Shenzhen Nanshan Power Station Co., Ltd.

First Quarterly Report 2002

Important Note: The Board of Directors of Shenzhen Nanshan Power Station Co., Ltd. (hereinafter refereed to as the Company) and all directors hereby guarantee that there exists no omission, misstatement, or misleading information in this annual report; individually and/or collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report.

The first quarterly financial report of the Company has not been audited.

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 Av., Nanshan District, Shenzhen, Guangdong
4. Registered Address and 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 Quarterly Report Designated by CSRC:
   http://www.cninfo.com.cn
   The Place Where the Quarterly Report is Prepared and Placed:
   Plan and Operation Dept. 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. CHANGE IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

(I) In the report period, the structure of share capital of the Company remained unchanged.

(II) Particulars about share held by the top ten shareholders

(Unit: share)

No.	Shareholder's name	Amount at the period-end	Proportion to share capital（%）	Type of share
1	Shenzhen Guangju Electronic Investment Co., Ltd.	125,845,702	22.97	Juristic person's shares
2	Hong Kong Nam Hoi (International) Limited	83,748,408	15.28	Foreign juristic person's shares
3	Shenzhen Energy Group Co., Ltd.	62,697,297	11.44	Juristic person's shares
4	Shenzhen State Power Sciences Technology Development Co., Ltd.	54,709,180	9.98	Juristic person's shares
5	Hong Kong Panda Investment Co., Ltd.	47,553,343	8.68	Foreign juristic person's shares
6	Cong Li Xia	1,113,042	0.20	A shares
7	Li Ang	913,851	0.17	B shares
8	Li Ting Wen	821,972	0.15	A shares
9	Wu Li Rong	802,125	0.146	B shares
10	CHAN KWAN MING	600,094	0.11	B shares

Notes:

(1) Shenzhen Energy Group Co., Ltd. holds 30,829,682 shares of the Company on behalf of the state.

(2) 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.

(3) The other shareholders of the Company are all public shareholders; and the Company didn't known their relationship.

(4) Except for the 2nd and 3rd shareholders, there is no association relationship among the other juristic person shareholders.

III. BUSINESS REVIEW AND PLAN

(I) Business Highlights

The Company's principal businesses are electric power production and supply

At present, the Company has the installed capacity of 528,000 Kw and is the leading gas turbine power generation enterprise in the power peak adjustment market in Shenzhen.

In the report period, the power supply volume in Shenzhen grew by 13.67% over the same period of the previous year while the highest load of the city was 3.371 million kw, a 20.52% growth over the same period of the previous year. In such market environment, the Company enjoyed favorable situation in power production and operation. While the Company had successfully completed the work of annual equipment inspection and repairing, connected the technical innovation project Phase-II of "Using Big Production Line to Replace the Smaller One" into the system and the output line improvement works ahead of time, the Company finished a production output volume of 433.3173 million kw, 44.89% growth over the same period of the previous year, it was a historical record in the same period of previous years; realized income from the principal businesses amounting to RMB 268.8863 million, a 44.47% growth over the same period of the previous year; the profit from the principal business: RMB 94.34 million, a 158.77% growth; realized earnings per share: RMB 0.13/share, net assets-income rate: 7.09%; the realized net profit: RMB 69.3066 million, a 282.90% growth over the same period of the previous year.

The Company organized the construction of the technical innovation project Phase-II of combustion engine based on the concept of "Using Big Production Line to Replace the Smaller One", timely completed the improvement works of the concrete foundation and the complementary system and smoothly entered the equipment installation phase.

By cooperation with foreign financial institutions and oil product operation company and making use of the method of advance value insurance of the international fuel oil futures market, the Company made advance value insurance for partial heavy oil necessary for the production during the peak period when the international fuel oil price is low and effectively avoided the market risk arising form fuel price.

The Company reinforced the financial management, controlled various expenses and expenditures, further tapped the potential and reduced the consumption, decreased the bank loans, reduced the financial expenses and realized the profit growth.

(II) Investment

1. In the report period, the Company raised no proceeds by share offering and had no proceeds raised from previous offering carried down to the report period, either.

2. In the report period, the Company had no investment with funds raised not through share offering.

(III) Operation Results in the Report Period and Financial Position at the End of the Period

1. Operation results

(1) Comparison with the same period of the previous year in terms of revenue and profit

In RMB '000

Items	Jan. to Mar., 2002	Jan. to Mar., 2001	Increase/decrease (%)
Income from main business lines	268,886.30	186,122.50	44.47%
Profit from main business lines	94,340.00	36,457.50	158.77%
Net profit	69,306.60	18,100.50	282.90%

Reasons of Change:

① Increase in income from the principal business was due to big increase in power production output;

② Increase in profit from the principal businesses was mainly due to increase in power production output and drop of the cost of fuel materials;

③ Increase in net profit was mainly due to increase of the profit from the principal businesses and subsidy income.

(2) Comparison with the previous report period in terms of the proportions of income and expenses in the total profit in the total profit:

In RMB '000

Items	Jan. to Mar., 2002		2001		increase/ decrease
	Amount	Proportion to total profit	Amount	Proportion to total profit	
Profit from principal businesses	94,340.00	94.68%	264,619.50	97.73%	-3.12%
Profit from other business lines	-111.20	-0.11%	-462.60	-0.17%	-35.29%
expenses in the report period	10,709.50	10.75%	31,251.60	11.54%	-6.85%
Investment income					
Subsidy income	16,126.70	16.18%	41,491.70	15.32%	5.61%
Net amount of non-operating income and expenses			-3,640.50	-1.34%	-100.00%

Reasons of Change:

① Decrease in the proportion of the profit from the principal businesses in the total profit in the report period over the previous report period was mainly due to no net non-operation income and expenses incurred in the report period;

② Decrease in the proportion of the profit from the other business lines in the total profit in the report period over the previous report period was mainly due to increase of expenditure of other business lines;

③ Decrease in the proportion of expenses in the total profit in the report period over the previous report period was mainly due to the increase of the comparability of the total profit in the report period;

④ Increase in the proportion of the subsidy income in the total profit in the report period over the previous report period was mainly due to relative increase of the rebated tax income;

⑤ Decrease in the proportion of the net amount of non-operation income and expenses in the total profit in the report period over the previous report period was mainly due to no net expenditure from clearing fixed assets incurred in the report period.

(3) In the report period, there were no significant seasonal income and expenditures incurred.

(4) In the report period, there were no significant incidental gains and losses incurred.

2. Financial Positions

(1) Comparison to the proportion of the amount of the principal assets in the total assets with the year beginning

In RMB '000

Items	Mar. 31, 2002	Dec. 31, 2001	increase/decrease

	Amount	Proportion to total assets	Amount	Proportion to total assets	
Monetary funds	509,552.60	28.15%	311,021.40	20.02%	40.61%
Accounts receivable	133,681.10	7.38%	127,375.40	8.20%	-10.00%
Account prepaid	121,479.20	6.71%	81,603.30	5.25%	27.81%
Inventories	62,288.40	3.44%	69,586.20	4.48%	-23.21%
Construction in process	127,311.70	7.03%	81,314.40	5.23%	34.42%
Short-term Loan:	425,000.00	23.48%	295,000.00	18.99%	23.64%

Reasons of Change:

① Increase in the proportion of the monetary fund in the total assets in the report period over the previous report period was mainly due to the bank loan received in the end of the period;

② Decrease in the proportion of the accounts receivable in the total assets in the report period over the previous report period was mainly due to the increase of the total assets in the first quarter;

③ Increase in the proportion of the accounts prepaid in the total assets in report period over the previous report period was mainly due to the prepayment for purchase of fuel materials, repairing generator sets, spares and parts;

④ Decrease in the proportion of the inventories in the total assets in the report period over the previous report period was mainly due to the increase of the consumable raw materials;

⑤ Increase in the proportion of the construction-in-process in the total profit in the report period over the previous report period was mainly due to the addition of the technical innovation project Phase-II of "Using Big Production Line to Replace the Smaller One";

⑥ Increase in the proportion of the short-term loan in the total assets in the report period over the previous report period was mainly due to increase of the bank loan at the end of the period;

(2) In the report period, the Company had never entrusted others to manage its assets or been involved in any significant fund debit/credit events.

(3) In the report period, there were no significant overdue liabilities incurred.

3.Contingent and Post Events

(1) The Company had never been involved in any material lawsuit or arbitration in the report period.

(2) The Company had never offered material external guarantees in the report period.

(3) In the report period, the Company had no important events after the date of the balance sheet.

(4) There were no other significant events occurred in the report period.

4. Influence from the changes in the production and operation environment and macro

policy on the Company

(1) "Distributing electric power from West China to East Chain"

"Distributing electric power form West China to East China is an important measure of China in implementing the strategy of developing West China. Based on the prediction by the authority of energy and electric power, during the 10th Five Year Plan period, the electric power shortage in Guangdong Province is 15 million kw. At present, the network of "distributing electric power from the west to the east" is quite weak in capacity, Guangdong Province can only accept a bit more than 3 million kw from the west. Even in 2005 when the power network of "distributing electric power from the west to the east" has been improved, it can steel accept 10 million kw from the west. It is still of the basic load capacity and still cannot fill the power gap of Guangdong Province. However, Shenzhen Municipal power network can only receive 10% of the newly added electric power volume from Guangdong Provincial network. During this period, the power consumption of Shenzhen shall keep growing at the rate of 7.7% in average every year. Therefore, "distributing electric power from the west to the east" cannot fundamentally releave the tense situation of power supply in the coming years in Shenzhen, specially the shortage in the peak time. Therefore, "distributing electric power from the west to the east" will not affect much the power peak adjustment market in Shenzhen. In the future several years, the Company can still keep stable growth in power operation.

(2) "Reform of Electric Power System"

With the promulgation of China's electric power system reform plan, the electric power sector of the whole country shall practice "separation of the factory from the network" and "local area networking", and progressively practice "networking through bidding" in the same networking area with a view to introducing market competition mechanism, promoting the improvement of the management level of power production enterprises, reducing the cost and improving the efficiency. To comply with the system reform, the Board prepared the Outline for Future Operation and Development, which has specified the core competition superiority of the Company itself, in order to take time to upgrade the position in the sector, keep and enhance the profit making ability, to build the Company into a regional leading gas turbine power production enterprise with environment friendly power production as the principal business.

① By means of capital and assets operation, acquire and merger power production assets, integrate power peak adjustment market resources, enlarge and strengthen the power peak adjustment businesses, expand the business scale and reinforce the competitiveness.

② Through continuous technical innovation and technical updating, improve the generator set working efficiency, reduce the cost, improve the market competitiveness; reinforce the core superiority of the investment, operation, management and technology in the sector of combustion engine power generation sector.

③ Bring the superiority of the Company's leading position in the gas turbine power generation sector in China, make good use of the country's industrial policy of supporting gas turbine power generation technology as the key, actively be involved in investment and operation of gas turbine power generation projects.

④ Based on LNG (liquefied natural gas) project in Shenzhen, up to about 2005, the Company shall replace heavy oil as the fuel to the generator sets for power production with the clean energy LNG (which belongs to new energy power generation technology) aiming at improving the power production efficiency and ouput of combustion engine, reducing the production cast and greatly bring down the pollution discharge, and laying a solid foundation for its future development.

(IV) Work Summary of the 2nd Quarterly

1. In the second quarterly, Shenzhen will enter the peak season of power consumption. It shall be the busy season for the Company's power production. With a view to ensuring safe and reliable power supply in Shenzhen, the Company shall continue to do a good job in maintenance and safety production of the power production equipment so that the generator sets shall always be in a healthy operation status and carry out the production in a stable, fully loaded and high output way.

2. Make full use of time to carry out the single cycle works and combined cycle power production with residue heat works in the technical innovation project Phase-II of "Using Big Production Line to Replace the Smaller One" , so as to put the combustion engine single cycle works (123,400 kw combustion engine) into production in May, and try to complete the installation, adjustment and trial running and start the networked power production of the combustion engine combined cycle works (60,000 kw generator set with residue heat) in July, so as to release the intense status of power supply in Shenzhen. Form four sets of big capacity, high efficiency, low energy consumption gas-steam combined cycle generation system (with total capacity of 625,000 kw) as the core power production and operation assets of the Company.

3. Make use of the implementation of the power system reform measures of "networking through bidding" and the market opportunity of speeding up the process of survival of the fittest in the power sector, make full use of the Company's core advantages, quicken the steps of acquiring and merging small and low efficiency combustion engine peak adjustment power plants in the Pearl River Delta, implement the technical innovation project Phase-II of "Using Big Production Line to Replace the Smaller One", enlarge and reinforce the business of combustion engine peak adjustment and further expand the power operation scale.

4. Establish and implement the long term encouragement plan of directors, supervisors, senior executives and backbone staff of the medium level.

5. Prepare and implement the execution plan of the Company's Outline of Future Operation Development.

6. Reinforce the analysis and study on the change of the international fuel oil market, expand the international purchase channel of heavy oil for power generation, make use of the warehousing advantages of the subsidiaries, purchase production fuels in big batches at lower price so as to reduce the cost and improve the efficiency.

7. Closely follow up the preparation and implementation of the plan of networking through bidding in Guangdong Province, try to make use of the policy support favorable for gas turbine peak adjustment power plant; positively study the countermeasures to the networking through bidding so that the Company may keep the powerful competitiveness in the future practice of networking through bidding.

(V) 2002 Interim Profit Distribution Prediction
Based on the prediction of the power production and operation in the second quarter combined with the profit making in the first quarter, it is preliminarily estimated that the interim net profit of 2002 may grow by more than 50% over the same period of the previous year.

The specific financial data shall be disclosed in detail in 2002 Interim Report.

IV. FINANCIAL REPORT (UN-AUDITED)

1. Accounting statement

Brief Consolidated Balance Sheet (Mar. 31, 2002)
Company: Shenzhen Nanshan Power Station Co., Ltd.

Unit: In RMB'000

Items	Amounts at the year-begin	Amounts at the period-end	Items	Amounts at the year-begin	Amounts at the period-end
Current assets	612,874.40	845,724.50	Current liabilities	591,666.40	759,295.90
Long-term investment	72,675.20	73,345.70	Long-term liabilities	——	——
Total fixed assets	828,794.90	854,564.20	Minorities shareholders' interest	51,722.50	73,882.70
Intangible assets and other assets	39,294.40	36,724.80	Shareholders' equity	910,250.00	977,180.60
Total assets	1,553,638.90	1,810,359.20	Total liabilities and shareholders' equity	1,553,638.90	1,810,359.20

Brief Consolidated Statement of Profit (From Jan. to Mar. 2002)
Company: Shenzhen Nanshan Power Station Co., Ltd.

Unit: In RMB'000

Items	**In the report period**
Income from main business lines	268,886.3
Profit from main business lines	94,340.0
Profit from other business lines	-111.2
Expenses in the report period	10,709.5
Investment income	——
Net income/expenditure from non-operating	——
Income taxes	8,179.1
Net profit	69,306.7

2. Note to accounting statement

(1) Comparing with the 2001 annual report, there were no material changes in the accounting policies, accounting estimates or consolidation scope.

(2) Comparing with the 2001 annual repot, in the report period, the Company brought wholly-owned subsidiary company of the Company Shannan Energy (Singapore) Co., Ltd. (the Company holds the shares directly) and wholly-owned subsidiary company of the Company Hong Kong Xingdesheng Co., Ltd. (the Company holds the shares indirectly) into the consolidation scope of accounting statement; and the Company adjusted the amounts at the year-begin of consolidated balance sheet and statement of profit distribution.

(3) Comparing with the 2001 annual financial report, there were no material difference in the accounting policies adopted in preparing this quarterly financial report.

(4) In the report period, there is no unconsolidated subsidiary company, which needs to be brought into the consolidation scope of accounting statement of the Company.

(5) Related transaction

In the 2002 first quarter, the Company rent the oil tank from associated company based on market price, and the details are as follows:

Company’s name	Jan. to Mar. 2002	
	Storage expenses (RMB’000)	Proportion to annual storage expenses (%)
Shenzhen Xiefu Oil Supply Co., Ltd.	6,516.00	100

X. DOCUMENTS AVAILABLE FOR REFERENCE

1. Original of the First Quarterly Report 2002 carried with the personal signatures of legal representative;
2. Accounting Statements carried with personal signatures and seals of the legal representative, person in charge of financial affairs and relevant executive accountants.
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. Place for consultants: Plan and Operation Dept. of the Company

Board of Directors of
Shenzhen Nanshan Power Station Co., Ltd.
April 25, 2002