



董事長耿雷先生
Mr. Geng Lei, Chairman

致各位股東：

本人謹此提呈哈爾濱動力設備股份有限公司截至二零零一年十二月三十一日止之年度報告，並代表本公司全體同仁向各位股東致意。

二零零一年是新世紀的開端，也是中國「十五」計劃實施的第一年，發電設備行業面臨著新的市場機遇和競爭激烈的挑戰，本公司全體同仁抓住機遇，迎接挑戰，努力推進各項工作，實現了「十五」的良好開局，為公司在新世紀的發展奠定了基礎。雖然稅後溢利有一定幅度下降，但本人對公司一年來的總體表現感到比較滿意。

截止二零零一年十二月三十一日，公司實現除稅及少數股東收益後溢利為人民幣2,177萬元，即每股溢利人民幣0.018元，比上一年度下降約44%；實現營業額28.61人民幣億元，較上一年度下降5.6%。（有關上述業績的討論詳見本年報管理層討論與分析一節）

董事會建議從當年可供分配的利潤中提取人民幣595萬元向股東派發末期股息，即每股股息人民幣0.005元。H股股東的股息將以港幣支付，匯率乃按股息宣派日前一周中國人民銀行公佈的平均匯率計算，即港元1元兌人民幣1.0605元，每股H股可得股息0.0047港元。該股息將於二零零二年八月二十日或之前派發予二零零二年五月二十一日已經登記在股東名冊上之股東。

To all shareholders,

I am pleased to present the annual report of Harbin Power Equipment Company Limited (the "Company") for the year ended 31st December, 2001. On behalf of the Company, I would like to extend my gratitude to our shareholders for their continuing support.

The year of 2001 is the first year of the new century and the first year of China's implementation of the Tenth Five-year Plan. The power equipment industry was confronted with new market opportunities and challenges of fierce competition. Taking the opportunities and meeting the challenges, the staff of the Company worked very hard to implement various tasks. The Company realized the good opening for the Tenth Five-year plan, which laid a sound foundation for the Company's development in the new century. Although the profit after taxation decreased, I would say I was satisfied with the overall performance of the Company.

For the year ended 31st December, 2001, the Company recorded profit after minority interest and taxation of Rmb21.77 million, earnings per share was Rmb0.018, representing a decrease of 44% over last year. The turnover was Rmb2861 million, representing a decrease of 5.6% over 2000. (Please see details in the section of "Management discussion and analysis")

The Board of Directors recommended a final dividend of Rmb5.95 million from the profit for the year available for distribution. The final dividend was Rmb0.005 per share to shareholders whose names appear on the Register of Members of the Company on 21st May, 2002. The final dividend will be payable on or before 20th August, 2002. The final dividends for H shares will be paid in Hong Kong dollars. The exchange rate used, that is HK\$1.00 = Rmb1.0605, is based on the average closing rate of the People's Bank of China during the calendar week preceeding the date of recommending final dividends. The final dividend for every H share will be HK\$0.0047.

業務回顧

二零零一年，中國宏觀經濟繼續保持快速增長，國內生產總值同比增長7.3%。發電設備市場趨向拓展，但市場競爭加劇，且焦點仍然集中在價格競爭上，原材料價格呈上升趨勢，主要原材料價格平均上升了3.7%，制約著公司業績的增長。

在過去的一年裡，發電設備主機製造對公司溢利的貢獻表現平穩，毛利較上一年度約增加了10%，電站工程服務毛利約較上一年度增長11%；來自電站輔機及其配套產品的毛利較上一年度增加了84%；來自交直流電機及其它產品與服務的毛利較上一年度增加了約52%。

受益於近幾年公司加大市場開發力度，以及中國「十五」計劃第一年和西部大開發戰略的實施，公司二零零一年的市場開發收到顯著效果。全年新接訂單較上一年度增長了約92%，達到人民幣68.5億元，不僅拓展了新產品市場和經營區域，也為今明兩年生產經營發展打下了基礎。特別是大型水電項目和適應於環保需求的循環流化床鍋爐訂單增長迅猛，形成一個新的亮點；而300MW等級火電機組首次走出國門，電站工程服務業務首次進入非洲市場，使公司的國際市場經營領域進一步擴展。

BUSINESS REVIEW

In the year of 2001, the macroeconomy of China continued to grow at a relatively high speed. The gross domestic product grew by 7.3% compared to that of last year. The power equipment market expanded. However, the competition intensified and the focus was still put on price. The prices for raw materials tended to rise. The prices for major raw materials recorded an average increase of 3.7%, which restricted the growth of the Company's results.

In 2001, the contribution of the main units to the profits of the Company remained stable. The profit margin of main units increased by around 11% over last year. The profit margin of power plant engineering services increased by 11% over last year. The profit margins for power plant accessories and parts and AC/DC motors and other products increased by 84% and 52% over last year respectively.

Benefiting from the Company's enhancement of marketing, the implementation of the Tenth Five-year Plan and big west development strategy, the Company reported remarkable progress in marketing in the year of 2001. For the year ended at 31st December, 2001, the newly signed contracts secured by the Company totalled Rmb6.85 billion, an increase of 92% over last year. The Company not only expanded its new product market and operation area, but also laid a foundation for production and operation in the next two years. Especially, the orders for large hydropower projects and environmentally friendly circulated fluidised bed boilers increased sharply, which formed a new growth point of the Company. And it was the first time for the Company to export its 300MW class thermal power units in 2001 and also the first time to provide power-engineering services to African market, which further expanded the international marketing fields of the Company.



本人認為，產品水平是企業核心競爭力的重要構成，只有擁有先進的產品，才能在激烈的市場競爭中居於有利地位。因此，幾年來公司一直致力提高產品水平，加快產品升級換代步伐，以增強核心競爭能力。公司以市場為導向，以大容量、高參數、低能耗、低污染為目標，精心研究確定了14種發電設備產品作為主要發展方向。圍繞這些新產品，加強科研開發，技術引進與技術合作，加快技術改造步伐，努力爭取依託項目。二零零一年已經取得初步成果，在適應環保需求的循環流化床鍋爐方面、在適應缺水地區的大型空冷機組方面、在適應電網調峰需求的抽水蓄能機組方面、在適應水位落差較小的大型貫流式水電機組方面，以及在大型水電、大型火電、核電的研發、優化和改進等方面都取得重要進展，推出了新產品，獲得了新訂單，增強了公司綜合實力。遼寧電廠2X350MW機組是公司獲得的首個350MW汽輪機和汽輪發電機項目；而回龍2X60MW抽水蓄能機組是公司首次開發承擔大型抽水蓄能機組製造任務。

為提高產品水平，公司近幾年來加大了技術改造的投資力度，以期用優良的裝備保證和促進公司產品的升級換代。二零零一年完成技術改造投資人民幣22,574萬元。經過幾年建設，投資人民幣近10億元的增加大型水電設備製造能力項目已具備生產條件，開始用於生產單機容量為700MW的三峽水電機組，使大型水電設備製造能力由過去年產600MW提高到了年產2,000MW。國債貼息貸款人民幣4.55億元的超臨界火電機組技術改造項目也已按計劃開始實施。這些裝備的改善，為提高公司的整體製造能力和製造水平奠定了基礎。

I think that product quality is the vital factor in one enterprise's core competitiveness. Only with advanced products can one enterprise survive the fierce market competition. So the Company has been committing to improve product quality and accelerate product upgrading for years in order to enhance the core competitiveness. Being market-oriented and aiming at big capacity, high parameters, low energy consumption and less pollution, the Company carefully researched and identified 14 kinds of product as its main development direction. With all these new products as focus, the Company strengthened its research and development, technology transfer and technical cooperation, accelerated its technical upgrading and tried to obtain supporting projects. In 2001, the Company has already achieved certain results in the following areas: environmental friendly circulated fluidised bed boiler, large air cooling units for the region lack of water, pumped storage units meeting the need of peak adjustment, large tubular hydropower units for small water drop, research and development of large hydropower, thermal power and nuclear power units, optimization and improvement, etc. The comprehensive capability of the Company was enhanced through new products and new orders. The Liaoning Power Plant (2X350MW) was the first 350MW turbine and turbine generator project that the Company has ever obtained. With the Huilong pumped storage units (2X60MW), the Company for the first time undertook the manufacturing of large pumped storage units.

In order to improve product level, the Company has enhanced its investment in technical renovation for past years so as to ensure and accelerate the product upgrading with excellent facilities. In 2001, the Company recorded investment in technical renovation of Rmb225.74 million. Through the project of enhancing large hydropower units manufacturing capability with the total investment around Rmb1 billion and the construction of past years, the Company was ready for production and began to manufacture the Three Gorges units with the single unit capacity of 700MW. The annual production capability of the Company for large hydropower units increased from 600MW to 2000MW. The technical renovation project for super-critical thermal power units with the loan of Rmb455 million has been carried out as scheduled. The improvement of these facilities laid a foundation for improvement of the Company's overall manufacturing capability.

本人深知，管理和技術是推動企業發展不可或缺的兩個輪子。優良的產品和裝備，只有在優秀的管理下才能發揮最大效果，體現企業的整體優勢。因此，近幾年來公司一直按照現代企業制度的要求，按照市場發展的要求，不斷理順內部管理體制，改革用工制度和分配制度，加強管理，調動員工的積極性和創造性。同時，為提高公司整體素質，在公司內部實施了「創三優」（即優質產品、優質工程、優質服務）計劃，收到良好效果，公司二零零一年新投運的25台套大型發電設備，全部一次啟動成功。公司亦在培養人才、吸引人才、留住人才、發揮人才作用等方面採取了多項措施，增強了公司的凝聚力和向心力，使公司的整體素質明顯改善。

債轉股是國家支援大型企業的政策措施，通過實施債轉股可以改善公司的資產負債結構，提高公司經營業績。二零零一年九月，公司旗下的三家主機生產企業均與有關資產管理公司就債轉股事宜進行了磋商，並達成了債權轉股權的初步協定。一旦獲得國家批准，這些協定就可以正式實施，可為公司減少人民幣4.86億元的債務負擔。這對公司的健康發展十分有利。

二零零一年臨時股東大會已經批准本公司在國內發行A股籌集發展資金的議案，公司管理層也就此做了大量工作，但國內證券市場環境於去年下半年發生了變化，董事會認為在這種環境下發行A股，其發行成本會很高，融資數量也難以達到預期的目標。因此沒有按計劃推進此項工作。而有關項目發展所需的資金，公司將因應個別情況另行籌措。

I am clearly aware that management and technology are two indispensable wheels that carry enterprises forward. Only with excellent management can enterprises take full use of quality products and good facilities. So according to the requirements of modern enterprise system and market development, the Company has for years been straightening internal management system, reforming staff and distribution system, strengthening administration and bringing every positive and creative factor into play. Meanwhile, in order to improve the overall staff quality, the Company internally carried out "Three Excellence" program (i.e. excellent product, excellent engineering and excellent services) which achieved good results. In the year of 2001, the large units manufactured by the Company that were put into operation totalled 25 units/sets, all of which were only through one-time start-up. The Company also implemented various measures to cultivate, attract, keep and develop human resources, which strengthened the Company's cohesive and centripetal force and improved the overall quality of the Company.

The debt-equity swap policy is a measure carried out by the central government to support large enterprises. The assets and debts structure and financial results can be improved through implementing debt-equity swap. In September 2001, three main unit manufacturing enterprises under the Company conducted discussions with relevant assets management companies and entered into preliminary agreements for swapping debts into equity. These agreements will be formally executed as soon as the central government approves, which will lighten the debt burden of Rmb486 million on the Company. This is very favorable for the healthy development of the Company.

In 2001, the extraordinary general meeting of the Company approved the resolution on issuing A Shares in China in order to raise capital for the development of the Company. The management of the Company also had done a lot of job for this. However, certain changes took place in the domestic securities market in the second half of 2001. The board of directors thought that the issue cost would be very high and it would be difficult to raise the expected amount of capital under this environment. So the Company did not carry out this task as planned. As for the capital necessary for the development of relevant projects, the Company will raise them by other way case by case.



展望

進入二零零二年，本公司將面臨新的機遇和新的挑戰。一方面中國宏觀經濟環境進一步改善，國內發電設備市場繼續看好，國家亦採取政策大力扶持重點骨幹企業；另一方面公司推出的新產品亦具有競爭優勢，內部機制逐步理順，員工信心足，積極性高；再一方面，公司在國際市場上的經驗更加成熟，知名度增加，經營範圍擴大，有利於拓展國際市場。

在面對發展機遇的同時，公司亦需面對重重挑戰。一方面世界經濟復蘇緩慢，制約發電設備市場的發展，中國加入WTO又將使國內市場競爭進一步加劇；另一方面原材料及電力價格的上升，使生產成本降低難度增大；生產任務繁重亦將加大生產組織的難度並增加資金需求。

針對上述機遇和挑戰，本公司將在繼續加強市場開發的同時採取以下發展戰略：

一是加大產品結構的調整力度，實施科技領先的發展戰略，以優勢產品佔領市場。本人認為，企業要在激烈競爭的市場上占居優勢，關鍵須有適應市場、領先市場的產品。因此，公司將以市場需求為導向，以確定的14種發電設備產品為重點，繼續採取自主開發、技術引進、技術合作等多種措施，集中力量，加大產品結構的調整力度，加快產品的升級換代。尤其是公司將加快推進和抓好600MW及以上超臨界機組、300MW、600MW空冷機組、300MW、600MW及以上亞臨界機組、大型循環流化床鍋爐、大型聯合循環機組、大型軸流式水電機組、大型混流式水電機組、大型抽水蓄能機組等，努力增強公司主導產品的競爭能力。同時，加快技術改造步伐，以優良裝備為產品發展創造條件。

PROSPECT

In the year of 2002, the Company will face new opportunities and challenges. On one hand, the macroeconomy of China will further improve, the domestic power equipment market will continue to head towards positive direction and the State will adopt various policies to strongly support key backbone enterprises. On the other hand, the new products of the Company are competitive and the internal system of the Company is gradually normalized. The employees are confident and active. Moreover, the Company is more experienced and famous with international marketing. The business scope is expanded, which will be helpful for developing international market.

The Company will also face new challenges. On one hand, the world economy recovers slowly, which restricts the development of power equipment market. The China's entry into WTO further intensifies the competition in domestic market. On the other hand, the increase of prices for raw materials and electricity makes it difficult to reduce production cost. As a result of the arduous production tasks, more capital will be needed and production organization will become more complicated.

Aiming at the above-mentioned opportunities and challenges, the Company will adopt the following development strategies while continuing to enhance marketing.

First, the Company will strengthen the adjustment of product structure, carry out the development strategy of leading technology and try to occupy the market with superior products. I think one enterprise has to have the products that are adapt to the market and lead the market if it wants to survive in the fierce competition. Therefore, aiming at the market demand, the Company identified 14 kinds of power generation products as its focal products. The Company will continue to carry out various measures such as self-reliant development, technology transfer and technical cooperation, enhance the adjustment of product structure and accelerate product upgrading. The Company will especially push the development of the following products forward: 600MW and above super-critical units, 300MW, 600MW air cooling units, 300MW, 600MW and above sub-critical units, large circulated fluidised bed boilers, large combined-cycle units, large Kaplan hydropower units, large Francis hydropower units, large pumped storage units and etc. The Company will strengthen the competitiveness of its major products. Meanwhile, the Company will accelerate technical renovation and create conditions for product development with excellent facilities.

二是加大企業改革力度，實施機制創新的發展戰略。革新內部機制，理順企業組織結構、資本結構和產品結構。一方面公司將繼續深化以分配制度和用工制度為內容的企業改革，建立激勵、約束機制，調動各方面積極性；另一方面，將本著產品專業化和服務專業化的原則，有步驟地推進「主輔分離」，盤活存量資產，優化資源配置，突出主業，發展輔業，提高資產運營效率。

三是加大企業管理力度，實施管理創新的發展戰略，向管理要效益。公司將繼續以「爭市場、保合同、創三優、樹形象」為突破口，加強生產管理，縮短生產周期；同時進一步強化質量管理，完善質量保證體系，落實質量責任，為用戶提供優質產品、優質工程和優質服務；進一步加強成本控制和費用控制，通過優化設計和比質比價以及網上採購，不斷降低設計成本和採購成本，提高資金使用效率。

四是加大企業文化建設力度，實施人才開發戰略，爭取人才優勢。本人認為，未來競爭的核心必將是人才的競爭。因此，公司將繼續採取措施，創造條件培養人才、吸引人才、留住人才，發揮人才的作用。

董事會相信，在未來幾年，公司一定能夠抓住機遇，迎接挑戰，再創佳績。董事會將盡最大可能利用對股東有利的任何機會，使公司發展壯大。董事會對未來發展充滿信心。

最後，本人對過去一年各位股東對我的支援和管理層及全體員工的辛勤工作表示謝意。

董事長
耿雷

二零零二年四月二十二日於中國哈爾濱

Second, the Company will enhance enterprise reform and implement development strategy of system innovation. The Company will reform the internal system and straighten enterprise organization structure, capital structure and product structure. On one hand, the Company will continue to deepen corporate reform with personnel and distribution system as main contents and set up incentive and restraining system in order to bring every positive factor into play. On the other hand, based on the principle of specializing products and services, the Company will step by step push "separating supplementary business from main business" forward, activate assets, optimize resources distribution and highlight main business and develop supplementary business in order to improve assets operation efficiency.

Third, the Company will enhance corporate management and implement development strategy of management innovation, obtain profits from management. The Company will continue to take "winning market, securing contract, creating three excellences and setting up image" as breakthrough point, strengthen production management and shorten production cycle. Meanwhile, the Company will further enhance quality management, improve quality assurance system and implement quality responsibility in order to provide customers with first-class product, first-class engineering and first-class services. The Company will further strengthen cost control and expenses control and keep reducing design cost and procurement cost through optimizing design, purchasing after quality and price comparison and online procurement in order to improve capital utilization efficiency.

Fourth, the Company will enhance corporate culture construction, implement human resources development strategy and try to have superiority in human resources. I think the core of competition in future will be the competition of human resources. So the Company will continue to adopt various measures and create conditions to cultivate, attract, keep and develop human resources.

The board of directors believes that the Company will grasp opportunities, meeting challenges and achieving new progress in the future. The board will try its best to make full use of any chances beneficial to shareholders to develop the Company. The board is confident of the future of the Company.

Finally, I would like to thank every shareholder for their continuous support towards me and thank the management and all staff for their great effort during the year of 2001.

Geng Lei
Chairman

Harbin, the People's Republic of China, 22nd April, 2002