		**(35,709)**	(7,287)
Operating profit before working capital changes		**2,822,278**	2,216,607
Decrease in inventories		**1,279,498**	1,025,388
Increase in trade debtors		**(2,679,592)**	(2,610,090)
Decrease/(Increase) in bills receivable		**108,145**	(146,446)
Decrease in other debtors, deposits and prepayments		**720,994**	1,633,705
Increase in amounts due from customers for contract work		**(91,329)**	(1,462,486)
Decrease/(Increase) in amounts due from associates		**77,796**	(76,606)
Increase in amounts due from fellow subsidiaries		**(12,586)**	(11,031)
Increase in amounts due to customers for contract work		**71,128**	336,265
(Decrease)/Increase in trade creditors		**(1,272,352)**	2,153,855
Increase in other creditors and accrued charges		**1,286,947**	718,830
Increase/(Decrease) in deposits received		**1,215,806**	(5,635,462)
Increase in amount due to holding company		**–**	204,255
(Decrease)/Increase in amounts due to shareholders		**(1,071)**	866
Increase in amounts due to fellow subsidiaries		**10,474**	12,952
Increase in value added tax and other taxes payable		**274,530**	265,614
Cash from/(used in) operations		**3,810,666**	(1,373,784)
Dividends paid		**(123,913)**	(77,742)
Income tax paid		**(126,631)**	(188,799)
Net cash generated from (used in) operating activities		**3,560,122**	(1,640,325)

	2007	2006
	Rmb'000	*Rmb'000*
Cash flows from investing activities		
Proceeds from disposal of available-for-sale investments	**20,799**	1,377,743
New cash inflow from acquisition of subsidiaries	**–**	101,053
Decrease in bank deposits	**(358,791)**	(296,407)
Interest received	**229,852**	178,803
Proceeds from disposal of property, plant and equipment	**21,263**	11,169
Proceeds from disposal of derivative financial instruments	**–**	344
Dividend received	**794**	44,057
(Increase)/Decrease in pledged bank deposits	**(129,184)**	314,500
Purchases of investment properties	**(8,956)**	–
Purchases of property, plant and equipment	**(649,649)**	(479,794)
Additions to prepaid lease payments	**(9,617)**	–
Purchase of patents	**(132,174)**	(11,805)
Decrease in restricted bank deposits	**5,370**	–
Net cash (used in)/from investing activities	**(1,010,293)**	1,239,663
Cash flows from financing activities		
New bank loans raised	**1,298,322**	1,508,100
Proceeds from issue of shares	**993,561**	–
Other loans raised	**23,634**	67,892
Advance from holding company	**(254,493)**	(119,400)
Repayment of bank loans	**(895,234)**	(294,258)
Interest paid	**(154,858)**	(156,975)
Repayment of other loans	**(36,481)**	(43,341)
Net cash from financing activities	**974,451**	962,018
Net increase in cash and cash equivalents	**3,524,280**	561,356
Cash and cash equivalents at the beginning of the year	**5,157,262**	4,595,906
Cash and cash equivalents at the end of the year	**8,681,542**	5,157,262
Analysis of cash and cash equivalents at the end of the year		
Bank balances and cash	**8,331,542**	4,845,708
Bank deposits	**350,000**	311,554
	8,681,542	5,157,262

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2007

1. GENERAL

The Company is established as a joint stock limited company in the People's Republic of China (the "PRC"), and its H shares are listed on The Stock Exchange of Hong Kong Limited. Its holding company is Harbin Power Plant Equipment Group Corporation ("HPEGC"), a state-owned enterprise incorporated in the PRC. The address of the registered office and principal place of business of the Company are disclosed in the company information of the annual report.

The financial statements are presented in Renminbi, which is the same as the functional currency of the Company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

During the current year, the Group has adopted, for the first time, the following new standards, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosure
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early adopted the following new standards, amendment or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] Effective for annual periods beginning on or after 1st January, 2009
[2] Effective for annual periods beginning on or after 1st March, 2007
[3] Effective for annual periods beginning on or after 1st January, 2008
[4] Effective for annual periods beginning on or after 1st July, 2008

The directors of the Company anticipate that the application of these new standards, amendment or interpretations may results in new or amended disclosures but it is unlikely to have impact on the results and the financial position of the Group.

3. TURNOVER

Turnover represents the amounts received and receivable for goods sold and services rendered by the Group to outside customers during the year, net of value added tax ("VAT") and sales returns, and is analysed as follows:

	2007	2006
	Rmb'000	*Rmb'000*
Sales of goods	**22,348,577**	22,912,057
Revenue from construction contracts	**5,052,361**	5,948,694
Sales of properties	**220,306**	206,784
Rental income	**24,479**	26,170
Services rendered	**2,861**	4,311
	27,648,584	29,098,016

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

The Group operates in five major segments as follows-main thermal power equipment, main hydro power equipment, engineering services for power stations, ancillary equipment for power stations and AC/DC motors and others.

Principal activities are as follows:

Main thermal power equipment	–	manufacture of main thermal power equipment.
Main hydro power equipment	–	manufacture of main hydro power equipment.
Engineering services	–	providing engineering services for power stations.
Ancillary equipment	–	manufacture of ancillary equipment for power stations.
AC/DC motors and others	–	manufacture of AC/DC motor and others.

Segment information about these businesses is presented below.

2007

	Main thermal power equipment *Rmb'000*	Main hydro power equipment *Rmb'000*	Engineering services for power stations *Rmb'000*	Ancillary equipment for power stations *Rmb'000*	AC/DC motors and others *Rmb'000*	Eliminations *Rmb'000*	Consolidated *Rmb'000*
REVENUE							
External sales	20,463,511	2,172,504	2,090,704	1,124,500	1,797,365	–	27,648,584
Inter-segment sales	1,223,875	–	–	–	5,098	(1,228,973)	–
Total revenue	21,687,386	2,172,504	2,090,704	1,124,500	1,802,463	(1,228,973)	27,648,584

Inter-segment sales are charged at prevailing market rates.

	Main thermal power equipment *Rmb'000*	Main hydro power equipment *Rmb'000*	Engineering services for power stations *Rmb'000*	Ancillary equipment for power stations *Rmb'000*	AC/DC motors and others *Rmb'000*	Eliminations *Rmb'000*	Consolidated *Rmb'000*
SEGMENT RESULTS	3,417,779	305,648	44,892	317,754	241,638	–	4,327,711
Unallocated corporate expenses							(2,094,482)
Finance costs							(154,858)
Share of results of associates							37,449
Profit before taxation							2,115,820
Income tax expense							(331,246)
Profit for the year							1,784,574
ASSETS							
Segment assets	20,811,910	1,969,860	4,706,676	1,077,262	2,774,206		31,339,914
Interests in associates							128,101
Unallocated corporate assets							10,622,475
Consolidated total assets							42,090,490
LIABILITIES							
Segment liabilities	19,691,571	2,085,136	1,864,180	1,043,768	1,832,941		26,517,596
Unallocated corporate liabilities							7,160,484
Consolidated total liabilities							33,678,080
OTHER INFORMATION							
Capital additions	462,111	33,412	37,326	26,276	241,271	–	800,396
Depreciation of property, plant and equipment	181,466	49,558	16,967	7,528	116,960	–	372,479
Depreciation of investment properties	4,391	777	–	231	16,507	–	21,906
Amortisation of patents	64,504	102	–	3,656	2,933	–	71,195
Release of prepaid lease payments	8,840	1,655	6	402	857	–	11,760

2006

	Main thermal power equipment *Rmb'000*	Main hydro power equipment *Rmb'000*	Engineering services for power stations *Rmb'000*	Ancillary equipment for power stations *Rmb'000*	AC/DC motors and others *Rmb'000*	Eliminations *Rmb'000*	Consolidated *Rmb'000*
REVENUE							
External sales	21,836,612	1,608,561	3,007,672	1,053,026	1,592,145	–	29,098,016
Inter-segment sales	594,910	–	–	–	–	(594,910)	–
Total revenue	22,431,522	1,608,561	3,007,672	1,053,026	1,592,145	(594,910)	29,098,016

Inter-segment sales are charged at prevailing market rates.

	Main thermal power equipment *Rmb'000*	Main hydro power equipment *Rmb'000*	Engineering services for power stations *Rmb'000*	Ancillary equipment for power stations *Rmb'000*	AC/DC motors and others *Rmb'000*	Eliminations *Rmb'000*	Consolidated *Rmb'000*
SEGMENT RESULTS	2,646,262	112,097	5,199	265,585	209,838	–	3,238,981
Unallocated corporate expenses							(1,550,719)
Finance costs							(156,654)
Share of results of associates							11,965
Profit before taxation							1,543,573
Income tax expense							(272,218)
Profit for the year							1,271,355
ASSETS							
Segment assets	21,334,476	1,516,546	4,153,891	939,075	2,084,830	–	30,028,818
Interests in associates							168,448
Unallocated corporate assets							7,247,282
Consolidated total assets							37,444,548
LIABILITIES							
Segment liabilities	20,677,518	1,716,088	638,293	812,630	1,560,156	–	25,404,685
Unallocated corporate liabilities							6,260,465
Consolidated total liabilities							31,665,150
OTHER INFORMATION							
Capital additions	380,569	36,614	2,470	24,451	110,508	–	554,612
Depreciation of property, plant and equipment	216,443	34,263	2,905	12,597	30,247	–	296,455
Depreciation of investment properties	7,581	5,526	–	78	2,455	–	15,640
Amortisation of patents	7,879	–	–	427	2,702	–	11,008
Release of prepaid lease payments	8,179	1,211	–	322	877	–	10,589

Geographical segments

The Group's operations are located mainly in the People's Republic of China ("PRC"). The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/ services:

	2007	2006
	Rmb'000	*Rmb'000*
PRC	**25,491,509**	25,553,963
Overseas	**2,157,075**	3,544,053
Total revenue	**27,648,584**	29,098,016

The majority of the Group's assets and liabilities are located in the PRC. The assets and liabilities situated overseas account for less than 10% of the Group's assets and liabilities as at 31st December, 2007 and 2006.

5. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2007	2006
	Rmb'000	*Rmb'000*
Staff costs including directors' and supervisors' emoluments	**875,268**	825,540
Retirement benefit scheme contributions	**216,744**	172,470
Total staff costs	**1,092,012**	998,010
Allowance for bad and doubtful debts	**262,962**	291,820
Allowance for inventories	**92,613**	113,526
Amortisation of patents	**71,195**	11,008
Release of prepaid lease payments	**11,760**	10,589
Auditors' remuneration	**2,500**	2,650
Depreciation for investment properties	**21,906**	15,640
Depreciation for property, plant and equipment	**372,479**	296,455
Loss on disposal of available-for-sale investments	**–**	4,196
Loss on disposal of property, plant and equipment	**614**	508
Impairment loss recognized in respect of available-for sale investments (included in other expenses)	**–**	5,299
Impairment loss recognized in respect of patents	**8,403**	3,000
Impairment loss recoginized in respect of investment properties	**2,520**	–
Impairment loss recognized in respect of property, plant and equipment	**46,886**	–
Net foreign exchange loss	**104,286**	32,728
Property, plant and equipment written off	**14,715**	2,584
Research and development expenses	**463,893**	452,740

6. DIVIDENDS

	2007	2006
	Rmb'000	*Rmb'000*
Payment of 2006 final dividend of Rmb0.09 (2005: Rmb0.061) per share	**123,913**	77,742

The final dividend for 2007 of Rmb0.091 (2006: Rmb0.090) per share has been proposed by the board of directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

7. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit for the year of approximately Rmb1,527,979,000 (2006: Rmb1,024,581,000) and on the weighted average number of shares of 1,359,981,000 (2006: 1,274,451,000).

No diluting events existed as the Company did not have any potential shares for the two years or at each of the balance sheet dates. Accordingly, diluted earnings per share amounts for the two years ended 31st December 2007 and 2006 have not been disclosed.

8. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Buildings	**Plant and machinery**	**Furniture, fixtures and equipment**	**Motor vehicles**	**Construction-in-progress**	**Total**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
COST						
At 1st January, 2006	1,219,128	2,555,267	266,847	68,190	492,824	4,602,256
Additions	10,486	31,628	7,935	7,246	422,820	480,115
Acquisition from subsidiaries	13,013	17,626	1,517	1,766	1,825	35,747
Transfers	54,747	259,335	14,627	8,454	(337,163)	–
Transferred to prepaid lease payments	–	–	–	–	(37,716)	(37,716)
Transferred to patents	–	–	–	–	(8,994)	(8,994)
Written off	(949)	(23,480)	(3,587)	(3,050)	–	(31,066)
Disposals	(700)	(8,232)	(4,953)	(8,940)	–	(22,825)
At 1st January, 2007	1,295,725	2,832,144	282,386	73,666	533,596	5,017,517
Reclassification	–	(69,902)	–	69,902	–	–
Additions	6,430	78,548	22,167	84,852	457,652	649,649
Transfers	20,408	148,681	27,202	9,664	(205,955)	–
Written off	(1,509)	(72,817)	(14,626)	–	–	(88,952)
Disposals	(8,780)	(44,390)	(24,941)	(4,009)	–	(82,120)
At 31st December, 2007	1,312,274	2,872,264	292,188	234,075	785,293	5,496,094

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction-in-progress	Total
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
DEPRECIATION						
At 1st January 2006	443,508	1,491,491	126,382	37,525	–	2,098,906
Charge for the year	44,574	213,456	27,667	10,758	–	296,455
Written off	(792)	(21,897)	(1,872)	(3,921)	–	(28,482)
Eliminated on disposals	(104)	(5,748)	(37)	(5,259)	–	(11,148)
At 1st January, 2007	487,186	1,677,302	152,140	39,103	–	2,355,731
Reclassification	–	(53,962)	–	53,962	–	–
Charge for the year	44,470	274,739	31,628	21,642	–	372,479
Impairment	–	–	–	36,586	10,300	46,886
Reversal of impairment	–	(537)	(33)	–	–	(570)
Written off	(168)	(60,399)	(13,670)	–	–	(74,237)
Eliminated on disposals	(2,096)	(42,168)	(12,511)	(3,468)	–	(60,243)
At 31st December, 2007	529,392	1,794,975	157,554	147,825	10,300	2,640,046
NET BOOK VALUE						
At 31st December, 2007	782,882	1,077,289	134,634	86,250	774,993	2,856,048
At 31st December, 2006	808,539	1,154,842	130,246	34,563	533,596	2,661,786

9. INVENTORIES

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Raw materials	**3,410,013**	3,469,434	**2,167**	1,730
Work in progress	**5,744,762**	6,866,210	**163,068**	246,229
Finished goods	**663,877**	752,116	**8,297**	4,261
Properties under development	**218,485**	242,361	**–**	–
Completed properties held for sale	**130,152**	173,570	**–**	–
	10,167,289	11,503,691	**173,532**	252,220

10. TRADE DEBTORS/BILLS RECEIVABLE/OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically.

	2007	2006
	Rmb'000	*Rmb'000*
Trade debtors	**9,819,274**	7,142,217
Less: Allowance for doubtful debts	**(824,709)**	(564,282)
	8,994,565	6,577,935
Bills receivables	**208,710**	316,855
Other debtors, deposits and prepayments	**5,339,159**	6,049,210
	14,542,434	12,944,000

The following is an aged analysis of trade debtors net of allowance for doubtful debts at the balance sheet date:

	THE GROUP	
	2007	2006
	Rmb'000	*Rmb'000*
Within 1 year	**6,000,510**	4,822,335
1 to 2 years	**2,083,009**	1,537,061
2 to 3 years	**860,094**	200,477
Over 3 years	**50,952**	18,062
	8,994,565	6,577,935

Movement in allowance for doubtful debts of trade debtors

	THE GROUP	
	2007	2006
	Rmb'000	*Rmb'000*
Balance at beginning of the year	**564,282**	346,137
Impairment losses recognized on receivables	**262,962**	222,528
Amounts written off as uncollectible	**(2,535)**	–
Amounts recovered during the year	**–**	(4,383)
Balance at end of the year	**824,709**	564,282

The fair value of the Group's trade debtors and other debtors at 31st December, 2007 and 2006 approximates to the corresponding carrying amount.

11. BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Cash and bank balances	**8,331,542**	4,845,708	**890,545**	939,437
Time deposits, matured within 3 months	**350,000**	311,554	**300,000**	–
	8,681,542	5,157,262	**1,190,545**	939,437
Time deposits, matured over 3 months	**940,000**	581,209	**–**	433,307

As at 31st December, 2007, a total of Rmb6,665,175,000 (2006: Rmb5,013,653,000) were denominated in Renminbi and deposited with banks in the PRC. The conversion of these Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The weighted average effective interest rates on bank deposits as at 31st December, 2007 were 3.28% (2006: 2.43%).

The directors consider that the carrying amounts approximate their fair value.

12. TRADE CREDITORS/OTHER CREDITORS AND ACCRUED CHARGES

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Trade creditors	**5,267,391**	6,539,743	**385,629**	308,792
Other creditors and accrued charges	**2,757,797**	1,470,850	**261,283**	363,137
	8,025,188	8,010,593	**646,912**	671,929

An aged analysis of trade creditors at the balance sheet date is as follows:

	THE GROUP	
	2007	2006
	Rmb'000	*Rmb'000*
Within 1 year	**3,522,251**	4,861,066
1 to 2 years	**1,298,712**	1,534,830
2 to 3 years	**305,767**	63,917
Over 3 years	**140,661**	79,930
	5,267,391	6,539,743

13. BORROWINGS

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Bank loans	**4,668,010**	4,264,922	**200,000**	475,000
Other loans	**95,269**	108,116	**27,420**	–
	4,763,279	4,373,038	**227,420**	475,000
Secured	**4,472,810**	574,722	**–**	340,000
Unsecured	**290,469**	3,798,316	**227,420**	135,000
	4,763,279	4,373,038	**227,420**	475,000
The borrowings are repayable as follows:				
Within one year	**753,387**	501,117	**200,000**	220,000
One to five years	**2,470,336**	2,454,000	**–**	255,000
Over five years	**1,539,556**	1,417,921	**27,420**	–
	4,763,279	4,373,038	**227,420**	475,000
Less: Amounts due within one year classified as current liabilities	**(753,387)**	(501,117)	**(200,000)**	(220,000)
	4,009,892	3,871,921	**27,420**	255,000

14. SHARE CAPITAL

	2007	2006
	Rmb'000	*Rmb'000*
Registered, issued and fully paid:		
State owned equity interest shares of Rmb1 each	**701,235**	711,470
H Shares of Rmb1 each	**675,571**	562,981
	1,376,806	1,274,451

The movements in share capital are as follows:

	Number of shares in issue	**Issued share capital**	**Share premium**	**Total**
		Rmb'000	*Rmb'000*	*Rmb'000*
At 1st January, 2006 & 2007	1,274,451,000	1,274,451	1,089,089	2,363,540
Issue of H shares	112,590,000	112,590	914,623	1,027,213
Share issue expenses	–	–	(23,417)	(23,417)
Conversion of state owned equity interest shares	(10,235,000)	(10,235)	–	(10,235)
At 31st December, 2007	1,376,806,000	1,376,806	1,980,295	3,357,101

On 2nd March, 2007, the Company has issued 112,590,000 H shares of Rmb1 each at a price of HK$10 (equivalent to approximately Rmb9.915) per share. Of all the newly issued H shares, 10,235,000 H shares were converted from the stated owned equity interest shares. The aggregate net proceeds were approximately HK$1,002,268,000 (equivalent to approximately Rmb993,748,000) after deducting related expenses for the placing of approximately HK$23,618,000 (equivalent to approximately Rmb23,417,000).

Pursuant to a resolution at the annual general meeting on 7th December, 2006 and approvals from relevant government authorities during the listing of the Company's H shares, certain of the Company's State-owned equity interest shareholders converted an aggregate of 10,235,500 State-owned equity interest shares into H shares and offered them in the placement of the Company's H shares. Net proceeds of approximately Rmb99,375,000 obtained from the newly issued H shares were related to such conversion and such proceeds would be remitted to the National Council for the Social Security Fund in accordance with the relevant PRC government requirement.

Except for the currency in which dividends are paid and restrictions as to whether the shareholders can be PRC investors or foreign investors, state owned equity interest shares and H shares rank pari passu in all respects with each other.

MANAGEMENT DISCUSSION AND ANALYSIS

Macro-economy & Industry Development

In the year of 2007, China economy continued to develop steadily and rapidly, with a 11.4 per cent increase in GDP growth over last year. As the rapid development of national economy and the improvement of people's life standard, overall domestic power consumption amounted to 3,245.8 billion KW/h, an increase of 14.42 per cent over last year. National power generation amounted to 3,255.9 billion KW/h, an increase of 14.44 per cent over last year. The new approved start-up projects reached 100.09MW, while the total capacity surpassed 700,000MW to 713,290MW, an increase of 14.36 per cent over last year. The strong demand for power keeps promoting the rapid development of power generation equipment industry.

New Contracts

In the year of 2007, the new-receiving contracts of the Group have already amounted to Rmb51.3 billion, representing an increase of 80% over Rmb28.5 billion in 2006, among which the thermal power equipments contracts have reached Rmb35.8 billion, and for hydro power equipments is Rmb3.6 billion, and Rmb7.0 billion for engineering services, Rmb1.0 billion for gas turbines and Rmb3.9 billion for others. The Group complied with energy development policies of the State and traditional products with good efficiency and great market demand, responded to the demand from the market, accelerated the development of hi-tech products and environmental friendly products such as ultra super critical products, hydropower main equipment, heavy duty gas turbines and nuclear power products, and achieved profound results.

In the hydro power front: Upon the excellent performance achieved by the generator units in the right shore of the Three Gorges, the Group also signed contract for 2 x 700MW hydro power turbine generator units for the underground power station of the Three Gorges. The Group also won several major hydro power projects, such as the contract for 6 x 650MW hydro power turbine generator units of Nuozhadu power station and 4 x 600MW generator units of Guandi power station in Sichuan. The Group continued to maintain its leading edge in the major hydro power equipment market in China.

In the Thermal Power front: New products were developed, and products types of the Group were increased. For example, supply contracts were signed with Huaneng Ruijin for the first set of super critical 350MW boiler, generator and main power equipment, with Huadian Zhenghong for the 600MW super critical "W" fire boiler, with Huaneng for 9 x 670MW the first super critical tower brown coal boiler, and with Datang International Shanxi Dingxiang for the world's first ultra super critical 1,000MW air cooling steam turbine and generator units.

In the Nuclear Power front: After signing the world's first third generation 1,000MW class AP1000 conventional nuclear island project (Sanmen Nuclear Project in Zhejiang Province), the Group also signed the turbine generator units equipment contract for Haiyang Nuclear Power project of Shandong Nuclear Power Co., Ltd. The contract took effect at the beginning of 2008.

In the gas power front: The Group obtained the supply contract of 2 9F class gas turbines and combined circle units from Zhongshan Jiaming, and maintained nearly 50% share of market for major gas turbines in the PRC.

In the international market front: Export contracts newly signed amounted to RMB9.0 billion. Contracts were entered with 百通 in Indonesia for 1 × 660 MW coal-fired power plant, the contracting of Phase 2 project for Cam pha in Vietnam, the supply of 2 × 600MW main generator units island to 滿漢 and 喜來雅 in India, 3 × 600MW pit-mount thermal power project at 洪薩 in Laos, 4 × 600MW super critical boiler for 賈斯古達 in India. Apart from consolidating the traditional markets in South-east Asia and Africa, the Group also entered the market in America. Supply contracts on generator units and equipments were obtained from 坎迪奧塔 in Brazil about 1 × 350MW60Hz for three main generator units, and from 巴卡羅納 2 × 300MW60Hz in 巴西 for thermal power project.

As of the end of 2007, the contracts on hand of the Group amounted to Rmb84.9 billion.

Products and Services

Faced with the high work load for its production assignments, the Group devoted additional efforts and applied process control as the core of its project management work in 2007. With the mission to fully fulfill the contracts and satisfy the needs of customers, tracking is effected from the time the contract becomes effective until 168 hours after trial operation commenced. The production assignment for the year was completed with excellence efficiently. The total output for the year was up to 312,574.5MW (in terms of steam turbine generator units and hydro power turbine generator units), representing an increase of 15.57 per cent compared with that of last year. Among which, 60 units of utility boiler with total capacity of 24,985MW, an increase of 17.05 per cent over last year; 76 steam turbines for power plant with total capacity of 24,260MW, an increase of 20.71 per cent over last year and 64 turbine generator units with total capacity of 25,227MW, an increase of 7.49 per cent over last year; 40 units of hydro power turbo-generator units with total capacity of 6,030.45MW, an increase of 68.64 per cent over last year; 2 units of gas turbines with total capacity of 511MW, a decrease of 50% compared with that of last year.

R&D and Technology Introduction

In the year 2007, the Group invested a total of Rmb697 million and completed 233 items of R&D, among which the outstanding ones have obtained provincial or ministerial awards. First 350MW and 660MW super critical brown coal boiler and first multi-co generation 135MWCFB boiler were proprietarily researched and developed in the PRC. The 660MW super critical tower brown coal boiler proprietarily, the 600MW super critical "W" fire boiler proprietarily and new models for 660MW and 1,000MW super critical air cooling generator units proprietarily researched and developed were products leading in the category no matter within and outside the PRC.

In the meantime, the progresses on technology introduction and absorption had been smooth. Each of the technology transfer agreement to be introduced as the technologies for Nuclear Power AP1000 Conventional Island has been entered into with Mitsubishi in Japan at the begining of 2008. The introduction of core technologies about 1000MW ultra super critical turbine generator from Toshiba in Japan has been proceeding steadily. Most of the works for introducing 300MW class pump storage units from Alstorm Corporation in France were completed, and were successfully applied in the product development. The 9FA class gas turbines and combined circle units introduced from General Electric of United States had a homemade proportion of over 90%. The super critical and ultra super critical generator units of 600MW introduced from overseas were homemade.

Profit

In the year of 2007, the net profit of the Group was Rmb1,527.98 million, an increase of 49.13 per cent compared to the last year; the earnings per share was Rmb1.12, an increase of Rmb0.32 compared to the corresponding period of last year; the net asset as at the end of the period was Rmb7,212.99 million, an increase of Rmb2,381.53 million compared to the beginning of the year; the net asset per share was Rmb5.24, an increase of Rmb1.45 compared to the beginning of the year.

During the period, the growth in the profit of the Group was due to the increase of gross profit margin.

DIVIDEND

A dividend of Rmb0.091 per share for the year of 2007 (2006: Rmb0.090 per share) was proposed by the Board of Directors.

TURNOVER

In 2007, the Group recorded turnover of main business activities of Rmb27,648.58 million, a decrease of 4.98 per cent compared to the last year. In particular, turnover of the thermal power main equipment was Rmb20,463.51 million, a decrease of 6.29 per cent over last year, representing 74.01 per cent of the turnover of main business activities. Turnover of hydropower main equipment was Rmb2,172.50 million, an increase 35.06 per cent over last year, representing 7.86 per cent of the turnover of main business activities. Turnover of power plant engineering services project was Rmb2,090.70 million, a decrease of 30.49 per cent compared to last year, representing 7.56 per cent of the turnover of main business activities. Turnover of power plant accessories and parts was Rmb1,124.50 million, an increase of 6.79 per cent over last year, representing 4.07 per cent of the turnover of main business activities. Turnover of AC/DC motors and other products and services was Rmb1,797.37 million, an increase of 12.89 per cent over last year, representing 6.50 per cent of the turnover of main business activities.

The main reason for the decrease in turnover was the fall in turnover of thermal power main equipment and the turnover of power plant engineering services.

During the period under review, the export sales of the Group (which was mainly in Asia and in Africa) amounted to Rmb2,157.07 million, an increase of Rmb1,386.98 million over last year, representing 7.80 per cent of the turnover of main business activities.

COST

During the period under review, the cost of main business activities of the Group was Rmb23,320.87 million, a decrease of 9.82 per cent as compared to last year. The decrease was attributable to the decrease of turnover of main business activities and the effective measures adopted by the Group to control cost expenditures began to derive remarkable results.

GROSS PROFIT AND PROFIT MARGIN

During the period under review, the gross profit from main business activities of the Group was Rmb4,327.71 million, an increase of 33.61 per cent as compared to last year. The profit margin was 15.65 per cent, an increase of 4.52 percentage points over last year.

Among which the profit for thermal power main equipment were Rmb3,417.78 million, an increase of Rmb771.52 million compared to last year. The profit margin for thermal power main equipment was 16.70 per cent, an increase of 4.58 percentage points compared to last year. The profit for hydropower main equipment was Rmb305.65 million, an increase of Rmb193.55 million compared to last year. The profit margin for hydropower power main equipment was 14.07 per cent, an increase of 7.10 percentage points compared to last year. The profits for power plant engineering services were Rmb44.89 million, an increase of Rmb39.69 million compared to last year. The profit margin for engineering services was 2.15 per cent, an increase of 1.98 percentage points over last year. The profit for power plant accessories and parts were Rmb317.75 million, an increase of Rmb52.17 million compared to last year. The profit margin for power plant accessories and parts were 28.26 per cent, an increase of 3.04 percentage points over last year. The profit for the AC/DC motors and other product and service was Rmb241.64 million, an increase of Rmb31.80 million compared to last year. The profit margin for he AC/DC motors and other product and service was 13.44 per cent, almost the same as last year.

The main reason for profit margin increase is that the strategy for cost management has gained a satisfactory result.

EXPENSES DURING THE PERIOD

The Group's expenses from operation activities during the year of 2007 amounted to Rmb413.61 million, an increase of Rmb48.27 million compared to last year, of which the main reasons were the increase in marketing expenses and quality assurance deposits.

Expense from administration activities amounted to Rmb1,886.76 million, an increase of Rmb342.71 million or 22.20 per cent compared to last year of which the main reason is the increase in asset impairment provision and labor cost.

INTEREST EXPENSE

In 2007, the Group has incurred an interest expense of Rmb154.86 million, almost the same as last year.

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. As the order and accounts receivables of the Group increased significantly during the past two years, the working capital of the Group has been abundant and thus repaid substantially all of the loans for working capital. As at 31st December 2007, the total sums of the Company's bank borrowings are Rmb4,763.28 million (31st December 2006: Rmb4,373.04 million). The Group's bank 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 Rmb753.39 million, an increase of Rmb252.27 million compared to the beginning of the year. The Group's borrowings due after one year were Rmb4,009.89 million, an increase of Rmb137.97 million compared to the beginning of the year.

DEPOSITS AND CASH FLOW

As at 31st December 2007, bank deposits and cash flow of the Group amounted to Rmb9,621.54 million, an increase of Rmb3,883.07 million over the beginning of the year. During the period, net cash inflow from operating activities amounted to Rmb3,560.12 million. Net cash outflow from investment activities amounted to Rmb1,010.29 million. And net cash inflow from financing activities was Rmb974.45 million.

CAPITAL STRUCTURE AND ITS CHANGES

As at 31st December 2007, total assets of the Group amounted to Rmb42,090.49 million, an increase of Rmb4,645.94 million (or 12.41 per cent) compared to the beginning of the year. Among which, total current assets were Rmb38,219.26 million, representing 90.80 per cent of the total assets; total non-current assets were Rmb3,871.23 million, representing 9.20 per cent of the total assets.

LIABILITIES

As at 31st December 2007, the Group's total liabilities amounted to Rmb33,678.08 million, an increase of Rmb2,012.93 million compared to the beginning of the year. Among which, total current liabilities were Rmb27,903.89 million, representing 82.85 per cent of the total liabilities; total non-current liabilities were Rmb5,774.19 million, representing 17.15 per cent of the total liabilities. As at 31st December 2007, asset liability ratio of the Group was 80.01 per cent.

SHAREHOLDERS' EQUITY

As at 31st December 2007, the shareholders' equity of the Company amounted to Rmb7,212.99 million, an increase of Rmb2,381.53 million compared to the beginning of the year; the net asset per share was Rmb5.24. During the period, return rate on net assets of the Company is 21.18 per cent.

GEARING RATIO

As at 31st December 2007, gearing ratio of the Group (non-current liabilities over total shareholders' equity) was 0.80:1 as compared to that of 1.16:1 at the beginning of the year.

CONTINGENT LIABILITIES AND PLEDGE OF ASSET

As at 31st December 2007, the Group's pledge of assets of Rmb169.68 million were used for securing liquidity loan.

CAPITAL EXPENDITURE AND IMPORTANT INVESTMENT

In the year 2007, the Group has invested a total capital expenditure of Rmb702 million in basic constructions and technology renovation. Total investment for the project of manufacturing and construction of main equipment at nuclear island was Rmb602 million, and Rmb181 million was utilized in the year 2007. As of the end of the year, all factories were cold-sealed. It is expected that the nuclear power plant will fully commence operation by October 2008.

Rmb285 million and Rmb100 million were invested in the manufacturing and construction of nuclear power main pump generator and nuclear power plant valve, and Rmb31 million and Rmb12 million were utilized in the year 2007. It is planned that the Group will be equipped with the capability in the production of nuclear power pump generator before May 2009.

A total of Rmb182 million was invested in the homemade project for large-scale pumped storage unit, and Rmb72 million were utilized in 2007. The project will complete and commence operation by 2008. A capacity of 800MW per annum will be formed by the pumped storage unit.

A total of Rmb248 million was invested for the technology improvement projects of large-scale gas turbine generator units, and Rmb77 million were utilized in 2007. The project will complete and commence operation by 2008. A production capacity of all parts of 6 -8 gas turbine generator units apart from high temperature plate, burning room and spraying nozzle was formed.

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 2007, the amount of the Group's deposits in foreign currencies amounted to RMB1,889.73 million. Export and foreign currencies settled businesses exposed the Group to exchange risk.

UTILIZATION OF LISTING PROCEEDS

In the year 2007, the Group has utilized a total of Rmb350 million from its listing proceeds for Workshop Base Construction project and other projects.

For the year ended 31st December 2007, the Group has utilized a total of Rmb1,795 billion from its H share listing proceeds, and the remaining balance of listing proceeds of Rmb835 million was deposited with the bank, and will be used in the second stage of Workshop Base Construction project and other technology renovation projects.

INVESTMENT PLAN

In the year 2008, it is planned that Rmb1,019 million will be invested, the major projects are as follows:

Rmb246 million will be planned to invest in the project for nuclear power main pump generator unit and nuclear power valve (of which Rmb171 million for nuclear power main pump generator unit and Rmb75 million for nuclear power valve). It is expected that the factory premise and auxiliary support facilities will be completed during the year. It is expected that production for nuclear power main pump generator unit and nuclear power valve can commence before May 2009. Rmb380 million will be planned to invest in the project for the manufacturing and construction of nuclear power island main equipment. By the end of May 2008 the manufacturing capacity for ordinary capacitor will be formed. By the end of October the manufacturing capacity for nuclear power products will be formed. By the end of the year the manufacturing capacity of 1,000MW gas turbine generator unit core will be formed. Rmb59 million will be planned to invest in the homemade project for large-scale pumped storage units. This will be applied to the completion of the project, and it is expected that production of the whole project will commence production during the year. Rmb82 million will be invested in large-scale gas turbine project and it is expected that the whole project will commence production during the year.

EQUITY FINANCING

The Group further issued 102.355 million H shares on 2nd March 2007, with an issue price of HK$10.00 each share, and the listing proceeds amounted to HK$1.0 billion. On the same day, controlling shareholders of the Group remitted 10.235 million shares of state share to National Social Security Fund and registered as H share. Such fund raised is mainly used for the construction of 1,000MW class nuclear island main equipment project of the Second stage of Qinghuangdao Seaside Heavy Duty Workshop of the Group. After the issuance, total capital of the Group increased to 1,376.806 million shares. Among which 701.235 million shares were held by Harbin Power Engineering Corp, accounting for 50.93 per cent; and H share amounted to 675.571 million Shares, accounting for 49.07 per cent.

STAFF AND REMUNERATION

As at 31st December 2007, the Group had a workforce of 18,411 employees, and the total remuneration was approximately Rmb1,092 million. The Group regards human resource as the core development value, and will arrange demand estimates on human resources appropriately, implement targeted, layered and segmented trainings so as to promote the overall quality of its staff. As for remuneration, the Group adopted various salary systems including position salary system and piece rate system, which enhanced check-up, bringing all positive factors into play and boosting the development of the Group.

PROSPECT

In 2008, China will continue to call on a "healthy and fast" development in national economy. The State will adopt sound financial policies and tighten monetary policies. The adjustment in the macro-economic policies of the State will provide unprecedented opportunities as well as stringent challenges to the development of the Group. Pursuant the State's economic development plans, it is expected that the newly added installed capacity in 2008 will be 80-90 Mkv. The total installed capacity in China will exceed 900 Mkv by 2010. There will be a certain period of time that the power generation equipment market in China will experience a relatively high level of demand. The Group will seize this development opportunity, handle properly the relationship between the growth in production and the existing production capacity, the surge in price of raw materials and the increase in efficiency, change in market demand and product development with market development capabilities. The Group will also enhance the reform and adjustment of mechanism and cooperation system, and make great effort to improve the company's independent R&D capability and the core competition capability. Especially, the Group will pay attention to the following work in 2008:

1. Push the development of nuclear power;

2. Arrange production scientifically and rationally so as to fully satisfy requirements of customers;

3. Consolidate the development of market in China and proactively expand the international market;

4. Devote additional efforts in proprietary innovation so as to enhance core competitiveness;

5. Accelerate the progress of major technological improvement projects at high standard with stringent requirements;

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

As at 31st December, 2007, 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 and/or 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.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

There are service contracts between every director, supervisor and the Company, which will expire by 29th September 2009. Besides this, there are no existing and suggesting service contracts between every director, supervisor and any member company of the Group.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

None of the director or supervisor of the Company has any material interest, whether directly or indirectly, in the contracts of significance, to which the Company or any of its subsidiaries is a party during the year.

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

As at 2nd March 2007, the Board of Directors of the Company issued 102,355,000 H shares under the general mandate of the 2005 Annual General Meeting, at an issue price of HK$10 per share, to raise HK$1.002 billion.

Besides this, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or PRC Law, which would require the Company to issue new shares to the existing shareholders according to their respective proportions of shareholding.

MAJOR LITIGATION

On 21st November 2007, Harbin Boiler Co., Ltd, a subsidiary of the Company, lodged a complaint against 泰州市申工重機鋼管有限公司 at court for the economic loss caused to the Company due to its provision of unqualified large-diameter tubes and demanded the company to indemnify a direct economic loss of Rmb32,951,000. 泰州市申工重機鋼管有限公司 brought a counter-accusation against the Company for an outstanding loan of $23.49 million. Currently, the case is still under processing. Besides this, the Group was not engaged in other major litigation of material importance during the year.

ENTRUSTED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31st December 2007, the Group 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

According to provisions of Notice on Certain Preferential Tax Policies on Enterprise Income Tax (《關於企業所得稅若干優惠政策的通知》) issued by the Ministry of Finance and the State Administration for Taxation on 29th March 1994, enterprises within High and New Technology Industrial Zones approved by the State Council shall be entitled to income tax at a reduced tax rate of 15 per cent, which has been the tax rate applied by the Group. Since the Group meets the requirements of related laws and regulations, the Board considers it is appropriate for the major subsidiaries of the Group to apply the 15 per cent income tax rate.

In accordance with regulations of the State Administration for Taxation, the rate for tax rebate of the Group's new export products contracts is 13 per cent since 15th October 2003.

According to Regulations on the Issues about Increasing VAT Rebate Scope in Northeast Area issued by the PRC Ministry of Finance and the State Tax Bureau in 14th 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.

MODEL CODE

The Company, having made specific enquiry, confirms that all members of the Board complied with the Model Code set out in Appendix 10 of the Listing Rules throughout the period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the year of 2007 with all code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The Company has established an Audit Committee in accordance with the stipulation of the Article 3.21 of the Listing Rule. The Audit Committee has reviewed the 2007 audited annual performance report of the Company.

POST BALANCE SHEET EVENTS

On 7th March 2008, the Company convened a Special General Meeting and elected Mr. Wang Zhi-sen as the Supervisor of the Supervisory Committee. The Company convened a provisional meeting and elected Mr. Wang Zhi-sen as the Chairman of the Supervisory Committee at the same day.

AUDITORS

The current PRC auditor of the Company is China Rightson YueHua Certified Public Accountants Company Limited, and the Hong Kong auditor is Yuehua (Hong Kong) CPA Limited.

By order of the Board
Gong Jing-kun
Chairman

11th April, 2008

At the date of this announcement, directors of the Company are: Executive Directors: Mr. Gong Jing-kun, Mr. Zhao Ke-fei, Mr. Qu Da-zhuang, Mr. Duan Hong-yi, Mr. Shang Zhong-fu and Mr. Wu Wei-zhang; Independent Non-executive Directors: Mr. Zhou Dao-jiong, Mr. Jia Cheng-bing, Ms. Li He-jun, Mr. Jiang Kui and Ms. Ding Xue-mei.