SHENZHEN NANSHAN POWER STATION CO., LTD.

(Incorporated in the People's Republic of China as a joint stock limited company)

2001 ANNUAL REPORT （SUMMARY）

Important: Board of Directors of SHENZHEN NANSHAN POWER STATION CO., LTD. (hereinafter referred to as the Company) hereby confirms that there are no important omissions, fictitious statements or serious misleading carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents. Absent from the Board meeting, Chairwoman Lao Derong and Vice Chairman of the Board Huang Dechen entrusted others to vote on their behalf; director Li Li entrusted no proxy.

The Report is compiled in Chinese and English language should there be difference in interpretation of the two languages, the Chinese version shall prevail.

I. COMPANYPROFILE

1. Legal Name of the Company:
   In Chinese: **深圳南山热电股份有限公司**
   In English: Shenzhen Nanshan Power Station Co., Ltd.

2. Legal Representative: Lao Derong

3. Secretary of the Board of Directors: Fu Bo
   Tel: (86) 755-6072818
   E-mail: fubo88@21cn.com
   Authorized Representative in Charge of Securities Affairs: Hu Qin
   Tel: (86) 755-6650064
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   Liaison Address:
   No.18, Yueliangwan Road, Nanshan District, Shenzhen, Guangdong

4. Registered Address or Office Address:
   No.18, Yueliangwan Road, Nanshan District, Shenzhen, Guangdong
   Zip: 518052
   E-mail: sznsrdgf@szptt.public.net.cn

5. Designated Newspapers for Disclosing Information of the Company:
   China Securities, Securities Times and Ta Kung Pao
   Internet Web Site for Publishing the Annual Report Designated by CSRC:
   http://www.cninfo.com.cn
   The Place Where the Annual Report is Prepared and Placed: Office of the Company

6. Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form of the Stock: Shen Nan Dian A Stock Code: 000037
Shen Nan Dian B 200037

II. FINANCIAL HIGHLIGHTS AND BUSINESS HIGHLIGHTS

(I) Major Accounting Data and Financial Indexes

1. Formulated in line with Accounting Standard recognized in Hong Kong
Consolidated Income Statement (For the year ended Dec. 31, 2001)

Unit: In RMB'000

	2001	**2000**
Turnover	1,084,094	889,714
Other income	46,583	67,921
Operating profit	285,736	176,279
Profit before taxation	271,301	162,149
Profit after taxation	229,094	138,469
Profit attributable to shareholders	205,587	138,678
Total shareholders' funds	1,079,372	730,426
Earnings per share (RMB)	0.38	0.26
Net assets per share (RMB)	2.29	2.05
Return on equity (%)	19.05	18.99

Note: In 2001, earnings per share and net assets per share are calculated according to weighted average share capital of 545,738,000 shares (2000: 534,600,000 shares).

2. Formulated in line with Chinese Accounting Standard
Consolidated Income Statement (For the year ended Dec. 31, 2001)

	Unit: In RMB'000
Turnover	1,084,094
Profit after taxation	203,271
Total assets	1,556,745
Total shareholders' funds	908,452
Earnings per share (RMB)	0.37
Net assets per share (RMB)	1.66
Return on equity (%)	22.38

Notes:
Earnings per share = Net profit / Total number of ordinary shares at the end of the year
Net assets per share = Shareholders' equity at the end of the year / Total number of ordinary shares at the end of the year
Return on equity = Net profit / Shareholders' equity at the end of the year × 100%

(II) Explanation on difference in net profit

Consolidated profit after taxation of the Company in 2001 is RMB 203,271,000 as audited by Guangzhou Yangcheng Certified Public Accountants in accordance with Independent Auditing Standards for Chinese public accountants; while consolidated profit after taxation of the Company in 2001 is RMB 205,587,000 as audited by PricewaterhouseCoopers Certified Public Accountants in accordance with Statement of Auditing Standards issued by the Hong Kong Society of Accountants. The difference of RMB 2,316,000 between them arose from the following reasons:

1. Different accounting methods in the treatment of initial cost of RMB 504,000 of Shennan Power (Singapore) Co., Ltd. ("the Shennan Power"), a wholly-owned subsidiary of the Company: the domestic accountants counted the initial cost of RMB 504,000 of previous year together with the cost of the year 2001 under the item "2001 investment income", in line with the discipline of significance; while the overseas accountants counted the cost of the year 2001 into the Company's profits and losses of the year 2001, the initial cost of RMB 504,000 of previous year was counted into the Company's 2000 consolidated income statement, in line with accounting standards recognized in Hong Kong.

2. Different accounting methods in the treatment of investment income of RMB1.798 million of Shenzhen Xindianli Industrial Co., Ltd. ("the Xindianli Industrial"), a subsidiary controlled by the Company: the domestic accountants excluded the net assets of RMB 1.798 million of the Xindianli Industrial at the end of the year held by Hong Kong Xingdesheng out of the 2001 consolidated financial statement, in line with Chinese Accounting Standards; while the overseas accountants counted the said funds RMB 1.798 million into the 2001 consolidated financial statement, in line with accounting standard recognized in Hong Kong.

III. CHANGES IN SHARE CAPITAL AND SHAREHOLDER

(I) Particulars about changes in share capital

1. Statement of changes in share

Unit: share

Items	Before the change	Increase/decrease of this time (+, -)						After the change
		Share Allotment	Bonus shares	Capitalization of public reserve	Additional issuance	Others	Sub- total	
Ⅰ. Unlisted Shares								
1. Promoters' shares								
Including:								
State-owned shares	56,867,580	853,818	13,908,733	13,908,733			28,671,284	85,538,864
Including: State share	20,495,970	307,818	5,012,947	5,012,947			10,333,712	30,829,682
State-owned juristic person's shares	36,371,610	546,000	8,895,786	8,895,786			18,337,572	54,709,182

Domestic juristic person's shares	75,641,346	1,139,227	18,501,293	18,501,293			38,141,813	113,783,159
Foreign juristic person's shares	75,886,074	724,513	18,460,332	18,460,332			37,645,177	113,531,251
Others								
2. Raised juristic person's shares	41,085,000	550,442	10,032,610	10,032,610			20,615,662	61,700,661
3. Employees' shares								
4. Preference shares or others								
Total Unlisted shares	249,480,000	3,268,000	60,902,968	60,902,968			125,073,936	374,553,935
II. Listed Shares								
1. RMB ordinary shares	33,660,000	10,098,000	10,544,068	10,544,068			31,186,136	64,846,135
2.Domestically listed foreign shares	73,260,000	0	17,652,964	17,652,964			35,305,928	108,565,928
3. Overseas listed foreign shares								
4. Others								
Total Listed shares	106,920,000	10,098,000	28,197,032	28,197,032			66,492,064	173,412,063
III. Total shares	356,400,000	13,366,000	89,100,000	89,100,000			191,566,000	547,965,998

2. Explanation for change in share

(1) Domestically listed RMB ordinary shares include 57,217 senior executive's shares, which are frozen.

(2) The total share capital of the Company has increased by 191,565,998 shares because the Company conducted 2000 Share Allotment on March 27, 2001 and profit distribution and capitalization of public reserve on May 10, 2001.

(3) The total shares held by senior executives have decreased from 158,400 shares at the beginning of the report year to 57,217 shares because some senior executives and supervisors left their posts in July 2000 and December 2000 and the shares held by them was circulated half year later.

(II) Issuance and listing of share

1. Share Allotment Plan of 2000 was examined and passed by the 2nd Extraordinary Shareholders' General Meeting of 2000 dated Aug. 24, 2000 and was approved by China Securities Regulatory Commission with ZJGSZ [2000] No. 241 document dated Dec. 28, 2000. Share Allotment Plan is as follow: based on the total share capital of 356.40 million shares at the end of 1999, right shares were allotted to all shareholders on the basis of 3 for 10. The allotment price was RMB 13.40 per share. The subscription fund was paid commencing from Feb. 19, 2001 to Mar. 2, 2001. The Company actually raised 13.366 million RMB ordinary Shares from the allotment.

All the shareholders of B shares have given up the subscription option; the shareholders of state-owned and juristic person's shares have committed to subscribe 3,268,000 shares. The shareholders of public shares have committed to subscribe 10,098,000 shares and the lead underwriter has committed to sell on contractual basis all the remaining public shares. The date of listed for transaction of public shares was March 27, 2001. Of them, 26,730 shares acquired by directors, supervisors and senior executives were frozen temporarily.

The aforesaid public notices were published in China Securities, Securities Times and Ta Kung Pao dated Jan. 18, 2001, Feb. 8, 2001 and Mar. 24, 2001 respectively.

2. 2000 Profit Distribution Plan and Capitalization of Public Reserve Plan were examined and passed by 2000 Shareholders' General Meeting dated Apr. 12, 2001. The said plans are as follows: based on the total share capital of 356.40 million shares at the end of 2000, profit would be distributed to all shareholders at the rate of 2.5 bonus shares for every 10 shares with RMB 0.74 dividend in cash (including the tax); capital public reserve was transferred into share capital of 89.10 million shares to all shareholders at the rate of 2.5 for 10.

Since the Company conducted 2000 Share Allotment Plan in March 2001, the profit distribution plan and the capitalization of public reserve plan would base on the share capital after the allotment, 369.766 million shares. And the Company distributed cash dividend at the rate of RMB 0.7132 (including tax) for every ten shares with 2.409632 bonus shares to all shareholders. Public reserve was transferred into share capital at the rate of 2.409632 for 10. The date of listed for transaction was May 14, 2001.

3. The Company has no employee's shares except the shares held by Director Mr. Jian Jiyao frozen.

(III) About shareholders

1. By the end of the report period, the Company had totally 14,841 shareholders, including 10,051 shareholders of A-share, among whom there were one senior executive holding internal employee's share; and 4,790 shareholders of B-share.

2. About share held by the top ten shareholders:

Shareholders' Name	Shareholdings at the beginning of the period (share)	Increase or decrease (+/-)	Shareholdings at the beginning of the period (share)	Proportion in the total shares (%)	Pledge or frozen	Type of the share
Shenzhen Guangju Electronic Investment Co., Ltd.	83,660,346	+42,185,356	125,845,702	22.97	Nil	Juristic person's shares
Hong Kong Nam Hoi (International) Limited	55,677,204	+28,071,204	83,748,408	15.28	Nil	Foreign juristic person's shares
Shenzhen Energy Group Co., Ltd.	41,681,970	+21,015,327	62,697,297	11.44	Nil	Juristic person's shares
Shenzhen State Power Sciences Technology Development Co., Ltd.	36,371,610	+18,337,570	54,709,180	9.98	Nil	Juristic person's shares
Hong Kong Panda Investment Co., Ltd.	32,088,870	+15,464,473	47,553,343	8.68	Nil	Foreign juristic person's shares
Wu Li Rong	766,640	+385,385	1,152,025	0.21	Not quite clear	B shares
Cong Lixia	576,776	+536,266	1,113,042	0.20	Not quite	B shares

					clear	
Li Ang	0	+884,049	884,049	0.16	Not quite clear	B shares
Li Tingwen	0	+821,572	821,572	0.15	Not quite clear	B shares

Notes:

(1) Increase in shares held by the top five shareholders (holding over 5% of the total shares) is due to the share allotment of 2000, profit distribution of 2000 and capitalization of public reserve of 2000 in the report period.

(2) Shenzhen Energy Group Co., Ltd. holds 30,829,682 state-owned shares.

(3) The 3rd shareholder Shenzhen Energy Group Co., Ltd. indirectly holds 100% share equity of the 2nd shareholder Hong Kong Nam Hoi (International) Limited, foreign juristic person's shareholder of the Company.

(4) Shares held by other shareholders are all public shares, and the changes in shareholding are due to the transaction in the secondary stock exchange market.

(5) Except for the 2nd and 3rd shareholders, there is no association relationship among the other shareholders of the Company.

(IV) About control shareholder

The Company has no control shareholder. The first shareholder of the Company is Shenzhen Energy Group Co., Ltd. ("the Energy Group"). The Energy Group directly holds 11.44% of total shares of the Company and indirectly holds 15.28% of total shares of the Company (the Energy Group indirectly holds 100% share equity of Hong Kong Nam Hoi (International) Limited, foreign juristic person's shareholder of the Company). The legal representative of the Energy Group is Lao Derong; the date of foundation is July 15, 1985; registration capital is RMB 860 million; the type of the Energy Group is limited company (state-owned sole corporation); and business scope include investment and initiating industrial (the specific items are declared separately); operation of import and export (to handle based on SMGSZZ No. 147 document); domestic commerce and business of supply and marketing of material (excluding, franchise, special controlling and exclusive selling commodity); conventionality energy (including electricity, heat, coal, light oil, heavy oil and pomace oil), development, production and purchase and sale of new energy; design, construction and training of various energy project, undertaking the relevant construction project; investment and operation of transportation business (highway, littoral and oceanic). The shares held by the Energy Group have not been pledged and frozen.

V. PARTICULARS ABOUT DIRECTOR, SUPERVISOR, SENIOR EXECUTIVE AND STAFF

1. Particulars about directors, supervisors and senior executives in office at present

Name	Gender	Title	Age	Office term
Lao Derong	Female	Chairman of the Board	58	June 2000-- June 2003
Wang Jianbin	Male	Vice chairman of the Board	38	June 2000-- June 2003

Huang Dechen	Male	Vice chairman of the Board	51	June 2000-- June 2003
Zhang Renyi	Male	Director and General Manager	41	June 2000-- June 2003
Yu Chunling	Female	Director	36	June 2000-- June 2003
Li Li	Male	Director	54	June 2000-- June 2003
Jian Jiyao	Male	Director	60	June 2000-- June 2003
Zhong Chengli	Male	Director	52	June 2000-- June 2003
Cun Jichun	Male	Director	44	Nov. 2000-- June 2003
Liu Aiqun	Male	Independent Director	48	June 2000-- June 2003
Zhu Tianfa	Male	Chairman of Supervisor Committee	51	June 2000-- June 2003
Ji Ming	Male	Supervisor	45	June 2000-- June 2003
Guan Qihong	Male	Supervisor	39	June 2000-- June 2003
Li Yongsheng	Male	Supervisor	29	Nov. 2000 –June 2003
Guo Chuanming	Male	Supervisor	34	June 2000 – June 2003
Xiao Bing	Male	Supervisor	43	June 2000 – June 2003
Zhang Jie	Female	Supervisor	33	Aug. 2000 – June 2003
Zhao Lijin	Male	Chief Financial Supervisor	62	July 2000 – June 2003
Guo Zhidong	Male	Deputy General Manager	35	July 2000 – June 2003
Fu Bo	Male	Deputy General Manager, Secretary of the Board	39	June 2000 – June 2003
Sun Shoulin	Male	General Engineer	55	July 2000 – June 2003

Notes:

(1) Director Jian Jiyao holds 57,217 shares of the Company, the rest as listed above have not hold share of the Company.

(2) Particulars about directors or supervisors holding the position in Shareholding Company

Chairman of the Board of the Company Ms. Lao Derong took the position of Chairman of the Board of Shenzhen Energy Group Co., Ltd. from December 1997.

Vice Chairman of the Board of the Company Mr. Wang Jianbin took the position of Chairman of the Board of Shenzhen Guangju Energy Co., Ltd. from February 1999.

Vice Chairman of the Board of the Company Mr. Huang Dechen took the position of Chairman of the Board of Shenzhen State Power Science and Technology Development Co., Ltd. from December 1999.

Director of the Company Ms. Yu Chunling took the position of Secretary of Fuel Trade Dept. of Shenzhen Energy Group Co., Ltd. from June 2000.

Director of the Company Mr. Li Li took the position of Chairman of the Board of Directors of Hong Kong Panda Investment Co., Ltd. from 1992.

Director of the Company Mr. Jian Jiyao took the position of Chief Accountant of Shenzhen Energy Group Co., Ltd. from December 1997 to December 2001.

Director of the Company Mr. Zhong Chengli took the position of Chairman of the Board of Shenzhen Guangju Electronic Investment Co., Ltd. from September 2000.

Director of the Company Mr. Cui Jichun took the position of General Manager of Shenzhen State Power Science and Technology Development Co., Ltd. from April 2001.

Chairman of the Supervisory Committee of the Company Mr. Zhu Tianfa took the position of Chief Accountant of Shenzhen Energy Group Co., Ltd. from November 2001.

Supervisor of the Company Mr. Ji Ming took the position of General Manager of Shenzhen Guangju Electronic Investment Co., Ltd. from September 2000.

Supervisor of the Company Mr. Guan Qihong took the position of Chief Economist of Shenzhen State Power Science and Technology Development Co., Ltd. from December 1999.

Supervisor of the Company Mr. Li Yongsheng took the position of Manager of Hong Kong Panda Investment Co., Ltd. at present.

2. Particulars about the annual salary

(1) During the report year, the annual salary received by senior executive is composed the wages (the position wage, floating wage and subsidy) and the year-end rewards. The wages are paid by the month decided by the Board of Directors based on the post function; the year-end rewards are paid based on measure of annual production and operation checking system and encouragement, the accomplishment of the all-year various operation targets at the year-end and the distribution principle decided by the Board of Directors at the year-begin.

During the report year, 9 directors and 5 supervisors draw their business funds by the month according to the relevant regulations of special funds of the Board of Directors approved and established by Shareholders' General Meeting.

(2) During the report year, the Company has totally 21 directors, supervisors and senior executives. Of them, 7 persons draw their annual salary from the Company, and the total annual salary received from the Company is RMB 2.8 million, including one enjoys an annual salary from RMB 450,000 to RMB 480,000, four enjoy an annual salary from RMB 400,000 to RMB 450,000 respectively, and one enjoys an annual salary from RMB 300,000 to RMB 350,000 and one enjoys annual salary from RMB 250,000 to RMB 280,000. The total amount of the top three directors or supervisors is RMB 600,000. The total amount of the top three senior executives is RMB 1,320,000.

There are 14 directors or supervisors draw their business funds from the Company, and they are Lao Derong, Wang Jianbin, Huang Dechen, Yu Chunling, Li Li, Zhong

Chengli, Jian Jiyao, Cui Jichun, Liu Aiqun, Zhu Tianfa, Ji Ming, Guan Qihong, Guo Chuanming and Li Yongsheng. Of them, three enjoy all-year business funds from RMB 60,000 to RMB 70,000 respectively, seven enjoy all-year business funds from RMB 45,000 to RMB 55,000 respectively, and four enjoy all-year business funds of RMB 30,000 respectively. The independent director draws his all-year business funds of RMB 54,000.

3. During the report year, directors, supervisors and senior executives have not leave their posts. The senior executives of the Company, for instance, general manager, deputy general manager, person in charge of financial affair, and secretary of the Board remained unchanged.

VI. ADMINISTRATION STRUCTURE

(I) Particulars about the Company's Administration

Strictly pursuant to the PRC Company Law, the Securities Law and relevant laws and regulations released by China Securities Regulatory Commission, since its establishment, he Company has successively established and improved the legal person administration structure, standardized business operation, made the Articles of Association, Rules of Procedures of the Shareholders' General Meeting, Temporary Rules and Rules of Procedures of the Board of Directors, Detailed Work Rules of General Manager, Temporary Work Rules of the Secretary of the Board of Directors and Administration System of Information Disclosure so as to ensure the company make business decisions and operate in a scientific, standardized and efficient manner. The Company has also made extensive modification and improvement to various rules and systems as per the Rules of Administration of Listed Companies released by China Securities Regulatory Commission and State Economic and Trade Commission. Particulars about the Company's administration structure are as follows:

1. Shareholders and the Shareholders' General Meeting: The company has been ensuring all shareholders, especially those medium and small shareholders enjoy right of knowing facts, right of participations and have equal positions. The Company have disclosed significant events promptly, accurately and completely according to requirements of China Securities Regulatory Commission and Sense Stock Exchange; It has established the Rules of Procedures of the Shareholders' General Meeting, has been calling and holding shareholders' general meetings strictly in accordance with the opinions on standardization expressed by the Shareholders' General Meeting. Interrelated transactions were fair and reasonable and the basis of pricing was fully disclosed.

2. Control shareholder and public Company: The Company has no shareholder. The first large shareholder has been performing its right as capital provider strictly according to relevant regulations and hasn't overstepped the Shareholders' General Meeting to interfere with the public company's operation and decision-making utilizing its special position. Significant decisions were all made by the Shareholders' General Meeting and the Board of Directors. The Company has realized "the five separations" from its first shareholder in personnel, finance, assets, organization and business, made business accounting independently and undertaken risks and

responsibilities independently.
3. Directors and the Board of Directors: The Company elected directors strictly according to the stipulated procedures in the Articles of Association, of which head-account and its formation were all in conformity with the law and regulations. The Company has established the Detailed Work Rules of the Board of Directors; All directors perform duties loyally, honestly and reliably and diligently, and study relevant policies, laws and regulations in time. The Company engaged one independent director in 1998, and proposed to augment another one in the near future so as to perfect the independent director system, and to establish a special committee of the Board of Directors to the need of its operational decision-making.
4. Supervisors and the Supervisory Committee: The Supervisory Committee has been exercising its right according to the Articles of Association, formulated the Rules of Procedures of the Supervisory Committee, attended each meeting of the Board of Directors as non-voting delegates, supervised the Company's finance, investment and operation as well as performance of duties of directors, managers and other senior executives in terms of its legitimacy, and safeguarded the legal interests of the Company and the shareholders.
5. Performance Evaluation, Encouragement and Binding Mechanism: The Company has established the depending mainly on the system of aimed responsibilities and performance assessment. The company sets about to formulate new performance evaluation criteria and encouragement and binding mechanism for directors, supervisors and senior executives, and plans to establish and implement an encouragement and binding mechanism for long-term share equity in 2002.
6. Relevant Beneficiaries: The Company has been fully respecting and safeguarding the legal rights and interests of the banks, other creditors, employees, suppliers and other parties of related interests, and has been cooperating with these relevant beneficiaries to promote health development of the Company.
7. Information Disclosure and Transparency: The Company has disclosed information promptly, truthfully, accurately and completely strictly according to the requirements of China Securities Regulatory Commission and Shenzhen Stock Exchange, established the Temporary Rules of Management of Information Disclosure, and ensured all shareholders have equal opportunities of access to the Company's information. The secretary and representatives of stock and securities affairs are responsible for information disclosure, receiving visits and inquiries of shareholders, and providing investors with materials of publicly disclosed information.

(II) Performance of Duties of Independent Directors
The Company engaged one independent director in 1998. During operation of the Board of Directors, the independent director seriously performed their duties, attended each meeting of the Board of Directors, independently expressed opinions on the operational decision-making proceeding from the considerations of the integrated interests and especially interests of medium and small shareholders with his/her professional management knowledge and working experience, and effectively played his/her role as independent director. In future, the Board of Directors will bring the

impact of the independent director into full play and conscientiously listen to directors and adopt their opinions and suggestions.

VI. BRIEFINGS ON THE SHAREHOLDERS' GENERAL MEETING

In the report year, the Company held the Shareholders' General Meeting twice.

1. The notification on holding the Shareholders' General Meeting of Year 2000 and its relevant resolutions were published in China Securities, Securities Times and Hong Kong Ta Kung Pao dated March 17, 2001 and April 13, 2001 as well as on the information disclosure website: http://www.cninfo.com.cn designated by China Securities Regulatory Commission

2. The notification on holding the 1st Extraordinary Shareholders' General Meeting of Year 2001 and its relevant resolutions were published in China Securities, Securities Times and Hong Kong Ta Kung Pao dated November 9, 2001 and December 12, 2001 as well as on the information disclosure website: http://www.cninfo.com.cn designated by China Securities Regulatory Commission.

VII. WORK REPORT OF THE BOARD OF DIRECTORS

(I) Business Highlights

1. Main business scope and the operation

The Company is an electric power producing and operating enterprise under the classification of fundamental energy industry. By the year 2001, the Company has been equipped with seven sets of gas turbine generating units ("GTGU") and three sets of gas turbine afterheat combined circle generating units ("ACCGU") with installed capacity totaling 528 MW, taking 19.78% of total installed power generating capacity of Shenzhen and 36.7% of installed capacity of peak regulatory power plants in Shenzhen (based on the statistics from Shenzhen Power Supply Bureau). After years of development, the Company has become the largest gas turbine generating enterprise in China and one of the backbone peak regulaory power plants in Shenzhen.

In the year 2001, the rapid and stable economic development in Shenzhen, with GDP increased by 13.2%, drove the annual electricity assumption volume and peak load of Shenzhen touching 20.06 TW and 4.05 BW respectively, an increase of 13.9% and 19.12% over the same period of previous year. Such intensive demand for electricity further increased the contradiction between demand and supply in the market, which was mainly because of the backward status in electricity resources and weak electricity network structure.

Bearing the features of substantial assumption difference in peak and valley load and long lasting peak period, the electricity market of Shenzhen offers the Company with a favorable environment. Under such situation, the Company resolves to stick to the business of power generation as key task, make full use of its core advantages in terms of production and operation of gas turbine, equipment maintenance and repair as well as management, etc., so to promote the Company's production, operation and development into higher step.

(1) In the year 2001, the Company realized a total generation volume of

1,754,034,700KW, an increase of 22.08% over the same period of previous year and 127.1% of the annual generation target. It realized revenue of RMB 1,084,093,300 from main business lines, a profit of RMB 264,619,500 from main business lines, subsidiary income of RMB 41,491,700 and net profit of RMB 203,271,500, an increase of 21.85%, 80.68%, 36.01% and 39.91% over the previous year.

(2) To meet the urgent demand during the power assumption peak period, the Company invested RMB 21 million as early as the beginning of the year to conduct thorough inspection, repair, maintenance and technical innovation to the whole generating system, which improved the stability of equipments, assured the best performance of generator units and laid solid foundation for the safe, reliable and effective operation of all facilities.

(3) The Company carried out technical innovation and upgrade on the power supply cables and reduced the cable waste rate by great margin. In addition, it improved the efficiency of its operation and minimized the power use rate of the plant. Total cable waste rate and power use rate of the plant was reduced to a lowest record of 3.22%.

(4) After expeditious construction, equipment installation and adjustment, single cycle technical innovation (the 1st phase) of "YDDX" gas turbine project (constructing one gas turbine with capacity of 123.4 MW) and ACCGU project (constructing one afterheat generator units with capacity of 55 MW), Key Industrial Construction (Technical Innovation) Projects of Shenzhen Municipal in 2000, was completed and went into operation in July and Aug. 2001. Total installed capacity of the Company was as a result increased from 350 MW to 528 MW. It is worth noting that installation and adjustment period of the single cycle technical innovation (the 1st phase) of "YDDX" gas turbine project made the new world record comparing with the period of the same model of GE.

(5) While implementing the above technical innovation projects, the Company actively applied to relevant authorities for single cycle technical innovation (the 2nd phase) of "YDDX" gas turbine project, which was: the Company employed an imported gas turbine generator set with advanced technology, high efficiency and big capacity (with capacity of 123.4 MW) to replace its original three backward and low efficient PG6541B model gas turbine and combined circular generator sets (with total capacity of 99 MW) and three diesel engine generator set in Shenzhen (with total capacity of 30 MW). This project has been approved by Shenzhen Economic Development Bureau on May 31, 2001 and relevant professional appraisal, engineering design and major equipment purchase has been completed in the year 2001.

Besides the aforesaid project, the Company also applied to relevant authorities for the second phase of ACCGU project (a gas-steam combined circular generating project), an energy saving technical innovation project with utility of afterheat, to establish a set of gas turbine afterheat generator unit with capacity of 60 MW. The above two projects was included in Key Industrial Construction (Technical Innovation) Projects of Shenzhen Municipal in 2001. Purpose of the said project was to optimize the power source structure of Shenzhen, improve the regulating ability during the power usage peak period, realize the Company's industrial upgrade and operation in scale, release the power supply tension in 2002 and improve the atmospheric environment.

(6) In the year 2001, all peak regulatory power plants in Shenzhen supplied electricity to the network in spite of the great pressure of high oil price during the power assumption peak period. In order to encourage and instruct such power generation, Shenzhen Municipal Government granted oil subsidy to 13 power plants including the Company based on the electricity volume supplied to the power network of Shenzhen from May to Oct., 2001. Total subsidy received by the Company amounted to RMB 10,104,700 in 2001.

(7) Making full use of advantages in construction, equipment installation and adjustment, production and operation of gas turbine generating unit and its afterheat generating project, the Company contracted the construction of ACCGU project invested by Shenzhen Xindianli Industrial Co., Ltd. as well as the custody and operation of its assets like generating equipment. In the year 2001, the Company received totally RMB 7,924,300 construction service fee and RMB 5,085,500 assets custody service fee and smoke use fee from Xindianli.

(8) In the firs half year of 2001, the Company successfully implemented share allotment plan for the year 2000 and raised RMB 174,960,993.38 proceeds, all of which were used in single cycle technical innovation (the 1^{st} phase) of "YDDX" gas turbine project, which was completed and went into operation as scheduled in this year.

3. Major suppliers and customers

Since principal business of the Company was power producing, raw material cost of the Company were mainly from oil and spare parts necessary for generating unit maintenance, whose purchase took the form of international public bidding. After years of material purchase, strategic supplier system has been established. In 2001, the accumulated purchase amount to the top five suppliers accounts for 79.85% of the Company's total annual purchase amount and 100% electricity generated by the Company is sold to Shenzhen Power Supply Bureau.

(II) Investment

1. Investment funded by raised proceeds

In the report period, the Company raised RMB 174,960,993.98 proceeds from share allotment for the year 2000, all of which were used in the single cycle technical innovation (the 1^{st} phase) of "YDDX" gas turbine project, details as follows:

Unit: in RMB'000

Committed and actual investment project	Investment amount		Actual investment period	Progress	Return
	Planned	Actual			
Single cycle technical innovation (the 1st phase) of " YDDX" gas turbine project	210,000	174,960	Mar. 2001 to Apr. 2001	Completed in July 2001 as scheduled	Operation revenue of RMB 145,688.3

2. Investment funded by non-raised proceeds

The Company invested self-raised proceeds in following projects:

Unit: in RMB'000

Investment project	Proportion of shares in hold	Planned total investment	Actual investment		Progress	Return
			2001	2000		

Shenzhen Energy Environmental protection Engineering Co., Ltd.	10%	29,000	14,500	11,600	Uncompleted	
Shennan Energy (Singapore) Co., Ltd.	100%	USD900	USD 315	USD 585	Completed in Jun. 2001	No operation
Shenzhen Xindianli Industrial Co., Ltd.	51%	29,325	29,325		Completed in Aug. 2001	Net profit of RMB 47,946.4

(1) As approved by Ministry of Foreign Trade and Economic Cooperation with (2001) WJMFZHHZ No. 591 Document, the Company acquired contributive rights of 35% shares of Shennan Energy (Singapore) Co., Ltd. (hereinafter referred to Shennan Energy) from Shenzhen Shennan Petroleum (Group) Co., Ltd. at the nominal price of SD 1 per share, USD 315 thousand in total on March 29, 2001. In addition to its original 65% shares in hold, the Company held totally 100% of Shennan Energy, whose registered capital was up to SD 1.5 million.

April 2001, Shennan Energy established a wholly owned subsidiary, Nanshan Power Station (Hong Kong) Co., Ltd., with total registered capital of HKD 200,000. Later, the new company was renamed as Hong Kong Xing De Sheng Co., Ltd.

In the report period, legal procedures for capital registration, share changes, director changes and commercial register paper, of the above two companies has been completed stabilizing the Companies' legal operation.

(2) The Company invested RMB 29,325,000 to incorporate Shenzhen Xindianli Industrial Co., Ltd. (total registered capital as RMB 57,500,000) with Shenzhen Jinbiwan Investment Development Co., Ltd.. Business scope of the new company covered R&D of afterheat application technology and power generation utilizing afterheat. The ACCGU project invested by Xindianli Company was to construct one afterheat generating unit with capacity of 55MW, an energy saving project with utilization of afterheat, and was completed and went into operation on Aug. 16, 2001. Total investment in the ACCGU project was up to RMB 158 million. In the year 2001, the project generated 118,336 MW and realized operation revenue of RMB 71,003,700 and a net profit of RMB 47,946,400.

Approved by Shenzhen Administrative Bureau of Foreignl Trade and Economic Cooperation, the Company assigned 25% equity of Shenzhen Xindianli Municipal Industrial Co., Ltd. to Hong Kong Xing De Sheng Co., Ltd., a overseas indirectly wholly-owned subsidiary of the Company, on Sep. 20, 2001. After the equity assignment, name of the company was changed to Shenzhen Xindianli Industrial Co., Ltd. in altered nature of joint venture, enjoying a series of favorable tax exemption policy.

(III) Impact of Changes in Production and Operation Environment and Macro Policy on the Company's Operation

1. " Transfer Electricity from the West to East" ("TEWE") and "Compete for Power Supply to the Network"("CPSN")

In order to implement the strategy of Western China Development, solve the problem of electricity supply shortage in Guangdong, the State adopted significant measures of TEWE and CPSN based on the market competitive strategy. Predicted by the power and electricity department, there will be a shortage of 15BW in power supply in Guangdong. In contradiction, the largest transfer volume from the west to east can reach only 3BW due to the ineffectiveness of the power network. Even after the upgrade of the network in 2005, only 10BW can be transferred from the west, with large margin shortage unsatisfied. That's more? Shenzhen Power network can receive only 10% of transferred power from Guangdong power network annually, while its assumption volume increases by 7.7% annually and peak load increased by 8%. Therefore, no fundamental settlement will be found for the power supply shortage in Shenzhen. Under such environment, the Company believes it can maintain a stable development in the future years in despite of the impact of TEWE and CPSN on the power supply market.

2. Changes in international oil price

The Company mainly employs the heavy oil, a kind of comparatively low price fuel, to produce electricity and the major production cost is from it. During 2001, international oil price was gradually falling after its recorded highest price in 2000. After the "9.11" event, international oil price was decreased by great margin, which resulted in the Company's 20% reduction in oil purchase amount over the previous year. So it is clear that changes in international oil price imposed great impact on the Company's production cost. With a view to minimizing the negative impact of such changes, the Company cooperated with domestic and overseas financial institute as well as oil operator to purchase large amount of futures and spot oil at low price, then stored it in its subsidiary's oil depot with capacity of 7.8 cu. meters. In this way anti-risk ability of the Company was increased and extra cost due to market element was effectively avoided.

(IV) Financial Report of the Company was audited by Guangzhou Yangcheng Certified Public Accountants and PricewaterhouseCoopers Certified Public Accountants respectively with standard Auditors' Report without reserved opinion.

(V) Operation Prospect for 2002

In the year 2002, Shenzhen power market will maintain the feature of high demand exceeding supply. Total assumption volume and peak assumption load will reach 28TW and 4.6BW, an increase of 13.96% and 13.58% over the previous year respectively. Discrepancy between the peak and valley load will increased and the peak period will prolong. All these factors prepare a favorable market environment for the Company to further develop its main business. Also, with the completion and operation of single cycle technical innovation (the 2nd phase) of "YDDX" gas turbine project, the Company enjoys a larger market share and stronger competitiveness. However, the Company also confronts challenges with the gradual implementation of reform measures including "TEWE" and "CPSN". So it sets its annual operation principal as "Focus on the main business line of electricity supply, Reinforce the effective operation, Attach great emphasis on technical innovation, Prepare actively for reform in power industry, Grasp favorable opportunity, Expand the business scale, and Expedite the cultivation of new economic growth point" with following key works:

1. Focusing on the electricity producing, the Company will invest RMB 20 million to conduct thorough repair and comprehensive perfection on its generating equipments, improve the efficiency and meet the demand of the power network to the maximum

extend. It will strive for the over fulfillment of production target of 1.85TW electricity in 2001.

2. The Company will strictly control the cost, and conduct detailed check on economic and cost index. Moreover, the Company will study for and implement a more scientific, economic and effective operation mode for its units, considering the actual load status. Furthermore, the Company will further reduce its production cost by minimizing various financial indexes in cost and waste.

3. The Company will closely notice the international oil market and avoid the cost risk effectively availing the methods represented by hedging in futures market with cooperation with overseas financial institutes and oil operators. In addition, it will broaden its oil purchase channel and order large batches of oil at low price. To be specific, it will strive for a 10% reduction in oil purchase cost over the previous year.

4. In order to release the power supply tension in Shenzhen, the Company will try to complete the installation and adjustment work of the single cycle technical innovation (the 2^{nd} phase) of "YDDX" gas turbine project in May and the ACCGU project in July and supply power to the net work. Meanwhile, the Company will realize a total installed capacity of 7BW, taking 48.5% of the tota l capacity of peak regulatory power plant in Shenzhen, as the largest gas turbine power plant in China.

5. The Company will continue to reinforce its technical innovation and reform on the gas turbine and its combined cycle usage, especially to conduct research focusing on generation efficiency improvement, cost and pollution reduction with cooperation with universities and research institutes. Beside, the Company will strengthen its cooperation with GE in respect of new technology of gas turbine, and upgrade the core parts of gas turbine with mature technique with a purpose to improving the comprehensive capacity.

6. The Company will consistently cement its core advantages in terms of investment, operation and management of gas turbine generating section, integrate and transfer such advantages into actual profitability applying cooperation with state research institute and famous enterprise in the same industry, so to stabilize the Company's leading position in the power generating industry.

7. The Company will prepare in advance for the technique problem of replacing the oil with LNG since the Shenzhen Government plans to implement the LNG Clean Energy Project in 2005. When appropriate, the Company will try to participate in the project of LNG large-sized gas turbine power plant and develop in a way of generating with clean energy, so to lay a solid foundation for the Company's long-term development.

8. The Company will actively explore the capital operation and assets operation for its development. On one hand, it will purchase peak regulatory power plants in Shenzhen and Zhujiang Delta district with implementation of "YDDX" technical innovation for the purpose of scale economy. On the other hand, the Company made full use of the advantages of listed company in financing to support the Company's development.

9. The Company will prepare and implement the Program on Future Development. With reinforcing the analysis on the Company's related industries line and expanding to the related industries as a new development method, the Company will establish an

anti-risk operation mode suitable for the Company's long-term development.

10. In order to bring the core human resources into full use, the Company will implement the encouraging plan in a long term after the approval in Shareholders' General Meeting.

(VI) Routine Work of the Board of Directors

The Board of Directors held totally five meetings in the report period, details as follows:

(1) March 8, 2001, the 5th meeting of the 3rd Board of Directors of the Company was held. All directors except vice chairman of the Board, Mr. Wang Jianbin, who was on business trip and entrusted Director Zhong Chengli to vote on his behalf, attended the meeting. Following resolutions were examined and approved unanimously: 2000 Work Summary concerning Production, Operation and Management, 2000 Financial Settlement Report, 2000 Report concerning Four Items of Provisions for Price Falling of Assets and Assets Offset, 2000 Special Report concerning Accounting Settlement for the Housing Circular Fund, 2000 Auditors' Report, 2000 Preplan of Profit Distribution, 2000 Annual Report and the summary, 2000 Work Report of the Board of Directors, 2001 Work Summary concerning Production, Operation and Management, Report concerning 2001 Loan Scale and Limitation on Guarantee for Others, Proposal on Amending Articles of Association of the Company, Provisional Rules for Application of Raised Proceeds, Proposal on Engagement of Auditor and Lawyer Consultant for the Company in 2001 and Proposal on Holding 2000 Shareholders' General Meeting. The above proposals were submitted to 2000 Shareholders' General Meeting for examination and it was decided to convene 2000 Shareholders' General Meeting on April 12, 2001.

(2) April 12, 2001, the 3rd Board of Directors held a provisional meeting. All directors except vice chairman of the Board, Mr. Wang Jianbin, who was on business trip and entrusted Director Zhong Chengli to vote on his behalf, attended the meeting. Report concerning the Application for Implementing the "YDDX" Technical Innovative Project in Eastern Area supported by No. 5, 6 and 8 Units was made in the meeting; in addition, newly released regulations including Inspection Method for Listed Company from the CSRC were studied in the meeting.

(3) May 16, 2001, the 3rd Board of Directors held a provisional meeting. All directors except vice chairman Wang Jianbin, vice chairman Huang Dechen and Director Li Li, who entrusted Director Zhong Chengli, Director Cun Xuchun and Director Huang Shaoji respectively to vote on their behalf due to being on business trip, attended the meeting. Report on Progress of the "YDDX" Technical Innovative Project in Eastern Area and Report on Assignment of No. 1, 2 and 3 Units were made in the meeting.

(4) The 6th meeting of the 3rd Board of Director was held on July 25, 2001. Director Li Li and Liu Aiqun were absent from the meeting due to being on business trip. Report on Production, Operation and Management of the Company in the first half year of 2001 and Report on the Progress in the Technical Innovation Project of YDDX were made in the meeting; 2001 Interim Financial Settlement Report and 2001 Interim Report (domestic and overseas) were examined and approved.

(5) The 7th meeting of the 3rd Board of Director was held on Nov. 7, 2001. Chairman

of the Board Ms. Lao Derong authorize Mr. Jian Jiyao to vote, Director Li Li authorize Mr. Huang Shaoji to vote, and the other directors were attended the meeting. Report on the Progress in the Technical Innovation the 2nd Project of YDDX was made in the meeting; and following proposals were examined and approved: Demonstration Plan of Investment and Construction Mode in the Technical Innovation the 2nd Project of YDDX, Rules of Procedure of Shareholders' General Meeting, Provisional Regulations on Information Disclosure, Detailed Regulations on Work of General Manager, Provisional Regulations on Salary Management (Revision), Proposal on Amending Articles of Association and Proposal on Holding the 1st Extraordinary Shareholders' General Meeting 2001. Meanwhile, the Company organized to study the "Circular on Requirement on Legal and Regulated Operation of Listed Company and Implementation of Self-examination and Self-correction of Listed Company" in the meeting.

(VIII) Profit Distribution and Capital Public Reserve Transferring into Share Capital Preplan for 2001

As audited by Guangzhou Yangcheng Certified Public Accountants under the Independent Auditing Standards for Chinese Certified Public Accountants, the Company realized a net profit of RMB 211,047,190.94 in 2001 before consolidation. Pursuant to relevant regulations in the Articles of Association of the Company, 10% and 5% of the net profit respectively amounting to RMB 21,104,719.09 and RMB 10,552,359.55 shall be allotted as statutory public reserve and welfare fund respectively. Balance of the net profit realized in 2001, RMB 179,390,112.30, plus retained profit carried from the year 2000 amounting to RMB 575,011.80 composes the distributable profit as of 2001 at RMB 179,965,124.10. The Company realized a net profit after consolidation of RMB 203,271,458.50 in 2001. Deducting RMB 21,104,719.09 statutory public reserve, RMB 10,552,359.55 statutory welfare fund and RMB 1,869,911.04 statutory public reserve and welfare fund withdrew by the subsidiaries; there is RMB 169,744,468.82 balance net profit. In addition to RMB 575,011.80 retained profit carried from the year 2000, profit attributable to shareholders after consolidation is RMB 170,319,480.62 for 2001.

As audited by PricewaterhouseCoopers Certified Public Accountants under the Auditing Standards promulgated by Hong Kong Society of Accountants, the Company realized a net profit of RMB 205,587,000 in 2001. After deducting 10% and 5% of the net profit as audited by Chinese Certified Public Accountants respectively amounting to RMB 21,104,719.09 and RMB 10,552,359.55 as statutory public reserve and welfare fund, deducting the difference in consolidation of RMB 2,757,000 and plus RMB 198,000 retained profit carried from the year 2000, profit attributable to shareholders is RMB 171,370,921.36 for 2001.

In summary, under the domestic auditing, there is RMB 170,319,480.62 attributable to shareholders after consolidation, RMB 179,965,124.10 attributable before consolidation; under the overseas auditing, there is RMB 171,370,921.36 attributable to shareholders. Pursuant to relevant regulations in CKZ (1995) No. 31 Document released by the Ministry of Finance of PRC and ZJH (1994) No. 1 Document released by the CSRC and based on the prudent principal, the Company adopts the "Lower

Principal" to take the attributable profit after consolidation under domestic auditing as the basis of the attributable profit for 2001, that is RMB 170,319,480.62.
Profit distribution preplan for 2001 is as follows: based on the total share capital of 547,965,998 shares, profit is to be distributed to all shareholders at the rate of RMB 3.1 bonus cash for every 10 shares (tax included); the balance profit is to be carried down to the next year.
The Company will conduct neither profit distribution nor capital public reserve transferring into share capital for 2001.
The preplan is subject to the examination in Shareholders' General Meeting for implementation.
(IX) Estimated Profit Distribution Policy
1. The Company will conduct profit distribution at least once for 2002, time of which would be the middle of the year or after the end of the year.
2. No less than 40% of the net profit realized in 2002 plus retained profit carried down from 2001 will be distributed for 2002.
3. The Company will distribute the profit in cash bonus or in dividend share or in capitalization of public reserve or in the combination of the three methods and the cash bonus will take no less than 20% of all profit distributed.
4. As for implementation of above profit distribution policy for 2002, the Board of Director will submit proposal to the Shareholders' General Meeting for examination and approval. The Board reserves the adjustment rights according to the actual development and profitability of the Company.
(IX) Other matters
Other Matters
The newspapers as designated for disclosing the Company's information are China Securities, Securities Times and Ta Kung Pao.

IX. REPORT OF THE SUPERVISORY COMMITTEE

In the report year, the Company held five meetings of the Board of Directors and two Shareholders' General Meetings. According to the PRC Company Law and the Articles of Association, the Supervisory Committee attended all meetings of the Board of Directors and the Shareholders' General Meetings as non-voting delegates, supervised the holding procedures of the Shareholders' General Meeting and the meeting of the Board of Directors, resolutions, implementation of resolutions of the Shareholders' General Meeting by the Board of Directors, performance of duties by senior executives so as to safeguard the interests of the Company, shareholders and employees.
In the report year, the Supervisory Committee held altogether 5 meetings. Details are as follows:
1. The 3rd Supervisory Committee held its 6th meeting on March 9, 2001 and attended the 5th Meeting of the 3rd Board of Directors. The meeting reviewed and passed the Final Report of Production, Operation and Management Work of 2000, the Report of Actual Budget of Profits of 2000, the Report on Provisions of Devaluation of 4 Assets and Assets Offset of Year 2000, the Auditor's Report of Year 2000, the Annual Report

of 2000 and its Summary, the Work Report of the Supervisory Committee of 2000, the Report on Dimension of Loans and Authorization of External Guarantee Limitation of Year 2000, the Temporary Rules of Using of Raised Capital and the Proposal on Revision of the Articles of Association.

2. The 3^{rd} Supervisory Committee held the extraordinary meeting on April 12, 2001, and attended the Extraordinary Meeting of the 3^{rd} Board of Directors as non-voting delegates. It listened to the report on applying for implementation of gas turbine "YDDX" technical renovation project with the existing turbine units #5, #6 and #8 as substitute capacity, studied three new regulations issued by China Securities Regulatory Commission, namely, the Inspections Measures of Listed Companies and Proposal Letter on Supervision and Administration of Engaging Independent Director, etc.

3. The 3^{rd} Supervisory Committee held its 3^{rd} meeting on May 16, 2001, and attended the Extraordinary Meeting of the 3^{rd} Board of Directors as non-voting delegates. It listened to the Report on Progression of Gas Turbine "YDDX" Technical Renovation in East Area and the Report on Transferring of the Units #1, #2 & #3.

4. The 3^{rd} Supervisory Committee held its 7^{th} meeting on July 25, 2001, and attended the 6^{th} Meeting of the 3^{rd} Board of Directors as non-voting delegates. It listened to the Report on Work of Production, Operation and Administration in the First Half of Year 2001 and the Report on Progression of the "YDDX" Project of the First Set of Gas Turbines, and reviewed and passed the Plan of Interim Actual Financial Budget of Year 2001 as well as the Interim Report of 2001 (both domestic and international versions).

5. The 3^{rd} Supervisory Committee held it 8^{th} meeting on November 7, 2001 and attended the 7^{th} Meeting of the Board of Directors as non-voting delegates. It listened to the Report on Progression of the 2^{nd} Phase Construction of the Gas Turbine "YDDX" Technical Renovation Project, and reviewed and passed the Expounding and Proving Scheme of the 2^{nd} Phase Construction Investment Mode of the Gas Turbine "YDDX" Technical Renovation Project, the Rules of Procedures of the Shareholders' General Meeting, the Temporary Administration Rules of Information Disclosure, the Temporary Rules of Salary Management (the Revision), the Proposal on Revising the Articles of Association and the Proposal on Holding the 1^{st} Extraordinary Shareholders' General Meeting of 2001, and also studied the Notification Letter on Standardizing Operation According to Law and Seriously Implementing Self-inspection and Self-correction Work Required for Listed Companies released by Shenzhen Securities Administration Office.

(I) Operation according to Law

The Supervisory Committee believes that the Company has established a perfect internal control system, established corresponding rules of procedures of the Shareholders' General Meeting and the Board of Directors, operated in a standardized and orderly way, processed decision-making in accordance with the PRC Company Law and the Articles of Association, and never violated laws and regulations. The directors and senior executives, proceeding in all cases from the interests of shareholders and company, adhered to operation according to law, standardized operation, implemented various resolutions of the Shareholders' General Meeting and seriously performed the duties during their office terms.

(II) Financial Inspection

The Supervisory Committee believes that the Company ha strictly implemented various national financial and taxation policies, and brought the financial supervision and control functions into full play. The Company has established a set of rather complete and rigid internal control system and strictly checked on important economic activities such as contracting, construction public bidding and operation of funds etc in every sector. The standard non-reservation auditor's report released by Guangzhou Yang City Certified Public Accountants and PricewaterhouseCoopers Certified Public Accountants are objective and fair, and has factually and accurately reflected the Company's financial status and business results.

(III) In the report year, the Company carried out the share allocation plan of 2000 and raised capital amounting to RMB174,960,993.98. The raised funds have all been put in the 1st phase of gas turbine "YDDX" technical renovation project as promised in the share allocation prospectus, which achieved remarkable economic and social benefits since it was established and put into production in August 2001.

(IV) Purchase or Sales of Assets

In the report year, the Company had no transactions concerning purchase or sales of the Company's assets.

(V) Particulars about Correlative Transactions

The Supervisory Committee believes that in the report year the Company conducted all correlative transactions on the basis of the principle of fair market trading, and trading prices of which were decided in compliance with market prices of the same kind of products. The transactions were fair and reasonable, and the interests of the Company and shareholders were not damaged.

IX. SIGNIFICANT EVENT

1. In the report year, the Company experienced no material lawsuit or arbitration.

2. Purchase and Sales of Assets, Consolidation or Merger

March 23, 2001, the Company signed Equity Assignment Contract with Meiya Power Company Limited to assign 10% equity of Anhui Tongling Shenneng Power Generation Co., Ltd. at the price of RMB 42.88 million. By the end of the report period, procedure for the equity assignment was still in processing.

3. Material Related Transaction

(1) In the report year, related transactions of the Company with the accumulated trading volume higher than 10% of the net profit of the report period or higher than 5% of the net assets of the Company in the report year are stated as following table:

Related party	Description	Pricing Basis	Trading volume	Proportion in amount of similar transactions (%)	Way of settlement	Affect on the profit of the Company
Shenzhen Xiefu Oil Supply Co., Ltd.	Purchasing goods	Market price	RMB 46.155	9.42	With bill	12.26% of the net profit

			million			
Shenzhen Xiefu Oil Supply Co., Ltd.	Leasing of oil tank	Market price	RMB 22.6923 million	100	With bill	0.36% of the net profit
Shenzhen Xindianli Industrial Co., Ltd.	Service charge, gas use fee	Contracted price based on the section standard	RMB 13.0098 million	100	With bill	0.21% of the net profit

(2) Assets and Equity Assignment

Aug. 2, 2001, the Company signed Equity Assignment Contract with Hong Kong Xing De Sheng Co., Ltd. to assign 25% equity of Xindianli Company, out of totally 51% equity held by the Company at the price RMB 14,375,000 based on 25% of carrying amount to net assets of Xindianli Company, RMB 57.5 million (net assets after appraisal was RMB 57,030,115.29). Shenzhen Bureau of Foreign Trade and Economic Cooperation approved the said equity assignment on Sep. 20, 2001 and Xing De Sheng paid the Company USD 1.75 million (foreign exchange equal to the contracted price) for the equity on Oct. 29, 2001.

4. Material Contracts and the Implementation

(1) Entrustment, Contract and Lease

① June 21, 2001, the Company signed Construction Entrustment Contract concerning the ACCGU Project with Xindianli Company, who agreed to entrust the Company with the organization, supervision and management of the preparation, construction, and installation for its ACCGU project. The Company promised to complete the contracted project in a good quality and up to the time schedule, and charged a service fee of 5% of the total investment of the project.

Construction, equipment installation and adjustment of the project were completed and the equipment started to operate on Aug. 16, 2001. Actual total investment in the project was up to RMB 158,486,300 and the Company charges Xindianli Company a service fee of RMB 7,924,300.

② Sep. 12, 2001, the Company signed Assets Entrustment Contract concerning the ACCGU Project with Xindianli Company who agreed to entrust the Company with the operation and maintenance of equipment, production, operation and management for ACCGU project adopting the principal of uniform operation and separate accounting. Service charges for assets entrustment was priced at RMB 0.035 per KWh and price of exhaust smoke fixed at RMB 0.008 per KWh. Duration of the assets entrustment was five years commencing from Aug. 16, 2001 to Aug. 15, 2006. In the year 2001, the Company charged Xindianli Company assets entrustment service fee and smoke use fee totaling RMB 5,085,500.

(2) Material Guarantee

① The Company and China Nanshan Development (Group) Co., Ltd. (hereinafter referred to as the Nanshan Development) mutually provided guarantee for loans totaling RMB 200 million. The Company offered guarantee to Nanshan Development for a loan of RMB 20 million from Feb. 2001 to Feb. 2002.

(2) The Company and Shennan Petroleum (Group) Co., Ltd. (hereinafter referred to as the Shennan Petroleum) mutually provided guarantee for loans totaling RMB 120 million. The Company offered guarantee for a loan of RMB 30 million from May 2001 to May 2002, for a loan of RMB 30 million from June 2001 to June 2002, for a loan of RMB 60 million from Oct. 2000 to Oct. 2002.
(3) In the report period, the Company did not entrust others to conduct cash assets management.
5. Implementation of the Company's Commitment
(1) The Company disclosed its profit distribution policy for 2001 in its 2000 annul report including:
① The Company will conduct profit distribution at least for one time in 2001, time of which would be the middle of the year or after the end of the year.
② 45% of net profit realized in 2001 plus undistributed profit accumulated in 2000 will be distributed in 2001.
③ The Company will distribute the profit in cash bonus or in dividend share or in cash bonus plus dividend share and the cash bonus will take no less than 25% of all profit distributed.
The Company has implemented its above commitment. For profit distribution preplan for 2001, please refer to aforementioned content in "Profit Distribution and Capital Public Reserve Transferring into Share Capital Preplan for 2001".
(2) In the report period, neither the Company's shareholders holding over 5% shares of the Company nor the Company's related parties owned debts to the Company, or made commitment in public.
6. Engagement of Certified Public Accountants and the Pay
Examined and approved in 2000 Shareholders' General Meeting, the Company renewed the engagement of Guangzhou Yangcheng Certified Public Accountants and PricewaterhouseCoopers Certified Public Accountants as domestic and overseas auditors for the year 2001. (Relevant Notice was published on China Securities, Securities Times and Ta Kung Pao dated April 12, 2001).
Pursuant to Provisional Regulations on Service Charges of Certified Public Accountants released by Shenzhen Bureau of Finance with (1995) No. 38 Document, based on the annual assets of the Company and with reference to auditing cost of other listed companies in similar size with the Company, pay to the Certified Public Accountants was decided upon the approval of the Board of Directors and the Shareholders' General Meeting. Details of Certified Public Accountants engagement of the Company and its subsidiaries are set out as follows:

Auditing scope	2001		2000	
	Name of the CPA	Pay	Name of the CPA	Pay
Consolidated financial statements and annual financial statements of the subsidiaries under CAS	Guangzhou Yangcheng CPA	RMB 440,000	Guangzhou Yangcheng CPA	RMB 410,000
Consolidated financial statements under IAS	PricewaterhouseCoopers CPA	HKD 450,000	PricewaterhouseCoopers CPA	HKD 450,000
Annual financial statements of	Anyong Partner CPA	SD	Anyong Partner CPA	S$ 650

overseas subsidiaries		1,000 thousand		thousand

(1) The above pay to CPA excludes the travel expenses arising from the auditing.
(2) Meeting the requirement of share allotment as of 2000, the Company paid RMB 180,000 to Guangzhou Yangcheng Certified Public Accountants for auditing the Company's internal financial report as of 2000.

6. In the report period, the CSRC did not conduct inspection on the Company; and the supervisory authorities did not impose punishment on directors, supervisors orsenior executives of the Company.

X. FINANCIAL REPORT

PricewaterhouseCoopers Certified Public Accountants audited financial report of the Company and issued standard Auditors' Report without reserved opinion.

1. International Auditors' Report (attachment)
2. Accounting Statement (attachment)

XI. DOCUMENTS AVAILABLE FOR REFERENCE

1. Financial Statements carried with personal signatures and seals of the legal representative, person in charge of financial affairs and relevant executive accountants.
2. Original Auditor's Report with seal of Certified Public Accountants and signature and seal of certified public accountant.
3. Originals of all documents and manuscripts of Public Notices of the Company publicly disclosed in Securities Times, China Securities and Ta Kung Pao during the report period.
4. Articles of Association of the Company
5. Annual Report published on overseas newspaper.
6. Place for consultants: Plan and Operation Dept. of the Company

Board of Directors of
Shenzhen Nanshan Power Station Co., Ltd.
April 3, 2002

Attachment:

INTERNATIONAL AUDITORS' REPORT TO THE SHAREHOLDERS OF SHENZHEN NANSHAN POWER STATION CO., LTD

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

We have audited the accounts which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and international auditors

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of the Group's affairs as at 31st December 2001 and of its profit and cash flows for the year then ended.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 30th March 2002

SHENZHEN NANSHAN POWER STATION CO., LTD
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2001

	Note	2001	As restated 2000
		RMB'000	RMB'000
Turnover	3	1,084,094	889,714
Other revenues	3	46,583	67,921
		1,130,677	957,635
Fuel costs		(530,772)	(511,620)
Employee costs	4	(147,277)	(106,081)
Depreciation of fixed assets		(92,421)	(81,854)
Amortisation of intangible assets		(8,190)	(9,502)
Operating lease expenses - equipment		(22,692)	(17,467)
Repairs and maintenance		(19,953)	(30,186)
Other operating expenses		(23,636)	(24,646)

Operating profit	5	285,736	176,279
Finance costs	6	(14,435)	(14,130)
Profit before taxation		271,301	162,149
Taxation	7	(42,207)	(23,680)
Profit after taxation		229,094	138,469
Minority interests		(23,507)	209
Profit attributable to shareholders		205,587	138,678
Dividends	8	169,869	26,374
Earnings per share	9	RMB0.38	RMB0.26

No segmental information is presented in the accounts as the Group is wholly engaged in power generation in the People's Republic of China (the "PRC").

SHENZHEN NANSHAN POWER STATION CO., LTD
CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2001

	Note	2001 RMB'000	As restated 2000 RMB'000
Intangible assets	10	22,482	30,672
Fixed assets	11	763,879	432,275
Construction-in-progress	12	81,314	273,001
Interest in an associated company	13	-	-
Investment securities	14	71,885	42,885
Current assets			
Inventories	15	69,586	94,113
Trade receivables		127,376	106,760
Other receivables, deposits and prepayments		107,125	138,473
Pledged bank deposits		18,611	32,633
Bank balances and cash		292,416	221,975
		615,114	593,954
Current liabilities			

Amount due to an associated company		2,060	1,017
Trade payables		1,029	3,385
Other payables and accrued charges		104,587	62,072
Taxation payable		20,958	15,313
Bank loans	16	295,000	430,000
		423,634	511,787
Net current assets		191,480	82,167
Total assets less current liabilities		1,131,040	861,000
Financed by:			
Share capital	17	547,966	356,400
Reserves	18	360,945	258,354
Retained earnings	19	592	89,298
Proposed final dividend	19	169,869	26,374
Shareholders' funds		1,079,372	730,426
Minority interests		51,668	30,574
Long-term liabilities		-	100,000
		1,131,040	861,000

SHENZHEN NANSHAN POWER STATION CO., LTD
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2001

	Note	2001 RMB'000	2000 RMB'000
Net cash inflow from operating activities	20(a)	417,750	136,634
Returns on investments and servicing of finance			
Interest received		5,091	3,077
Interest paid		(20,416)	(21,759)
Dividends paid		(26,374)	(100,505)
Net cash outflow from returns on investments and servicing of finance		(41,699)	(119,187)
Taxation			
PRC income tax paid		(36,562)	(10,197)
Investing activities			
Purchase of fixed assets and payments for construction-in-progress		(200,808)	(289,208)
Purchase of investment securities		(17,120)	-
Purchase of interest in a subsidiary		(2,413)	-
Repayment of loans from an associated company		-	113,883
Proceeds from disposal of fixed assets		199	96

	Note	2001	2000
Net cash outflow from investing activities		(220,142)	(175,229)
Net cash inflow/(outflow) before financing		119,347	(167,979)
Financing	20(b)		
Issue of shares		172,932	-
New loans raised		295,000	755,000
Repayment of loans borrowed		(530,000)	(490,000)
Pledged bank deposits withdrawn		232,282	-
Bank deposits pledged		(218,260)	(32,143)
Capital contribution by minority shareholders		-	30,783
Net cash (outflow)/inflow from financing		(48,046)	263,640
Increase in cash and cash equivalents		71,301	95,661
Cash and cash equivalents at 1st January		221,975	126,314
Effect of foreign exchange rate changes		(860)	-
Cash and cash equivalents at 31st December		292,416	221,975
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		292,416	221,975

SHENZHEN NANSHAN POWER STATION CO., LTD
CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31ST DECEMBER 2001

	Note	2001 RMB'000	2000 RMB'000
Losses not recognised in the profit loss account			
- Exchange differences arising on translation of the accounts of overseas subsidiaries	18	(860)	-
Profit attributable to shareholders for the year		205,587	138,678
Total recognised gains and losses		204,727	138,678