SHENZHEN NANSHAN POWER STATION CO.,LTD

2002 Annual Report

Chairman of the Board: Liu Deyu

April 22, 2003

Important

The 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 information carried in this report, and shall take all responsibilities, individually and/or jointly, for the reality, accuracy and completeness of the whole contents.

Mr. Huang Dechen, Vice-chairman of the Board was unable to attend the Board meeting due to some reason. Independent director Huang Sujian was absent from the Board meeting due to business, and entrusted independent director Liu Aiqun to attend and vote on his behalf.

Guangzhou Yangcheng Certified Public Accountants and PricewaterhouseCoopers Certified Public Accountants have respectively audited the Company's financial report and produced the unqualified standard Auditor's Report for the Company.

Liu Deyu, Chairman of the Board, Zhang Renyi, General Manager, Zhao Lijin, and Chief Financial Supervisor guarantee the accuracy and completeness of the financial report enclosed in this annual report.

This annual report was prepared in both Chinese and English. Should there be any difference in interpretation of the two versions, the Chinese version shall prevail.

Contents

I. Company Information

1. Legal Name in Chinese: 深圳南山热电股份有限公司
   Legal Name in English: SHENZHEN NANSHAN POWER STATION CO.,LTD

2. Legal Representative: Liu Deyu

3. Secretary of the Board: Fu Bo
   Tel & Fax: (0755) 26072818
   E-mail: fb@nspower.com.cn
   Stock & Securities Affairs Representative: Hu Qin
   Tel & Fax: (0755) 26650064
   E-mail: huqin@nspower.com.cn
   Address: No.18 Yueliangwan Avenue, Nanshan District, Shenzhen

4. Registered/Office Address: No.18 Yueliangwan Avenue, Nanshan District, Shenzhen
   Post Code: 518052
   E-mail: public@nspower. com.cn

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

6. Stock Exchange Listed with: Shenzhen Stock Exchange
   Short Form of the Stock and Stock Code: Shen Nan Dian A 000037
   Shen Nan Dian B 200037
7. Other Relevant Information:
   Date of First Registration: April 6, 1990
   Place of First Registration: Nanshan Jiaozui, Nanshan District, Shenzhen
   Registered Address after the Change:
   No.18 Yueliangwan Avenue, Nanshan District, Shenzhen (due to change of the road number)
   Legal Entity Business License No.: JSE GST Zi. No.101591
   Taxation Registration No.: GTF Zi No.440305930100069（14）
   Names and office addresses of Certified Public Accountants engaged:
   Domestic: Guangzhou Yangcheng Certified Public Accountants
   Address: 25/F, Jianlibao Building, No.410 Dongfeng M. Road, Guangzhou City, Guangdong
   International: PricewaterhouseCoopers Certified Public Accountants
   Address: 23/F, Sunning Plaza, No.10 Hysan Avenue, Tung Lo Wan, Hong Kong

8. Definitions：

The Company refers to Shenzhen Nanshan Power Station Co., Ltd.

Xiefu Company refers to Shenzhen Xiefu Oil Supply Co., Ltd., whose shares are held by the Company by 50%.

Xindianli Company refers to Shenzhen Xindianli Industrial Co., Ltd. whose shares are held by the Company by 51%.

CSRC refers to China Securities Regulatory Commission

Shenzhen Securities Regulatory Office refers to CSRC Shenzhen Securities Regulatory Commission

Shenzhen Power Supply Co. refers to Guangdong Guangdian Group Co., Ltd., Shenzhen Power Supply Branch

Designated Newspapers refers to China Securities, Securities Times, Ta Kung Pao.

Renminbi: Unless otherwise specified, the standard currency in the financial data or unit refers to Renminbi.

II. Financial and Business Highlights

(I) Financial highlights in the report period (consolidated)

In RMB

Items	Amount
Total profit	511,101,612.86
Net profit	365,783,855.30
Net profit, less the non-recurring gains and losses	384,530,441.25
Profit from principal businesses	534,804,913.72
Profit from other business lines	-487,380.77
Operating profit	477,355,039.73
Investment income	-1,046,160.04
Subsidy income	46,705,009.18
Net amount of non-operating income and expenses	-11,912,276.01
Net cash flows arising from operating activities	782,025,766.52
Net increase/decrease of cash and cash equivalents	259,934,137.94

Note: Items of non-recurring gains/losses deducted and amount involved:

In RMB

Items	Amount
Net amount of non-operating income and expenses	-11,912,276.01
Provision for devaluation of inventories	-6,843,694.05
The balance amounting to RMB 62,560.70 of non-operating income and expenses is taxed based on 15%	9,384.11
Total	-18,746,585.95

(II) Notes to Difference in Net Profit Arising from the Domestic and International Auditing

Audited by Guangzhou Yangcheng Certified Public Accountants according to the Independent Auditing Standards of Chinese Certified Public Accountants, the Company's consolidated after-tax profit in 2002 was RMB365,783,900; audited by PricewaterhouseCoopers Certified Public Accountants according to Hong Kong Accounting Standards, the Company's consolidated after-tax profit in 2002 was RMB 365,642,000, which was RMB 141,900 less than that audited by the Chinese certified public accountants. The reason is that the international CPA has adjusted the operation result contributed by Shennan Energy (Singapore) Co., Ltd. and the reserve amounting to RMB 141,900 according to Hong Kong accounting standards.

(III) Financial highlights over the past three years

In RMB

Items	2002 (Consolidated)	2001		2000	
		After the Adjustment (Consolidated)	Before the Adjustment	After the Adjustment	Before the Adjustment
Income from principal businesses	1,622,904,974.34	1,084,093,347.25	1,084,093,347.25	889,714,044.95	889,714,044.95
Net profit	365,783,855.30	205,069,449.88	203,271,458.50	145,288,240.63	145,288,240.63
Total assets	2,029,161,693.62	1,553,895,350.66	1,556,745,162.85	1,369,583,120.93	1,341,408,120.93
Shareholders' equity (Excluding minority interests)	1,044,298,778.59	910,506,376.21	908,452,033.47	704,429,276.28	717,541,627.36
Earnings per share (RMB/share)	0.67	0.37	0.37	0.41	0.41
Net asset per share (RMB/share)	1.91	1.66	1.66	1.98	2.01
Net asset per share after adjustment (RMB/share)	1.90	1.65	1.65	1.84	1.84
Earnings per share after deducting the non-recurring gains and losses (RMB/share)	0.70	0.34	0.34	0.41	0.28
Net cash flows per share arising from operating activities (RMB/share)	1.43	0.70	0.70	0.57	0.57
Return on equity (%)	35.03	22.52	22.38	20.62	20.25
Weighted average return on equity after deducting the non-recurring gains and losses (%)	35.17	20.61	20.65	15.00	14.95

(IV) Attachment to Statement of Profit

Items	2002				2001				2000			
	Return on equity (%)		Earnings per share (In RMB)		Return on equity (%)		Earnings per share (In RMB)		Return on equity (%)		Earnings per share (In RMB)	
	Fully diluted	Weighted average	Fully diluted	Weighted average	Fully diluted	Weighted average	Fully diluted	Weighted average	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal businesses	51.21	48.91	0.98	0.98	29.13	28.26	0.48	0.56	20	22	0.41	0.41
Operating profit	45.71	43.66	0.87	0.87	25.75	25.43	0.43	0.50	15	16	0.30	0.30
Net profit	35.03	33.45	0.67	0.67	22.38	22.09	0.37	0.43	20	22	0.41	0.41
Net profit, less the non-recurring gains and losses	36.82	35.17	0.70	0.70	20.65	20.39	0.34	0.40	15	15	0.28	0.28

(V) Changes in Shareholders' Equity in the Report Period

In RMB

Items	Share capital	Capital public reserve	Surplus public reserve	Incl.: legal welfare fund	Undistributed profit	Difference in foreign currency	Total shareholders' equity

						statement and foreign exchange	
Period beginning	547,965,998.00	215,543,622.92	146,317,820.19	44,600,361.26	450,021.24	228,913.86	910,506,376.21
Increase in the report period			83,839,702.41	23,144,801.45	365,783,855.30	287,087.32	449,910,645.03
Decrease in the report period			16,538,119.14	16,538,119.14	299,580,123.51		316,118,242.65
Period end	547,965,998.00	215,543,622.92	213,619,403.46	51,207,043.57	66,653,753.03	516,001.18	1,044,298,778.59

Reasons of Change:
1. Reasons of increase in surplus public reserve in the report year by RMB 83,839,702.41:(1) increase by RMB 69,434,404.35 is due to the statutory surplus public reserve and statutory public welfare fund provided by the Company based on 10% and 5% of the net profit respectively; (2) increase by RMB 14,405,298.06 is due to the discretionary surplus public reserve provided by the Company according to the Proposal on Using the Company's Public Welfare Fund to Construct the Staff Cultural and Entertainment Center as reviewed and approved by the Shareholders' General Meeting dated May 10, 2002 for purchasing the staff's collective welfare facilities with the public welfare fund.

Reasons for decrease of the surplus public reserve by RMB 16,538,119.14: (1) decrease by RMB 2,132,821.08 is due to that the additional pension funds were paid from the public welfare fund according to the Circular on Printing and Issuing the Plan for Adding Endowment Insurance in Enterprises of Shenzhen promulgated by Shenzhen Municipal Government (SZMG [1997] No.182); (2) Decrease by RMB 14,405,298.06 is due to that the Company used the public reserve for purchasing staff's collective welfare facilities.

2. Increase of undistributed profit in the report year by RMB 365,783,855.30 is due to the net profit realized in the report year; decrease by RMB 299,580,123.51 in the report year is due to that the Company provided the public reserve and the public welfare fund based on the net profit and distributed cash dividend amounting to RMB 230,145,719.16 in the report year.

3. Increase in difference of foreign currency translation for the foreign currency statements by RMB 287,087.32 is due to the increase in difference of foreign currency statements of the consolidated subsidiaries.

III. Changes in Share Capital & Particulars about Shareholders

(I) Changes in Share Capital
1. Statement of Changes in Shares

In shares

Items	Before the Changes	Increase/Decrease in the Change (+、-)						After the Change
		Share allotment	Bonus shares	Shares converted from public reserve	Shares issued additionally	Others	Subtotal	
I.Non-listed Circulating Shares								
1. Promoters' shares								
Including:								
State-owned shares	85,538,864							85,538,864
Including: State shares	30,829,682							30,829,682
State-owned	54,709,182							54,709,182

legal person shares								
Domestic legal person shares	113,783,159							113,783,159
Foreign legal person shares	113,531,251							113,531,251
Others								
2. Legal person shares placed	61,700,661							61,700,661
3. Employees' shares								
4. Preference shares or others								
Total Non-listed Circulating Shares	374,553,935							374,553,935
II. Listed Circulating Shares								
1. RMB common shares	64,846,135							64,846,135
2. Foreign shares listed domestically	108,565,928							108,565,928
3. Foreign shares listed abroad								
4. Others								
Total Listed Circulating Shares	173,412,063							173,412,063
III. Total Shares	547,965,998							547,965,998

No change took place in the Company's stock structure as well as the total shares.

(II) Issuing and Listing
Issuing in the Past Three Years and Change in the Share Capital
1. On August 24, 2000, the Company held 2000 2nd Extraordinary Shareholders' Meeting was held and 2000 Profit Distribution Plan was approved at the meeting. Approved by China Securities Regulatory Commission with the Document (CSRC on Company Zi [2000] No. 241, the Company implemented the share allotment plan on 3-for-10 basis with the total share capital 356.40 million shares at the end of 1999 as the base at the placing price of RMB 13.4 per share. The valid term for payment of the placed shares was from February 19 to March 2, 2001. The totally 13.366 million RMB ordinary shares were actually placed.

Partial shares placed to the public were listed with Shenzhen Stock Exchange for trading commencing from March 27, 2001 while 26,730 shares placed to the directors, supervisors and senior executives of the Company were frozen temporarily. After the placing, the Company's total share capital increased to 369,766,000 shares. (The relevant information was disclosed on the designated newspapers dated March 24, 2001).

2. On April 12, 2001, the Company held 2000 Shareholders' General Meeting at which the Company's Plan of Implementing 2000 Dividend Distribution and Converting the Capital Reserve into Shares was approved. Based on the total share capital 369,766,000 shares after the share allotment, the Company distributed bonus shares at the rate of 2.409632 shares for every 10 shares and cash dividend on RMB 0.008864 for every 10 shares. The date of record was May 8, 2001 and ex-dividend date was May 9, 2001. On May 14, 2001, the Company completed the profit distribution. After the dividend distribution and converting the capital public reserve into shares, the Company's total share capital increase to 547,965,998 shares. (The relevant information was disclosed on the designated newspapers dated April 26, 2001).

There was no change in the shares in 2002.

3. Except the shares held by Director Jian Jiyao being frozen, there are no more employees' shares in the Company.

(III) About Shareholders

1. At the end of the report period, The Company had totally 35,756 shareholders, including 17,988 shareholders of A shares, including one senior executive shareholder holding employees' shares and 17,768 shareholders of B shares.

2.Shares held by the top ten shareholders (In shares)

Shareholders	Period beginning	Increase/ Decrease(+/-)	Period end	Proportion of shares held to share capital (%)	Shares pledged or frozen	Status of shares
Shenzhen Guangju Electronic Investment Co., Ltd.	125,845,702		125,845,702	22.97	Nil	Legal person shares
Hong Kong Nam Hoi (International) Limited	83,748,408		83,748,408	15.28	Nil	Foreign legal person shares
Shenzhen Energy Group Co., Ltd.	62,697,297		62,697,297	11.44	Nil	Legal person shares
Shenzhen State Power Science and Technology Development Co., Ltd.	54,709,180		54,709,180	9.98	Nil	Legal person shares
Tengda Property Co., Ltd.	47,553,343		47,553,343	8.68	Nil	Foreign legal person shares
Jiangsu International Trust & Investment Company			1,922,339	0.35	Unclear	A Shares
Northeast China Securities Co., Ltd.			1,007,335	0.18	Unclear	A Shares
Li Ang			845,000	0.15	Unclear	B Shares
Wu Lirong			788,125	0.14	Unclear	B Shares
Wang Qiurong			765,481	0.14	Unclear	A Shares

Notes:

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

(2) Shenzhen Energy Group Co., Ltd., the Company's No. 3 shareholder indirectly held 100% equity interests in Hong Kong Nam Hoi (International) Limited, the Company's No. 2 shareholder as well as the Company's foreign legal person shareholder.

(3) All the other shareholders were public shareholders. The change in the shares they held was resulted from the secondary stock market and the Company had no idea about such change.

(4) Except No. 2 and No. 3 shareholders, there existed no business relations among other legal person shareholders.

(IV) About the Controlling Shareholder

The Company has no controlling shareholder.

(V) Other Legal Person Shareholder Holding over 10% of the Company's Total Share Capital

The Company's first largest shareholder is Shenzhen Energy Group Co., Ltd. holding directly and indirectly 26.72% of the Company's shares. Legal representative: Tian Jufeng; date of establishment: July 15, 1985, registered capital: RMB 860 million; enterprise type: company with limited liability (exclusively stated owned); business scope: investing and initiating industrial enterprises (specific projects subject to approval by the authority), 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.

Shenzhen Guangju Electronic Investment Co., Ltd. held 22.97% of the Company's total shares; legal representative: Zhong Chengli; date of establishment: May 31, 1989; registered capital: RMB 11.11 million; enterprise type: company with limited liability; business scope: initiating industrial enterprises and electric power investment (with specific projects subject to approval by authority). The shares held by the Energy Group have not been pledged and frozen.

Hong Kong Nam Hoi (International) Limited held 15.28% of the Company's total shares; legal representative: Yu Chunling; date of establishment: May 15, 1985; registered capital: HK$ 15.33 million; business scope: energy and electric power. The shares held by the Energy Group have not been pledged and frozen.

Shenzhen State Power Science and Technology Development Co., Ltd. held 9.98% of the Company's total shares; legal representative: Huang Decheng; date of establishment: April 18, 2000; registered capital: RMB 230 million; enterprise type: company with limited liability; business scope: initiating industrial enterprises (with specific projects subject to approval by authority); engineering and equipment for power generation, transmission and transforming; automatic control system; technology development of electronic equipment and product purchase and marketing; technology development of hi-tech projects; domestic trade and materials supply and sales (excluding monopolized, controlled, exclusively marketed and restricted items). The shares held by the Energy Group have not been pledged and frozen.

IV. Directors, Supervisors, Senior Executives & Staff

(I) Directors, Supervisors and Senior Executives in the report period
1. Basic Information

Names	Sex	Titles	Age	Office Term	Shares Held at Year Beginning	Shares Held at Year End	Increase/Decrease of Shares in the Report Year
Lao Derong	Female	Chairman of the Board	59	June, 2000 – Jan. 2003	0	0	0
Wang Jianbin	Male	Vice-chairman of the Board	39	June, 2000 - June, 2003	0	0	0
Huang Dechen	Male	Vice-chairman of the Board	52	June, 2000 –June, 2003	0	0	0
Zhang Renyi	Male	Director, General Manager	42	June, 2000 –June, 2003	0	0	0
Yu Chunling	Female	Director	37	June, 2000 –June, 2003	0	0	0
Li Li	Male	Director	55	June, 2000 –June, 2003	0	0	0
Jian Jiyao	Male	Director	61	June, 2000 – Jan. 2003	57,217	57,217	0
Zhong Chengli	Male	Director	53	June, 2000 –June, 2003	0	0	0

Cui Jichun	Male	Director	45	Nov. 2000 –June, 2003	0	0	0
Liu Aiqun	Male	Independent Director	49	June, 2000 –June, 2003	0	0	0
Huang Sujian	Male	Independent Director	48	May, 2002 –June, 2003	0	0	0
Liu Zhanjun	Male	Independent Director	45	May, 2002 –June, 2003	0	0	0
Zhu Tianfa	Male	Chairman of Supervisory Committee	52	June, 2000 –June, 2003	0	0	0
Ji Ming	Male	Supervisor	46	June, 2000 –June, 2003	0	0	0
Guan Qihong	Male	Supervisor	40	June, 2000 –June, 2003	0	0	0
Li Yongsheng	Male	Supervisor	30	Nov. 2000 –June, 2003	0	0	0
Guo Chuanming	Male	Supervisor	35	June, 2000 –June, 2003	0	0	0
Xiao Bing	Male	Supervisor	44	June, 2000 –June, 2003	0	0	0
Zhang Jie	Female	Supervisor	34	Aug. 2000 –June, 2003	0	0	0
Zhao Lijin	Male	Chief Financial Supervisor	63	July, 2000 –June, 2003	0	0	0
Guo Zhidong	Male	Deputy General Manager	36	July, 2000 –June, 2003	0	0	0
Fu Bo	Male	Deputy General Manager, Secretary of the Board	40	June, 2000 –June, 2003	0	0	0
Sun Shoulin	Male	Chief Engineer	56	July, 2000 –June, 2003	0	0	0

Notes:
(1) Expect 57,217 employees' shares held by Director Jian Jiyao, none of the other members of the Company held the Company's shares.

(2) Office taking in shareholder companies

Names	Shareholder Companies	Titles	Office Term
Lao Derong	Shenzhen Energy Group Co., Ltd.	Chairman of the Board	Dec.1997 – Sep.2002
Wang Jianbin	Shenzhen Guangju Energy Co., Ltd.	Chairman of the Board	Since Feb.1999
Huang Dechen	Shenzhen State Power Science and Technology Development Co., Ltd.	Chairman of the Board	Since Dec. 1999
Yu Chunling	Shenzhen Energy Group Co., Ltd.	Director of Fuel Trading Dept.	Since June, 2000
Li Li	Tengda Property Co., Ltd.	Chairman of the Board	Since 1992
Jian Jiyao	Shenzhen Energy Group Co., Ltd.	Chief Accountant	Dec.1997 – Dec.2001
Zhong Chengli	Shenzhen Guangju Electronic Investment Co., Ltd.	Chairman of the Board	Since Sep. 2000
Cui Jichun	Shenzhen State Power Science and Technology Development Co., Ltd.	General Manager	Since April, 2001
Zhu Tianfa	Shenzhen Energy Group Co., Ltd.	Chief Accountant	Since Nov. 2001
Ji Ming	Shenzhen Guangju Electronic Investment Co., Ltd.	General Manager	Since Sep.2000

Guan Qihong	Shenzhen State Power Science and Technology Development Co., Ltd.	Chief Economist	Since Sep.1999
Li Yongsheng	Tengda Property Co., Ltd.	Manager	Since 1994

2. Annual Remuneration

(1) In 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 were paid on monthly basis decided by the Board of Directors based on the post function; the year-end rewards were calculated based on the annual targets and reward plan prepared by the Board at the year beginning distributed based on the fulfillment of the targets.

In the report period, no director or supervisor received the business funds by according to the relevant provisions concerning the designated funds of the Board of Directors approved and established by Shareholders' General Meeting.

(2) In the report year, the Company had totally 23 directors, supervisors and senior executives. Of them, 10 persons received their annual salary from the Company with total amount of RMB 4.60 million, with one enjoying an annual salary from RMB 750,000 to 800,000, four enjoying annual salary from RMB 700,000 to RMB 750,000 respectively, one enjoying annual salary from RMB 500,000 to RMB 550,000, one enjoying annual salary from RMB 350,000 to RMB 400,000, three enjoying annual salary of RMB 100,000 respectively. The total remuneration to the three directors enjoying highest salaries was RMB 950,000 and the total remuneration to the three senior executives enjoying the highest salaries was RMB 2.15 million. There were 14 directors or supervisors who received no remuneration or allowances from the Company. They were Lao Derong, Wang Jianbin, Huang Dechen, Yu Chunling, Li Li, Zhong Chengli, Jian Jiyao, Cui Jichun, Zhu Tianfa, Ji Ming, Guan Qihong, Guo Chuanming and Li Yongsheng. In stead, they all received remuneration and allowances from the Company's shareholders respectively.

Independent directors received the independent director allowance and fees from the Company amounting to RMB 100,000 per person annually.

3. In the report year, no director, supervisor or senior executive ever left his/her posts. The Company did not disengage its general manager, deputy general manager, chief fiancial officer or secretary of the Board, either.   In the report period, the Company engaged Mr. Huang Sujian and Mr. Liu Zhanjun as independent director of the Company.

(II) Staff

At the end of the report period, the Company had totally 301 staff members, of whom 176 were production and technical personnel engaged in equipment operation and overhauling, 15 material supply personnel, 11 financial personnel and 36 administrative and managerial personnel, with 7 holding master's degree, 51 holding bachelor's degree, 89 holding college degree; 12 holding senior professional titles and 55 holding medium professional titles.

As the Company has implemented Shenzhen social insurance system, the Company does not have to pay any expenses to the retired staff.

V. Administrative Structure

(I)   Company Administration

In the report period, the Company was continuously improving its legal person based administrative structure and standardizing the business operation strictly in accordance with the PRC Company Law and the PRC Securities Law as well as the regulations of China Securities

Regulatory Commission; revised and prepared relevant regulations and newly added two independent directors. The Company received for the first time the tour inspection of Shenzhen Securities Regulatory Office over the listed companies; in addition, conducted self-inspection in accordance with the provisions by China Securities Regulatory Commission and the State Economic & Trade Commission on the establishment of modern enterprise system in listed companies. Directing at the existing problem of related transactions and competition in the same trade, the Company consulted the relevant authorities and experts, clarified indistinct understanding and made careful regulation and improvement according to the relevant laws, regulations, official opinions and requirements of the authorities in charge.

(II) Performance of Independent Directors

In the report period, through election at 2002 1st Extraordinary Shareholders' Meeting, the Company engaged another two independent directors so that the number of independent directors has complied with the requirements of China Securities Regulatory Commission. In the report year, the independent directors actively attended the Board meetings and carefully reviewed various proposals according to the PRC Company Law, the Articles of Association of the Company, etc.; participated in material decision making activities by using their professional knowledge and work experience, expressed their independent opinions on the Company's related transactions in compliance with the relevant provisions, seriously implemented their duties and brought the role of independent directors into full play.

With a view te further improving the Company's administrative structure, the Company plans to add more independent directors so that the number of independent directors shall take one third of the members of the Board of Directors before June 30, 2003; before December 31, 2003, the Company shall establish specialized committees of investment decision making, salaries and assessment, nomination, etc. according to the Rules for Administration of Listed Companies.

(III) Separation between the Company and the First Principal Shareholder in Terms of Personnel, Assets, Finance, Organization and Business

1. Personnel:

The Company is absolutely independent in labor, personnel and salary management. The Chairman of the Board was elected by the Board of Directors instead of the legal representative of the Company's first principal shareholder; such senior executives as the General Manager, deputy General Manager, Chief Financial Officer and the Secretary of the Board, were all the Company's registered staff without taking any position in the shareholders and received their pay from the Company.

2. Assets

The Company was reorganized for the joint stock system originated from a limited liability company with independent assets and has no relation with its various legal person shareholders in terms of assets. In addition, there exists no relation with any shareholder in terms of industrial property rights and non-proprietary technologies.

3. Finance:

The Company has established independent financial system and accounting system, worked out complete financial management measures, has complete financial management system over the associates, has independent financial department, opened independent A/C in bank and independently pays taxes according to the law.

4. Organization

The Board of Directors, the Supervisory Committee and other intra-company departments operation independently and enjoy independence in decision making, operation and management. There exits no subordinate relations between the Company/its various functional departments and the first principal shareholder/its functional departments; the Company's offices and operation sites are also separated from that of its first principal shareholder, and there exists no mixed business operation.

5. Businesses
Although the Company's principal business is the same as its first principal shareholder in terms of production and marketing of electric power. However, their power production is carried out in different ways; in addition, the responsibility and tasks undertaken on the power network are different. Therefore, there exists no competition in the same trade between the two and the Company's business activities are independent and complete.

(IV) Assessment and Encouragement Mechanism for Senior Executives
In the report period, the Company still adopted the assessment and encouragement mechanism for senior executives based on the operation performances. On May 10, 2002, approved by 2001 Shareholders' General Meeting, the Company established the Equity Based Encouragement Management Measures aiming at establishing an effective binding and encouragement mechanism for senior executives. At present, the Equity Based Encouragement Management Measures is unable to implement due to some reason.

VI. Shareholders' General Meetings

In the report period, the Company held 2001 Shareholders' General Meeting and 2002 1st Extraordinary Shareholders' Meeting. The two meetings were summarized as follows:

(I) 2001 Shareholders' General Meeting:
The Company published the announcement for 2002 Shareholders' General Meeting on the designated newspapers dated April 3, 2002. The meeting was held on May 10, 2002 at Bajiaoting Meeting Room of Shenzhen Silver Lake Tourism Center. Six shareholders and shareholders' representatives attended the meeting, holding/representing 327.0588 million shares, taking 59.69% of the Company's total shares, including 243.3104 million A-shares and 83.7484 million B-shares. The meeting was held in compliance with the PRC Company Law and the Articles of Association of the Company. The meeting examined and adopted:

1. 2001 Work Report of the Board of Directors;
2. 2001 Work Report of the Supervisory Committee;
3. 2001 Profit Settlement Report;
4. Proposal of 2001 Profit Distribution and Converting the Capital Public Reserve into Share Capital;
5. Proposal on the Loan Size and the Company to Authorize the Board of Directors to Decide External Guarantees within the Limitation in 2002;
6. Proposal on Using the Company's Welfare Public Fund to Construct the Staff's Cultural and Entertainment Center;
7. Proposal on Paying the Remuneration to the Company's Domestic Auditor, Guangzhou Yangcheng Certified Public Accountants in the Year 2001;
8. Proposal on Paying the Remuneration to the Company's International Auditor, PricewaterhouseCoopers Certified Public Accountants in the Year 2001;
9. Proposal for Reviewing the "Equity Based Encouragement Management Measures";

10. Proposal on Engaging Law Adviser for the Year 2002;
11. Proposal on Engaging the Domestic and International Auditors for the Year 2002;
12. Proposal for Allowances and Fees to the Independent Directors;
13. Outline of the Company's Future Operation and Development;
14. Addition Provision on Providing Reserve for Devaluation of Various Assets.
The aforesaid resolutions were published on the designated newspapers dated May 14, 2002.

(II) 2002 1st Extraordinary Shareholders' Meeting
The notice for holding 2002 1st Extraordinary Shareholders' Meeting was published on the designated newspapers dated April 25, 2002. The meeting was held on May 27, 2002 at Bajiaoting Meeting Room of Shenzhen Silver Lake Tourism Center. Five shareholders and shareholders' representatives attended the meeting, holding/representing 327.0578 million shares, taking 59.69% of the Company's total shares, including 243.3094 million A-shares and 83.7484 million B-shares. The meeting was held in compliance with the PRC Company Law and the Articles of Association of the Company. The meeting examined and adopted:

1. Proposal on Adding Independent Director Candidates;
Mr. Huang Sujian and Mr. Liu Zhanjun were approved to be independent directors of the Company.
2. Proposal for the Revision of the Articles of Association of the Company;
3. Proposal for Revising the Rules of Procedures for Shareholders' General Meeting;
4. Proposal for Revising the Rules of Procedures for the Board of Directors;
5. Proposal for Revising the Rules of Procedures for the Supervisory Committee;
6. Proposal for Working out Work Rules of Independent Directors;
7. Proposal for Working out the Outline of Company Administration;
8. Proposal for Revising the Provisional Measures for Management of the Special Funds of the Board of Directors;
9. Proposal on Operative Related Transactions in 2002;
The aforesaid resolutions were published on the designated newspapers dated May 28, 2002.

VII. Report of the Board of Directors

(I) Discussion and analysis of the overall operation status in the report period
In the report period, with the sustainable and rapid development of Shenzhen's economy, Shenzhen's electric power market shows the status of great demand, supply not meeting the demand and gradual increase of power consumption peak and valley difference and annual peak electricity period. According to the statistics of Shenzhen Power Supply Co., in 2002, the total power consumption and maximum power consumption load of Shenzhen City reached 24668 million KWH and 4.802 million KW respectively, an increase of 22.97% and 18.57% over the previous year respectively; the network electricity of Shenzhen's fuel oil peak-regulating power plant reached 7013 million KWH, with an increase of 27.74% over the same period in the previous year. In 2002, due to tight power supply, such measures as power consumption evading from the peak time and restricted power supply are adopted. The electric power market status of Shenzhen City has created good environment objectively for the operation and development of the Company's main business.

In 2002, based on the annual business policy of "basing upon the main business, strengthening the economic operation, grasping the technical renovation, actively dealing with electric power reform, taking the advantageous opportunity, stabilizing and expanding the business scale, and speeding up to cultivate new profit increase point" as determined by the Board of Directors, the Company emphasized the production, operation and development of the main business, having making the good business achievement. In the whole year, the Company completed power generation of 2674.3487 million KWH, 52.47% increase over the same period in the previous year, being 152.82% of the annual power generation task of 1750 million KWH as issued by the Board of Directors. As a result, the main business income in the reported year was RMB 1622.905 million, an increase of 49.70% over the previous year; the profit of the main business was RMB 534.8049 million, an increase of 102.10% over the previous year; the subsidy income for 50% of VAT in 2001 was RMB 46.705 million, 48.05% increase over the previous year; and the net profit realized was RMB 365.7839 million, an increase of 78.37% over the previous year.

Further exploit the potential and reduce the consumption, strengthen the fuel oil purchase management, and closely follow up the change of the international fuel oil market. In the serious and steady principle, cooperate with international financial institutions and oil operation companies, utilize the combined method of hedging and spot transaction in the futures market, purchase the fuel oil required for power generation at large quantity and low price, and greatly reduce the fuel cost, making the annual average fuel purchase price of the company lower than the average price of the international fuel oil market, saving about RMB 50 million.

Strictly control the expenditure of various costs, each department is checked for economic and cost figures, and in combination with the power supply dispatching load status, implement the scientific, economic and high-efficiency machine operation mode. Various operation economic figures have reached new high record, the network oil consumption of the machine set was greatly reduced, and the fuel oil cost reduction was about RMB 20 million over the previous year.

Strengthen the main business development and expand the business scale. The Company invested RMB 388 million to carry out the technical renovation project of “substituting the big for the small” for the combustion engine. After intensive project construction and installation adjustment, the single circulation project (123,400 KW combustion engine) of the combustion engine and combined circulation project (60,000 KW steam engine) were constructed and put into operation in 2002 when Shenzhen’s power consumption was in peak time, making the Company’s total installed capacity reaching 700,000 KW, an increase of 32.58%. The Company’s power generation ability and operation economy were further improved.

In accordance with “Forwarding the notice of the Ministry of Finance & State Tax General Administration on stopping the VAT preferential policy for the goods produced and sold locally in the special economic zone” (Cai Shui [2002] No. 64) by Shenzhen State Tax Bureau Shen Guoshui Fa [2002] Document No. 415, “stop implementing the stipulation of charging VAT in half for the foreign-funded power plant inside the special economic zone starting from January 1, 2003 (taxable period)”, the Company still got subsidy income of RMB 65 million for its VAT reduced in half in 2002. Starting from 2003, the Company will pay the VAT based on the new stipulation.

(II) Operation

1. Main business scope and its operation

The company’s main business is power generation, of the energy fundamental industry. During the report period, the Company’s total installed capacity was increased from 52.8x10,000 KW to 70x10,000KW, accounting for 26.23% of the total installed capacity of Shenzhen City and 48.65% of the total installed capacity of Shenzhen peak-regulating power plants respectively (according to the statistics of Shenzhen Economic Trade Bureau). It continued to take the position of being the country’s largest gas turbine power generation enterprise and Shenzhen’s key peak-regulating power generation enterprise.

In 2002, under the advantageous situation that Shenzhen's economy was maintained at stable growth and the electric power market continued to turn better, the Company actively tried to get more power generation to the outside and fully exploit the power generation potential internally, emphasize the production management, strengthen the safety production and economic operation, strictly control the production cost, and continuously improve the power generation efficiency, enabling the company's electric main business to make excellent achievement. In the whole year, it completed the power generation of 2674.3487 million KWH, 920.314 million KWH increase over the same period in the previous year, which was 1754.0347 million KWH, the main business income was RMB 1622.905 million, the main business cost was RMB____1086.571 million, and the gross profit margin was 33.05%, making the best record since the establishment of the Company.

2. Operation and performance of main shareholding companies and equity participation enterprises

In RMB'0000

Companies	Proportion of Shares Held	Business Scope	Registered Capital	Assets Scale	Operating Income	Net Profit
Xiefu Company	50%	Purchase and sales of diesel oil, heavy oil, lubricating oil, etc.	5,330	22,228.18	37,533.72	1,900.49
Xindianli Company	51%	Technical development of residual heat utilization, power generation using residual heat	5,750	63,412.59	22,915.34	19,111.52

3. Information on main supplier and customer

The key business of the Company is power generation, and the main raw materials required for power generation are fuel oil and spare parts required for the equipment maintenance. For the purchase of the main raw materials, the Company uses the method of international open bidding, and it has established the strategic supplier system through many years of material purchase. In 2002, the total purchase value from top five supplies accounted for 85% of the total purchase value in the year. The company sells 100% of its electric power generated to Shenzhen Power Supply Co.

(III) Investment

1. Investment of raised fund

In the report period, the Company didn't have any newly raised fund or previously raised fund extended to this period.

2. Non-raised fund investment of the Company and shareholding companies

(1) The Company raised the fund by itself to invest for the construction of Phase II technical renovation of combustion engine "substituting the big for the small": single circulation project (construct one Model PG9171 12.34 x 10,000KW combustion engine) and residual heat power generation project through combined combustion engine circulation (construct one 60,000KW residual heat power generator set). After 8 months of project construction, the installation, testing and network power generation of the combustion engine single circulation project and combined circulation project were completed in May and June 2002 respectively. The whole Phase II technical renovation project of the combustion engine "substituting the big for the small" had an actual total investment of RMB388,392,000. In the report period, this project completed power generation of 539,947,800KWH, achieved power sales income of RMB 302,588,200, and the net profit was RMB 82,313,000.

(2) Xindianli Company planned to build one set of 100,000KW gas turbine power generator, utilizing the residual heat to supply the steam to 10 textile printing and dyeing enterprises in

Nanyou area of Shenzhen City, and eliminating at equal capacity the small diesel generator of high energy consumption of Shenzhen City, i.e. implementing the technical renovation project of "substituting the big for the small". This project was approved by the Electric Power Dept. of State Economic & Trade Commission and Guangdong Economic Trade Commission, and was founded on Nov. 12, 2002 with the approval from Shenzhen Economic Trade Bureau. In the report period, the feasibility study specialist review, engineering design and order of gas turbine and other main equipment have been completed for this project.

The planned total investment of this project is RMB 0.244 billion, and Xindianli Company will raise the fund itself. The construction period is one year, and it is planned to complete and put into operation in August 2003.

Based on carrying out the above technical renovation project of "substituting the big for the small" (single circulation project), Xindianli Company is actively applying to implement the combustion engine combined circulation project to utilize the residual heat, so as to realize the "supply of both heat and electric power". This project is an energy conservation environmental project utilizing the residual heat, the planned total investment is RMB 0.24 billion, invest to build one 60,000KW residual heat power generation set, and its steam is mainly used to supply the above printing and dyeing enterprises.

(IV) Financial Position

1. Analysis to financial position In RMB

Items	2002	2001	Proportion of Increase/ Decrease %
Total assets	2,029,161,693.62	1,553,895,350.66	30.59
Shareholders' equity	1,044,298,778.59	910,506,376.21	14.69
Profit from principal businesses	534,804,913.72	264,619,499.29	102.10
Net profit	365,783,855.30	205,069,449.88	78.37
Net increase of cash and cash equivalents	259,934,137.94	61,227,589.24	324.54

Reason of increase/decrease:

(1) The increase of total assets is mainly because in the report period, the Phase II technical renovation project of combustion engine "substituting the big for the small" was completed and the fund for Phase III technical renovation project of combustion engine "substituting the big for the small" was raised.

(2) The increase of shareholders' equity is because in the report period, the withholding statuary public accumulated fund, public welfare fund and undistributed profit transferred to the next year were increased.

(3) The increase of the profit from principal business is mainly because of expanded production scale, increase of power generation and reduction of production cost.

(4) The increase of net profit is mainly because of the increase of the profit principal business.

(5) The increase of the net increase of cash and cash equivalents is mainly because of cash inflow increase during the operation as a result of power generation increase.

(V) Influence of production operation environment and macroscopic policy change on Company's operation

Business environment of the electric power market

In 2003, Shenzhen City is one of the areas in Guangdong Province with tightest power supply. It is expected that the power consumption demand will increase by 15%, reaching 28.5 billion KWH, and the maximum power consumption load will reach 5.80 million KW, with a net increase of 1 million KW over the previous year. By the end of February 2003, the maximum load of Shenzhen's power network has reached 3.89 million KW, with a net increase of 0.86 million KW over the same period in the previous year, and the peak power consumption time has arrived in advance. Shenzhen Power Supply Co. expects that there will be a severe shortage of 0.30 million KW for the peak time power supply of Shenzhen City in 2003.

Due to such factors as continuous economic growth, great increase of power consumption of the whole society as a result of electric unit price decrease and high price of the international fuel oil, the power supply and demand contradiction in Guangdong Province and Shenzhen City has become more outstanding, and in the next few years, it is hard to solve the tight power supply status of Shenzhen City. For this reason, Guangdong Province and Shenzhen City will stipulate policies to encourage more power generation of large, high-efficiency and environmental protection machine set and electric price and oil price floating mechanism for fuel oil peak-regulating power plant, fully utilizing the peak-regulating function of the fuel oil machine set. Therefore, Shenzhen's power market status has created good business environment and greater development opportunity for the Company.

(VI) The Company's Financial Report has been respectively audited by Guangzhou Yangcheng Certified Public Accountants and PricewaterhouseCoopers Certified Public Accountants, both of which produced standard unqualified Auditor's Reports.

(VII) Operation plan of the new year

1. Emphasize the power generation, further implement the duty responsibility system, strengthen the examination, carry out the error-free management, improve the equipment completeness rate and production efficiency, carry out the equipment maintenance and technical renovation, meet the electric power network dispatching demand to the largest extent, and try to complete the annual power generation production figure and profit figure in advance and beyond the amount, making contribution to ensure the power supply during the peak time in summer.

2. Analyze the power consumption situation of Shenzhen City in 2003, closely follow up the international fuel oil price trend, rationally arrange the fuel oil purchase plan of the whole year, broaden the purchase channel for oil product and spare parts, improve the level for planned purchase and stock goods management, and try to reduce the purchase cost under the precondition of ensuring the production supply.

3. Speed up the construction of technical renovation project of Xindianli Company of "substituting the big for the small": single circulation project and combined circulation project, try to make the project completed and put into operation at the peak power consumption period of Shenzhen City in 2003, increasing the Company's total installed capacity to 0.88 billion KW, power production scale expanded by 25.71%, and increasing the profit for the Company.

4. Try to complete the 49% equity transfer of Xindianli Company as soon as possible so as to make it become the Company's wholly owned subsidiary. Fulfill the handling plan for undistributed profit of Xindianli Company in 2001 and 2002, and comprehensively standardize the operation of Xindianli Company.

5. Strengthen the project management, try to complete the construction of technical renovation project of combustion engine "substituting the big for the small" of Shenzhen Baochang Power Co., Ltd. in which the Company is a main contractor, and realize the total contracting income of RMB13.50 million.

6. Invigorate the Company's assets of # 21, # 22 and # 23 gas turbine power generators, and complete the overall transfer and movement work of the three turbines within the year.

7. Strengthen the employee's training and new technology development of combustion engine, set up the combustion engine technical training center, and cultivate more combustion engine special technical personnel.

8. Adapt to the great trend of the vigorous development of the domestic combustion engine power generation industry, utilize various channels and methods to actively participate in the investment, construction and operation of the combustion engine power plant, transform the Company's technical, operational and management advantages in the gas-steam combined circulation power generation field into external capital output, and achieve the industrialization of the technical service.

9. While Xindianli Company is implementing the construction of the technical renovation project of "substituting the big for the small", try to apply to construct 1-2 100,000KW-level gas turbine power generator sets inside the Company area, realizing "joint supply of heat and electric power", so as to meet the heat supply demand in Nanyou area of Shenzhen City, increase the Company's installed capacity, make the Company become a large power generation enterprise with installed capacity over 1 million KW, and further improve the Company's competitiveness in the gas turbine power generation field.

10. Actively look for the new project in the electric and relevant industries with good development prospect and great profit-making space, explore the company's new profit increase point, and broaden the company's development space.

11. In the principle of conforming to the law and regulation, actively explore and implement standardized, scientific and effective long-term incentive mechanism for business managers and key talents.

(VIII) Routine Work of the Board of Directors
1. Meetings
In the report period, the Board of Directors held altogether eight meetings. The board meetings are summarized as follows:

(1) The 8th meeting of the 3rd Board of Directors was held as its 2001 Annual Meeting on March 29, 2002. Except Law Derong, Chairman of the Board, absent due to business trip who authorized Director Jian Jiyao as the representative, Huang Dechen, Vice Chairman of the Board, absent due to business trip who authorized Director Cui Jichun as the representative and Director Li Li absent due to some reason, all the other directors attended the meeting. The meeting examined and adopted: 2001 Business and Work Report of the General Manager; 2001 Profit Settlement Report; 2001 Report on Providing Reserve for Devaluation of Various Assets and Canceling the Assets through Verification; Proposal on Using the Company's Welfare Public Fund to Construct the Staff's Cultural and Entertainment Center; Proposal of 2001 Profit Distribution and Converting the Capital Public Reserve into Share Capital; 2001 Annual Report

and the Summary; 2001 Financial Auditing Report (both International and Domestic Versions); Proposal on Paying Remuneration to the Company's Domestic and International Auditors for the Year 2001; 2001 Work Report of the Board of Directors; Report on Plan for Production, Operation and Management Work in 2002; Proposal on the Loan Size and the Company to Authorize the Board of Directors to Decide External Guarantees within the Limitation in 2002; Proposal on Submission of the "Equity Based Encouragement Management Measures" to the Shareholders' General Meeting for Reviewing; Proposal on Engaging Law Adviser in the Year 2002; Proposal on Engaging the Company's Domestic and International Auditors in the Year 2002; Proposal on Adding Independent Director Candidates; Proposal for Allowances and Fees to the Independent Directors; Outline of the Company's Future Operation and Development; The proposal of holding 2001 Shareholders' General Meeting; Approved submission of the concerned proposals to 2001 Shareholders' General Meeting for reviewing and decided to hold 2001 Shareholders' General Meeting on May 10, 2002.

(2) The 9th meeting of the 3rd Board of Directors was held on April 23, 2002. Except Director Li Li who authorized Mr. Li Mingjun to be his representative, all the other directors attended the meeting. The meeting examined and adopted: Report on the Production, Operation and Management Work of the 1st Quarter of 2002; 2002 1st Quarterly Report; 2002 1st Quarterly Financial Settlement Report; Proposal on Adding Independent Director Candidates; Outline of the Administration of Shenzhen Nanshan Power Station Co., Ltd.; Proposal for Revising the Rules of Procedures for Shareholders' General Meeting; Proposal for the Revising the Articles of Association of the Company; Proposal for Revising the Rules of Procedures for the Board of Directors; Proposal for Revising the Rules of Procedures for the Supervisory Committee; Independent Director System of Shenzhen Nanshan Power Station Co., Ltd.; Proposal for Revising the Provisional Measures for Management of the Special Funds of the Board of Directors; Proposal on Operative Related Transactions in 2002.

(3) The 10th meeting of the 3rd Board of Directors was held on August 2, 2002. Except Director Huang Dechen, Vice Chairman of the Board, who authorized Director Cui Jichun to be his representative, all the other directors attended the meeting. The meeting listened to the Report on the Second Phase Technical Innovation Project of "Replacing Small Combustion Engines with Bigger Ones"; Reviewed and approved the Correction and Improvement Report based on the Routine Tour Inspections.

(4) The 11th meeting of the 3rd Board of Directors was held on August 11, 2002. Except Law Derong, the Chairman of the Board, who was absent due to business trip and authorized Director Jian Jiyao to be his representative, Huang Dechen, the Vice Chairman of the Board who was absent due to some reason, Huang Jichun who was absent due to business trip, Huang Sujian, an independent director who entrusted Liu Aiqun, another independent director to be his representative, all the other directors attended the meeting. The meeting listened to the Report on the Production, Operation and Management Work of the First Half Year of 2002, reviewed and approved 2002 Interim Financial Settlement Plan and 2002 Semi-annual Report.

(5) The 12th meeting of the 3rd Board of Directors was held on October 28, 2002. Except Law Derong, the Chairman of the Board, Huang Dechen, the Vice Chairman of the Board and Director Jian Jiyao who were absent due to some reason, Huang Sujian, an independent director who entrusted Liu Aiqun, another independent director to be his representative, all the other directors attended the meeting. The meeting listened to the Report on the Production, Operation and Management Work of the 3rd Quarter of 2002; reviewed and adopted the Report on the Profit Settlement of the 3rd Quarter of 2002, and 2002 3rd Quarterly Report.

(6) An extraordinary meeting of the 3rd Board of Directors was held on December 6, 2002. Except Law Derong, the Chairman of the Board, Huang Dechen, the Vice Chairman of the Board and Director Jian Jiyao who were absent due to some reason, Huang Sujian, an independent director who entrusted Liu Aiqun, another independent director to be his representative, all the other directors attended the meeting. The meeting reviewed and adopted the Proposal on Change of Directors, and Proposal for Holding 2003 1st Extraordinary Shareholders' General Meeting.

(7) On December 11, 2002, the 3rd Board of Directors held a special work meeting on the Technical Innovation Project of "Replacing Small Combustion Engines with Bigger Ones" invested by Xindianli Company, reviewed the principal equipment order and payment for the Technical Innovation Project of "Replacing Small Combustion Engines with Bigger Ones" invested and constructed by Xindianli Company and formed relevant resolutions.

(8) The 13th meeting of the 3rd Board of Directors was held on December 19, 2002. Except Huang Dechen, the Vice Chairman of the Board who was absent due to some reason and Liu Zhanjun, an independent director who entrusted Liu Aiqun, another independent director to be his representative, all the other directors attended the meeting. The meeting reviewed and adopted the Report on the Technical Innovation Project of "Replacing Small Combustion Engines with Bigger Ones" invested and constructed by Shenzhen Xindianli Industrial Co., Ltd., organized learning of the Circular on Printing and Issuing the Document of Improving Companies' Administration Structure and Further Updating the Standardized Operation Level of Listed Companies, reviewed and approved the Correction and Improvement Report based on the Routine Tour Inspections.

2. Implementation of the Resolutions of the Shareholders' General Meeting by the Board of Directors

According to the relevant resolutions of 2001 Shareholders' General Meeting, the Board of Directors organized the implementation of 2001 Dividend Distribution Plan: based on the total share capital 547,965,998 shares ended December 31, 2001, the Company distributed cash dividend at the rate of RMB 3.10 for every 10 shares (after deduction of tax, the net dividend was distributed at RMB 2.48 for every 10 shares) to shareholders of A-shares and RMB 3.1 for every 10 shares to shareholders of B-shares. The date of record was June 24, 2002 and ex-dividend date was June 25, 2002. The exchange rate between HK$ and RMB for the dividend of B-shares was based on HK$ 1 = RMB 1.0613. The Company paid cash dividend totaling RMB 169,869,459.38.

(IX) Proposal of Profit Distribution or Converting Capital Public Reserve into Share Capital of the Report Year

Audited by Guangzhou Yangcheng Certified Public Accountants according to the Independent Auditing Standards for Chinese Certified Public Accountants, the net profit realized by the parent company in 2002 was RMB 365,427,261.21. After the statutory public reserve was provided based on 10% of the net profit amounting to RMB 36,542,726.12, and the public welfare fund was provided based on 5% of the net profit amounting to RMB 310,613,172.03 in accordance with the relevant provisions of the Articles of Association, the balance was RMB 310,613,172.03. Plus the undistributed profit carried down from 2001 amounting to RMB 11,893,656.10, the total profit available for distribution to the shareholders in 2002 was RMB 322,506,828.13. After the consolidation, the net profit of the Company in 2002 was RMB 365,783,855.30. After provision of the statutory public reserve amounting to RMB 36,542,726.12 and public welfare fund amounting to RMB 18,271,363.06, and deduction of statutory public reserve and public welfare fund provided by the consolidated subsidiaries in 2002 amounting to RMB 14,620,315.17, the balance was RMB 296,349,450.9. Plus the undistributed profit carried down from 2001 amounting to RMB 450,021.24, the profit available for distribution to the shareholders after consolidation in 2002 was RMB 296,799,472.19.

Audited by PricewaterhouseCoopers Certified Public Accountants, the net profit realized in 2002 based on the calculation according to Hong Kong Accounting Standards was RMB 365,642,000. Less the statutory public reserve provided based on 10% of the net profit amounting to RMB 36,543,000 and public reserve provided based on 5% of the net profit amounting to RMB 18,271,000 according to the regulations of the People's Republic of China, plus the undistributed profit carried down from the previous year amounting to RMB 592,000 and less the difference arising from the consolidation of the subsidiaries amounting to RMB 14,620,000, the profit available for distribution to the shareholders in 2002 was RMB 296,800,000.

Based on the above calculation result, the profit available for distribution to the shareholders after the domestic consolidation in 2002 was RMB 296,799,472.19, and the domestic parent company's profit available for distribution to the shareholders was RMB 322,506,828.13; the profit available distribution to the shareholders outside the People's Republic of China was RMB 296,800,000 According to the relevant provisions of the State Ministry of Finance (Financial-Accounting Zi (1995) No. 31 and China Securities Regulatory Commission (CSRC Letter (1994) No. 1), based on the principle of soundness and the lower of the two, the profit available for distribution to shareholders was worked out according to the domestic consolidation in 2002, namely RMB 296,799,472.19.

2002 Profit Distribution Proposal is finalized as: the cash dividend is to be distributed to the whole shareholders (based on the total share capital 547,965,998 shares) at the rate of RMB 4.20 for every 10 shares (with tax inclusive) and the balance is to be carried down to the next year.

The Company shall not convert the capital public reserve into share capital for the report year.

The above proposal is subject to 2002 Shareholders' General Meeting for review and approval before implementation.

(X) Proposed 2003 Profit Distribution Policy

1. In 2003, the Company shall distribute dividend at least once and the distribution time shall be in the middle of 2003 or at the end of the year;

2. The net profit realized in 2003 plus the undistributed profit carried down from 2002 shall be jointly used for distribution with the proportion for distribution not lower than 40%;

3. The distribution shall be carried out by means of cash dividend or bonus shares or conversion of public reserve into share capital and combined way. The cash dividend in the dividend distribution shall not be below 30%;

4. Before implementation of the aforesaid 2003 Profit Distribution Policy, a proposal shall be submitted to the Board of Directors and further to the Shareholders' General Meeting for review and approval. The Board of Directors reserves the right to make adjustment based on the development of the Company and profit-making condition.

VIII. Report of the Supervisory Committee

I. Meetings in the Report Year

In the report period, the Supervisory Committee held 6 meetings and attended all board meetings as non-voting delegates. The meetings are summarized as follows:

1. The 9th meeting of the 3rd Supervisory Committee was held on March 30, 2002 (2001 Annual Meeting). The meeting reviewed 2001 Business and Work Report of the General Manager; 2001 Profit Settlement Report; 2001 Report on Providing Reserve for Devaluation of Various Assets and Canceling the Assets through Verification; Proposal of 2001 Profit Distribution and Converting the Capital Public Reserve into Share Capital; 2001 Annual Report and the Summary; 2001 Financial Auditing Report (both International and Domestic Versions); 2001 Work Report of the Supervisory Committee; Report on Plan for Production, Operation and Management Work in 2002; Proposal on Establishing Long Term Encouragement Mechanism and Outline of the Company's Future Operation and Development.

2. The 10th meeting of the 3rd Supervisory Committee was held on April 23, 2002 and the supervisors also attended the 9th meeting of the 3rd Board of Directors as non-voting delegates.
The meeting reviewed and adopted the Report on the Production, Operation and Management Work of the 1st Quarter of 2002; 2002 1st Quarterly Report; 2002 1st Quarterly Financial Settlement Report; Outline of Administration of Shenzhen Nanshan Power Station Co., Ltd.; Proposal for Revising the Rules of Procedures for Shareholders' General Meeting; Proposal for the Revising the Articles of Association of the Company; Proposal for Revising the Rules of Procedures for the Supervisory Committee; Proposal for Holding 2002 1st Extraordinary Shareholders' Meeting.

3. The 11th meeting of the 3rd Supervisory Committee was held on August 2, 2002 and the supervisors also attended the 10th meeting of the 3rd Board of Directors as non-voting delegates. The meeting listened to the Report on the Second Phase Technical Innovation Project of "Replacing Small Combustion Engines with Bigger Ones"; Reviewed and approved the Correction and Improvement Report based on the Routine Tour Inspections.

4. The 12th meeting of the 3rd Supervisory Committee was held on August 11, 2002 and the supervisors also attended the 11th meeting of the 3rd Board of Directors as non-voting delegates. The meeting listened to the Report on the Production, Operation and Management Work of the First Half Year of 2002, reviewed and approved 2002 Interim Financial Settlement Proposal and 2002 Semi-annual Report (both domestic and international versions).

5. The 13th meeting of the 3rd Supervisory Committee was held on October 28, 2002 and the supervisors also attended the 12th meeting of the 3rd Board of Directors as non-voting delegates. The meeting listened to the Report on the Production, Operation and Management Work of the 3rd Quarter of 2002; reviewed and adopted the Report on the Profit Settlement of the 3rd Quarter of 2002, 2002 3rd Quarterly Report.

6. On December 6, 2002, the supervisors attended the extraordinary meeting of the 3rd Board of Directors as non-voting delegates. The meeting reviewed and adopted the Proposal on Change of Directors, and Proposal for Holding 2002 2nd Extraordinary Shareholders' Meeting.

7. The 14th meeting of the 3rd Supervisory Committee was held on December 19, 2002 and the supervisors also attended the 13th meeting of the 3rd Board of Directors as non-voting delegates. The meeting reviewed the Report on the Technical Innovation Project of "Replacing Small Combustion Engines with Bigger Ones" invested and constructed by Shenzhen Xindianli Industrial Co., Ltd., organized learning of the Circular on Printing and Issuing the Document of

Improving Companies' Administration Structure and Further Updating the Standardized Operation Level of Listed Companies, reviewed and approved the Correction and Improvement Report based on the Routine Tour Inspections.

(II) The Supervisory Committee expressed its independent opinions on the following issues:
1 Operation According to the Law
In 2002, members of the Supervisory Committee attended all the Board meetings and conducted careful supervision over various decision-making, material operation and investment activities. In the opinion of the Supervisory Committee, in 2002, the Company carried out various production and operation activities according to the laws and regulations of the state and local government and the Articles of Association of the Company, had never performed any action against the laws/regulations and should be fully affirmed. To respond the tour inspection conducted by Shenzhen Securities Regulatory Office and the inspection for the registered case conducted by CSRC Shenzhen Inspection Bureau, the Company made positive cooperation based on the principle of "to correct mistakes if you have made any and guard against them if you have not", seriously conducted self inspection and self-correction. The Company made overall self-inspection of the problems handed down from the history and the existing problems in practicing the standardized operation, proposed measures and proposal for straightening and correction, worked out a straightening and correction report and make improvement item by item within the limited time. In the future, the Company shall insist on operation according to the law and standardize the operation based on the principle of all the work focusing on the interest of the shareholders and the Company.

2 Inspection of the financial position of the Company
In 2002, the Company further enhanced the management of funds and control over the costs. The Company made effective control over the production and operation costs by taking strict and effective internal management measures achieved greater economic efficiency and created good return for the shareholders.

In the opinion of the Supervisory Committee, the Company strictly implemented the financial and tax policies of the state, attached importance upon financial management and brought the financial supervision and control functions into full play. Both Guangzhou Yangcheng Certified Public Accountants and PricewaterhouseCoopers Certified Public Accountants produced unqualified standard auditor's report for the Company which has truly and accurately reflected the Company's financial position and operation results.

3 Application of the Proceeds Raised through Share Offering
The projects invested with the proceeds raised through the latest share offering complied with the projects as committed.

4 Acquisition and Sales of Assets
In the report period, the Company had no activities of acquisition and sales of assets.

5 Related Transactions
In the opinion of the Supervisory Committee, the related transactions in the report period were carried out according to the principle of market based fair trading; the prices were determined according to the market prices of the same products which were fair and rational without any harm to the interest of the Company and the shareholders.

IX. Significant Events

(I) In the report year, the Company had no material lawsuits or arbitration.

(II) Acquisition, Sales and Absorption of Assets in the Report Period

On 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, the equity transfer had not been approved by the relevant authority and the procedures for the equity assignment were still in process.

(III) Material Related Transactions

1 The related transactions with the accumulated trade volume between the Company and the related parties higher than the net profit by 10% or higher than the net assets value by 5% are listed as follows:

In RMB'0000

Related party	Transaction description	Pricing principle	Average price	Average market price	Trade amount	Proportion in the amount of the similar transactions	Way of settlement	Influence on the Company's profit
Xiefu Company	Purchase of goods	Market price	2700 /Ton	3000/Ton	3928	78%	Madding out an invoice	The proportion in net profit is 7%

Xiefu Company is mainly engaged in supplying oil products to power plants in Shenzhen. Its ten oil tanks form one of the biggest oil depots in the local area and can collect big quantity of oil products and the purchase cost is lower than the market price. In addition, its oil pipelines directly connect Yueliangwan wharf and the Company. It has a team of highly experienced professionals of oil product business. With the advantages of big oil tanks and wharf, the company can offer complete services of transportation, reception and loading, reserve, etc. As the oil quota assigned by Shenzhen Municipal Economic and Trade Bureau to the Company cannot satisfy the oil demand of a year. Therefore, the Company has chosen Xiefu Company as one of the oil suppliers to supply the oil exceeding import indexes. Meanwhile, the Company excises high efficiency operation in order to ensure the normal and sustainable power production and operation.

2. In the report period, the Company was not involved in any such related transactions as assets/equity transfer.

3. Credits, Liabilities and Guarantees with the Related Parties

(1) Ended December 31, 2002, the Company had offered guarantee to Shenzhen Shennan Petroleum (Group) Co., Ltd. for its loans within the credit limit of RMB 0.12 billion, but the actual amount was RMB 80 million. The aforesaid guarantee shall not be renewed upon expiry in 2003.

(2) Ended December 31, 2002, the account payable to Xindianli Company, one of the Company's controlled subsidiaries amounted to RMB 26,499,900;

(3) Ended December 31, 2002, the account receivable from Shenzhen Jinbiwan Investment Development Co., Ltd., one of the Company's related companies, amounted to RMB 3,207,500;

(4) Ended December 31, 2002, the account payable to Xiefu Company, one of the Company's related companies amounted to RMB 11,746,000;

(5) Ended December 31, 2002, the account payable to Shenzhen Yueliangwan Renhe Industrial Co., Ltd. amounted to RMB 1,147,900;

(6) Ended December 31, 2002, the account payable to Shenzhen Energy Group Co., Ltd., one of the Company's related companies, amounted to RMB 553,300;

(7) Ended December 31, 2002, the Company offered guarantee to Xindianli Company, one of its controlled subsidiaries, for its loan amounting to RMB 51 million; and Shenzhen Jinbiwan Investment Development Co., Ltd. one of the Company's related companies, offered guarantee to Xindianli Company for its loan amounting to RMB 49 million.
None of the aforesaid events produced any material affect on the Company.

(IV) Important Contracts and Implementation
1. In the report period, the Company had no such events as keeping as custodian, contracting or leasing any other company's assets and vice versa.

2. Material Guarantees
Please refer to "Material Related Transactions".

3. In the report period, the Company had not entrusted any other company to manage the cash assets.

(V). Implementation of the Commitments
1. In 2001 Annual Report, the Company announced 2002 Profit Distribution Policy and the Company has implemented this commitment. For the Proposal of Profit Distribution in 2002, please refer to "Proposal of Profit Distribution and Converting Capital Public Reserve into Share Capital of the Report Year".

2. In the report year, there were no arrears owed to the Company by any shareholder holding over 5% of the Company's share capital or related party and there was no commitment either.

(VI) Certified Public Accountants and the Remuneration
From 1994 when the Company was listed to 2002, the Company always engaged Guangzhou Yangcheng Certified Public Accountants and PricewaterhouseCoopers Certified Public Accountants as its domestic and international auditors respectively. (The relevant resolution was published on the designated newspapers dated May 14, 2002).

The remuneration to the auditors was decided in accordance with the Provisional Regulations on the Charging Criteria of the Services Offered by Certified Public Accountants promulgated by Shenzhen Municipal Bureau of Finance (SBF Zi (1995) No. 38) and the Company's yearly total assets, with reference to the auditing charge of other listed companies and approved by the Board of Directors and the Shareholders' General Meeting. The certified public accountants engaged by the Company and its subsidiaries are listed as follows:

Auditing Scope	2002		2001	
	Name of the CPA	Pay	Name of the CPA	Pay
Consolidated financial report and annual financial reports of domestic subsidiaries under CAS	Guangzhou Yangcheng CPA	RMB510,000	Guangzhou Yangcheng CPA	RMB440,000
Consolidated financial report under IAS	PricewaterhouseCoopers CPA	HKD500,000	PricewaterhouseCoopers CPA	HKD450,000
Annual financial reports of overseas subsidiaries	Anyong Partner CPA	S$4,880	Anyong Partner CPA	S$1,000

Note: The aforesaid auditing charges all exclude the business travel expenses during the auditing.

(VII) In May, 2002, the Company accepted the tour inspection of Shenzhen Securities Regulatory Office. ?The Company attached high importance to the inspection and made positive cooperation.

On August 2, 2002, the 14th meeting of the 3rd Board of Directors was held. The directors at the meeting carefully studied the Circular on Shenzhen Nanshan Power Station Co., Ltd. to Make Correction and Improvement within the Designated Term issued by Shenzhen Securities Regulatory Office, reviewed and adopted the Correction and Improvement Report based on the Routine Tour Inspections (the Correction and Improvement Report). The Company made correction and improvement according to the Correction and Improvement Report. The relevant information was disclosed on the designated newspapers dated August 6, 2002 and the website.

(VIII) On November 4, 2002, the Company accepted the inspection for the registered case conducted by CSRC Shenzhen Inspection Bureau. At present, the investigation is still in process and the Company shall timely disclose the investigation result to the investors.

(IX) On December 6, 2002, the 3rd Board of Directors held an extraordinary meeting. The meeting reviewed and adopted the Proposal on Change of Directors according to the Letter on Adjustment of Directors of Shenzhen Nanshan Power Station Co., Ltd., issued by Shenzhen Energy Group Co., Ltd., the Company's shareholder (Documents [2002] No. 117 and [2002] No. 139) which was summarized as follows:

1.Approval of Ms. Law Derong to quit the office of Chairman of the Board;

2.Approval of Ms. Law Derong and Mr. Jian Jiyao to quit the office of directors; approval of Mr. Liu Deyu and Mr. Zhao Xiao to be nominated as the director candidates.

On January 7, 2003, the Company held 2003 1st Extraordinary Shareholders' Meeting where the aforesaid two proposals were examined and adopted.

On January 7, 2003. The 14th meeting of the 3rd Board of Directors elected Mr. Liu Fryu Chairman of the 3rd Board of Directors by voting.

(X) Xindianli Company was elected Enterprise with Up-to-Date Technology confirmed by Shenzhen Municipal Economic and Trade Bureau with the Document [2002] No. 68. Therefore, Xindianli Company may enjoy a series of preferential policies, such as exemption from/reduction of some taxes.

X. Financial Report

The Company's Financial Report has been audited by Guangzhou Yangcheng Certified Public Accountants that produced a standard unqualified Auditor's Report for the Company.

1. Auditors' Report (attached)
2. Financial Statements (attached)
3. Notes to Financial Statements (attached)

XI. Documents Available for Inspection

1. Financial Statements singed by and under seals of the legal representative, chief financial officer and person in charge of accounting department;
2. Original copy of the Auditors' Report under the seal of the accounting firms and signed by and under the seal of certified public accountants.
3. All the originals of the Company's documents and public notices disclosed in the newspapers designated by China Securities Regulatory Commission in the report period.
4. Articles of Association of the Company.
5. Annual Report published on overseas newspaper.
6. Place for inspection: Plan & Operation Department of the Company.

Board of Directors of
Shenzhen Nanshan Power Station Co., Ltd.
April 22, 2003

SHENZHEN NANSHAN POWER STATION CO., LTD.

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2002

SHENZHEN NANSHAN POWER STATION CO., LTD.

REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2002

CONTENTS	PAGES

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

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 on pages 2 to 24 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 31 December 2002 and of its profit and cash flows for the year then ended.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 18 April 2003

SHENZHEN NANSHAN POWER STATION CO., LTD.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 RMB'000	2001 RMB'000
Turnover	3	1,622,904	1,084,094
Other revenues	3	50,883	46,583
		1,673,787	1,130,677
Fuel costs		(753,020)	(530,772)
Staff costs	4	(143,031)	(147,277)
Depreciation of fixed assets		(119,152)	(92,421)
Impairment of fixed assets		(11,320)	-
Amortisation of intangible assets		(8,190)	(8,190)
Operating lease expenses - equipment		(26,198)	(22,692)
Repairs and maintenance		(34,642)	(19,953)
Other operating expenses	5	(52,873)	(23,636)
Operating profit		525,361	285,736
Finance costs	6	(14,347)	(14,435)
Profit before taxation		511,014	271,301
Taxation	7	(51,671)	(42,207)
Profit after taxation		459,343	229,094
Minority interests		(93,701)	(23,507)
Profit attributable to shareholders		365,642	205,587
Dividends	8	230,146	169,869
Earnings per share - basic	9	RMB0.67	RMB0.38

SHENZHEN NANSHAN POWER STATION CO., LTD.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2002

	Note	2002	2001
		RMB'000	RMB'000
Intangible assets	10	14,292	22,482
Fixed assets	11	1,038,912	763,879
Construction in progress	12	54,864	81,314
Interest in an associated company	13	-	-
Investment securities	14	74,285	71,885
Current assets			
Inventories	15	86,909	69,586
Trade receivables		148,368	127,376
Amount due from a related company	16	3,223	-
Other receivables, deposits and prepayments		37,212	107,125
Bank balances and cash	17	570,956	311,027
		846,668	615,114
Current liabilities			
Trade payables		31,975	1,029
Amount due to an associated company	18	2,367	2,060
Amount due to a related company	16	1,148	-
Other payables and accrued charges		197,883	104,587
Taxation payable		40,834	20,958
Bank loans	19	335,000	295,000
		609,207	423,634
Net current assets		237,461	191,480
Total assets less current liabilities		1,419,814	1,131,040
Financed by:			
Share capital	20	547,966	547,966
Reserves	21	429,679	360,945
Retained earnings	22		
Proposed final dividend		230,146	169,869
Others		66,654	592
Shareholders' funds		1,274,445	1,079,372
Minority interests		145,369	51,668
		1,419,814	1,131,040

Director Director

SHENZHEN NANSHAN POWER STATION CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 RMB'000	2001 RMB'000
At 1 January		1,079,372	730,426
Issue of shares		-	172,932
Declaration of dividend	22	(169,869)	(26,374)
Profit for the year		365,642	205,587
Exchange differences	21	1,432	(860)
Utilisation of public welfare fund	21	(2,132)	(2,339)
At 31 December		1,274,445	1,079,372

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002	2001
		RMB'000	RMB'000
Operating activities			
Cash received from customers		1,882,878	1,251,274
Cash paid to suppliers		(845,594)	(630,411)
Cash paid to and on behalf of employees		(103,256)	(146,696)
Other cash received		11,200	27,073
Other cash payments		(150,342)	(83,490)
Net cash inflow generated from operations	23(a)	794,886	417,750
Interest paid		(14,347)	(14,435)
PRC income tax paid		(31,795)	(36,562)
Net cash inflow from operating activities		748,744	366,753
Investing activities			
Purchase of fixed assets and payments for construction in progress		(362,156)	(206,789)
Purchase of investment securities		(2,400)	(17,120)
Purchase of interest in a subsidiary		-	(2,413)
Proceeds from disposals of fixed assets		-	199
Interest received		4,178	5,091
Net cash outflow from investing activities		(360,378)	(221,032)
Net cash inflow before financing		388,366	145,721
Financing activities	23(b)		
Issue of shares		-	172,932
New loans raised		335,000	295,000
Repayment of loans borrowed		(295,000)	(530,000)
Decrease in pledged bank deposits		18,611	14,022
Dividends paid		(169,869)	(26,374)
Net cash outflow from financing		(111,258)	(74,420)
Increase in cash and cash equivalents		277,108	71,301
Cash and cash equivalents at 1 January		292,416	221,975
Effect of foreign exchange rate changes		1,432	(860)
Cash and cash equivalents at 31 December	17	570,956	292,416

NOTES TO THE ACCOUNTS

1 General

Shenzhen Nanshan Power Station Co., Ltd. (the "Company") is a joint stock limited company incorporated in the People's Republic of China (the "PRC"). The Company's A shares and B shares are listed on the Shenzhen Stock Exchange. The Company and its subsidiaries (collectively the "Group") are engaged in the generation of electricity in the PRC.

2 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

These accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants ("HKSA") (collectively "HK GAAP"). This basis of accounting differs in certain respects from that used in the preparation of the PRC statutory accounts. Appropriate restatements have been made to these accounts to conform with HK GAAP. Differences arising from the restatement are not incorporated in the accounting records of the Group.

These accounts have been prepared under the historical cost convention.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAP") issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 33:	Discontinuing operations
SSAP 34 (revised):	Employee benefits

There is no material impact of the adoption of these new and revised SSAPs on the Group.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

2 Principal accounting policies (continued)

(b) Consolidation (continued)

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(c) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(d) Investment securities

Investment securities are stated at cost less any provision for impairment losses. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the consolidated profit and loss account. This impairment loss is written back to the consolidated profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(e) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Land use rights are depreciated on a straight-line basis over the lease period or the remaining licensed operating period of the Company (expire in 2010), whichever is shorter.

2 Principal accounting policies (continued)

(e) Fixed assets (continued)

Generators powered by fuel and applied directly for the production of electricity are included in plant and machinery and depreciated over their estimated useful lives, taking into account the estimated residual value, based on actual production hours over the budgeted total production hours of the assets concerned. Other plant and machinery are depreciated over their estimated useful lives of 10 to 20 years, taking into account the estimated residual value, on a straight-line basis.

Other tangible fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis, taking into account the estimated residual value. The principal annual rates are as follows:

Buildings	4.5%
Motor vehicles, furniture, fixtures and other equipment	9% - 18%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the consolidated profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated profit and loss account.

(f) Construction in progress

Construction in progress represents fixed assets under construction and is stated at cost, which includes the costs of acquisition and construction as well as borrowing costs arising from borrowings used to finance the construction during the construction period.

(g) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and are amortised using the straight-line method over their estimated useful lives.

(h) Impairment

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets, Construction in progress and intangible assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the consolidated profit and loss account.

2 Principal accounting policies (continued)

(i) Inventories

Inventories comprise fuel oil, spare parts and consumables and are stated at the lower of cost and net realisable value.

Cost includes invoiced value plus procurement costs and is assigned to individual items on the weighted average basis.

Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(j) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow becomes probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(k) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or receivable in the foreseeable future.

(l) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the consolidated profit and loss account.

2 Principal accounting policies (continued)

(l) Translation of foreign currencies (continued)

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences, if any, are dealt with as a movement in reserves. Upon disposal of a foreign subsidiary, the related cumulative exchange difference is taken to the consolidated profit and loss account as part of the gain or loss on disposal.

(m) Accounts and other receivables

Provision is made against accounts and other receivables to the extent they are considered to be doubtful. Accounts and other receivables in the consolidated balance sheet are stated net of such provision.

(n) Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdraft.

(o) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company, if any, are charged to the consolidated profit and loss account on a straight-line basis over the lease periods.

(p) Revenue recognition

Revenue from the sale of electricity is recognised when the electricity is transmitted to the supply centre of Shenzhen Municipal Electricity Bureau (“SMEB”).

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Government subsidy is recognised when the right to receive the amount is established.

(q) Employee benefits

Retirement benefits

The Group has to make defined contributions to the staff retirement scheme managed by the local government in accordance with the relevant rules and regulations. Contributions to the retirement benefit scheme are charged to the consolidated profit and loss account as and when incurred.

2 Principal accounting policies (continued)

(q) Employee benefits (continued)

Employee leave entitlements

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Bonus plans

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the consolidated profit and loss account in the year in which they are incurred.

3 Turnover and revenues

The Group is engaged in the generation of electricity. Revenues recognised during the year were as follows:

	2002 RMB'000	2001 RMB'000
Turnover		
Sales of electricity (note (a))	1,622,904	1,084,094
Other revenues		
Government subsidies - tax refunds (note (b))	46,705	31,547
Government subsidies - others (note (c))	-	9,945
Interest income	4,178	5,091
	50,883	46,583
Total revenues	1,673,787	1,130,677

(a) Turnover represents sales of electricity to SMEB at the prices as approved by the Shenzhen Commodity Bureau, less value-added tax.

(b) Pursuant to various circulars issued by the Shenzhen Municipal Administration of State Taxation and local government authorities, the Group received various types of refund on value-added tax paid. Pursuant to the circular "Shenguoshuifa [2002] No.415" issued by the Shenzhen Municipal Administration of State Taxation on 19 December 2002, value-added tax paid by the Group would not be refunded after 1 January 2003.

(c) Pursuant to various circulars issued by Shenzhen Economic and Trade Bureau, the Group was granted subsidies for generation of extra electricity during peak periods in 2001. No such subsidy was received or receivable for the year.

(d) No segmental information is presented in the accounts as the turnover and results of the Group are solely derived from power generation in the PRC.

Staff costs

	2002 RMB'000	2001 RMB'000
Wages and salaries	34,503	19,877
Bonuses - staff (note (a))	99,758	109,734
Performance bonuses - directors, supervisors and senior management	-	4,000
Retirement scheme contributions (note (b))	6,932	6,428
Allowances and others	1,838	7,238
	143,031	147,277

4 Staff costs (continued)

(a) The amounts represented various bonuses paid to staff including incentive amounts paid based on performance. The amount for the previous year included a one-off lump sum payment of RMB53,824,000 based on the expected future growth in sales which was estimated to be brought to the Group as a result of the improvement cost incurred by staff to increase the production capacity of certain existing plant and machinery of the Group.

(b) The Group participates in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. The Group is required to make monthly contributions to the retirement scheme at a rate of 14% (2001: 14%), based on the eligible employees' basic salaries. The local government authorities are responsible for the pension liabilities to retired employees. Forfeited contributions made by the Group on behalf of employees who leave the scheme prior to full vesting of the contributions may not be used to reduce the existing level of contributions.

Other operating expenses

Other operating expenses include the following:

	2002 RMB'000	2001 RMB'000
Write-down of inventories to net realisable value	6,844	-
Recovery of doubtful debts previously written off	145	11,379
Net exchange loss	679	452
Loss on disposal of fixed assets	46	3,650

Finance costs

	2002 RMB'000	2001 RMB'000
Interest on bank loans	16,379	20,416
Less: amount capitalised in construction in progress	(2,032)	(5,981)
	14,347	14,435

The average capitalisation rate applied to funds borrowed generally and used for the development of construction in progress was approximately 5.0% (2001: 5.9%) per annum.

NOTES TO THE ACCOUNTS

Taxation

The amount of taxation charged to the consolidated profit and loss account represents:

	2002	2001
	RMB'000	RMB'000
The Group:		
PRC income tax	51,671	42,193
Overseas income tax	-	14
	51,671	42,207

The companies comprising the Group is subject to income tax rate in their respective jurisdictions. PRC enterprise income tax rate applicable to the Company and the subsidiary, Shenzhen New Power Industrial Co., Ltd. ("SNP"), is 15% which is the preferential income tax rate for enterprises established in the Shenzhen Special Economic Zone.

SNP is a sino-foreign joint venture engaged in power generation business and is entitled to a two years tax exemption followed by three years of 50% tax reduction, commencing from the first profit making year net of losses carried forward. As SNP only commenced operation in August 2001, the company elected 2002 as its first profit making year. Income tax was provided at a rate of 15% for 2001 and no income tax was provided for 2002.

No income tax has been provided in the accounts of the associated company as it has no assessable income for the year.

No provision for deferred taxation has been made in the accounts as the effect of all timing differences is not material to the Group.

Dividends

	2002	2001
	RMB'000	RMB'000
Final, proposed of RMB0.42 (2001: RMB0.31) per ordinary share	230,146	169,869

(a) At a meeting held on 18 April 2003 the directors declared a final dividend of RMB0.42 (2001: RMB0.31) per ordinary share, totalling RMB230,146,000 (2001: RMB169,869,000). This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2003.

Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of RMB365,642,000 (2001: RMB205,587,000) and the number of shares in issue of 547,966,000 (2001: the weighted average number of 545,738,000, taking into account the new and bonus issues made during 2001).

No fully diluted earnings per share amount is presented as the Company has no dilutive potential shares.

Intangible assets

Intangible assets of the Group represent amounts paid to SMEB for the construction of relevant facilities in respect of increase in electricity output by the Group. The amounts are amortised over the useful life of the facilities of 10 years.

	2002 RMB'000	2001 RMB'000
Opening net book amount	22,482	30,672
Amortisation charge for the year	(8,190)	(8,190)
Closing net book amount	14,292	22,482
Cost at end of year	81,900	81,900
Accumulated amortisation at end of year	(67,608)	(59,418)
Net book amount at end of year	14,292	22,482

NOTES TO THE ACCOUNTS

Fixed assets

	Land use rights and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles, furniture, fixtures and other equipment RMB'000	Total RMB'000
Cost				
At 1 January 2002	121,418	1,361,704	47,395	1,530,517
Additions	162	23,043	472	23,677
Transfer from construction in progress (note 12)	6,719	374,377	778	381,874
Disposals	-	-	(461)	(461)
At 31 December 2002	128,299	1,759,124	48,184	1,935,607
Accumulated depreciation and impairment				
At 1 January 2002	41,671	689,714	35,253	766,638
Depreciation charge	6,030	110,503	2,619	119,152
Impairment charge	4,041	7,279	-	11,320
Disposals	-	-	(415)	(415)
At 31 December 2002	51,742	807,496	37,457	896,695
Net book value				
At 31 December 2002	76,557	951,628	10,727	1,038,912
At 31 December 2001	79,747	671,990	12,142	763,879

(a) The land occupied by the Group is located in the PRC and the land use rights are for periods of 20 to 30 years.

Construction in progress

	2002 RMB'000	2001 RMB'000
At 1 January	81,314	273,001
Finance cost capitalised (note 6)	2,032	5,981
Other additions	353,392	182,991
Transfer to fixed assets (note 11)	(381,874)	(380,659)
At 31 December	54,864	81,314

Interest in an associated company

	2002 RMB'000	2001 RMB'000
Share of net assets	-	-

As at 31 December 2002, the Company has 50% (2001: 50%) equity interest in Shenzhen Server Petrochemical Supplying Co., Ltd. ("Shenzhen Server"), a limited company established in the PRC and engaged in the trading of fuel oil. As at 31 December 2002, Shenzhen Server has net liabilities and the Group's share of its net assets was zero (2001: Nil).

Investment securities

	2002 RMB'000	2001 RMB'000
Unlisted investments, at cost	74,285	71,885

As at 31 December 2002, the Company held interests in the following unlisted companies which are companies with limited liability incorporated and operated in the PRC:

Name	Registered and fully paid up capital	Attributable equity interest		Principal Activities
		Held directly	Held indirectly	
Anhui Tongling Shenneng Power Co., Ltd.	RMB 392,634,000	10%	-	Power generation
Shenzhen Energy Environmental Engineering Co., Ltd.	RMB 290,000,000	10%	-	Power generation (Yet to commence operation)
Shenzhen Yueliangwan Renhe Industrial Co., Ltd ("Yueliangwan Renhe")	RMB 12,000,000	-	10%	Management of fuel pipes and trading

Inventories

	2002 RMB'000	2001 RMB'000
Fuel oil	32,289	30,251
Spare parts and consumables	61,464	39,335
	93,753	69,586
Less: provision	(6,844)	-
	86,909	69,586

At 31 December 2002, inventories with cost amounted to RMB6,844,000 (2001: Nil) were carried at zero realisable value.

Amount due from / to a related company

The amount is unsecured, interest free and repayable on demand.

Bank balances and cash

For the purpose of the consolidated cash flow statement, the cash and cash equivalents comprise:

	2002 RMB'000	2001 RMB'000
Bank balances	570,764	310,922
Cash	192	105
	570,956	311,027
Less: pledged bank deposits	-	(18,611)
	570,956	292,416

18 Amount due to an associated company

The amount represents payable for rental of oil tanks. The amount is unsecured, interest free and repayable in accordance with the terms of the rental contracts.

19 Bank loans

All bank loans as at 31 December 2002 and 2001 were unsecured. Of the amount, bank loans of RMB105,000,000 (2001:RMB25,000,000) were supported by a guarantee provided by an unrelated company.

20 Share capital

	2002 RMB'000	2001 RMB'000
Registered, issued and fully paid		
85,538,864 shares held by the State	85,539	85,539
289,015,071 shares held by legal persons	289,015	289,015
64,846,135 PRC listed Renminbi shares ("A shares")	64,846	64,846
108,565,928 PRC listed foreign shares ("B shares")	108,566	108,566
Total	547,966	547,966

Pursuant to the Company's articles of association, all shares are of nominal value of RMB1 each and registered ordinary shares with equal rights.

21 Reserves

	Capital reserve (note (a)) RMB'000	Statutory surplus reserve fund (note (b)) RMB'000	Discretionary surplus reserve fund (note (b)) RMB'000	Public welfare fund (note (c)) RMB'000	Exchange difference reserve RMB'000	Total RMB'000
At 1 January 2001	145,022	69,823	8,344	35,165	-	258,354
Premium on issue of new shares	159,566	-	-	-	-	159,566
Capitalisation of reserve	(89,100)	-	-	-	-	(89,100)
Appropriation from retained earnings	-	23,550	-	11,774	-	35,324
Exchange differences	-	-	-	-	(860)	(860)
Utilisation of public welfare fund	-	-	-	(2,339)	-	(2,339)
At 31 December 2001	215,488	93,373	8,344	44,600	(860)	360,945
At 1 January 2002	215,488	93,373	8,344	44,600	(860)	360,945
Appropriation from retained earnings	-	46,289	-	23,145	-	69,434
Exchange differences	-	-	-	-	1,432	1,432
Transfer of reserve funds	-	-	14,405	(14,405)	-	-
Utilisation of public welfare fund	-	-	-	(2,132)	-	(2,132)
At 31 December 2002	215,488	139,662	22,749	51,208	572	429,679

(a) Capital reserve comprises the difference between the appraised value of the assets and the nominal value of shares issued as a result of the conversion of the Company from a joint venture company to a joint stock limited company, and includes share premiums from the issuance of shares.

21 Reserves (continued)

(b) According to relevant PRC regulations, the Company and its subsidiary established in the PRC should allocate 10% of its profit after taxation to the statutory surplus reserve fund until such reserve reaches 50% of the registered capital. The statutory surplus reserve fund may be applied to make up losses, if any, or to capitalise for share issue purposes but the funds after the issue should amount to not less than 25% of the registered capital.

The discretionary surplus reserve fund can be set up by means of appropriation from the retained earnings or transfer from the public welfare fund. Subject to the approval of shareholders in general meeting, the reserve can be used to make up any losses, to increase share capital or to pay dividends.

(c) The Company and its subsidiary established in the PRC are also required to appropriate a certain percentage (as determined by the directors) of the profit after taxation to the public welfare fund. The use of the public welfare fund is restricted to capital expenditure for staff collective welfare facilities which are owned by the Company and its subsidiary. The public welfare fund is not available for distribution to the shareholders (except upon liquidation of the company). Once the capital expenditure on staff welfare facilities is made, an equivalent amount is transferred from the public welfare fund to the discretionary surplus reserve fund.

Pursuant to a document issued by the Shenzhen government dated 23 June 1997, the Company is allowed to utilise the fund to pay a portion of the contributions to the staff retirement scheme.

22 Retained earnings

	Note	2002 RMB'000	2001 RMB'000
At 1 January		170,461	115,672
Capitalisation of retained earnings		-	(89,100)
Profit for the year		365,642	205,587
Appropriation to reserve funds and public welfare fund		(69,434)	(35,324)
Final dividends paid		(169,869)	(26,374)
At 31 December		296,800	170,461

The retained earnings at year end represent:

		2002 RMB'000	2001 RMB'000
A final dividend proposed after year end	8	230,146	169,869
Others		66,654	592
		296,800	170,461

(a) As at 31 December 2002, the retained earnings of the Group included accumulated losses of RMB26,650,000 (2001: RMB26,650,000) attributable to the associated company.

22 Retained earnings (continued)

(b) Pursuant to relevant PRC regulations, profit available for distribution to shareholders shall be the lower of the accumulated distributable profits determined according to PRC accounting standards and regulations as stated in the PRC statutory accounts and the accumulated distributable profits determined according to HK GAAP.

23 Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2002 RMB'000	2001 RMB'000
Operating profit	525,361	285,736
Depreciation of fixed assets	119,152	92,421
Impairment of fixed assets	11,320	-
Loss on disposal of fixed assets	46	3,650
Amortisation of intangible assets	8,190	8,190
Write-down of inventories to net realisable value	6,844	-
Recovery of doubtful debts previously written off	(145)	(11,379)
Interest income	(4,178)	(5,091)
Operating profit before working capital changes	666,590	373,527
(Increase)/decrease in inventories	(24,167)	24,527
Decrease in amount due from a related company, trade receivables, other receivables, deposits and prepayments	45,843	10,231
Increase in amount due to a related company and associated company, trade payables, other payables and accrued charges	106,620	9,465
Net cash inflow generated from operating activities	794,886	417,750

(b) Analysis of changes in financing during the year

	Share capital and capital reserve	Bank loans	Pledged bank deposits

	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
At 1 January	763,454	501,422	295,000	530,000	18,611	32,633
Issue of shares	-	172,932	-	-	-	-
Capitalisation of retained earnings for bonus issue	-	89,100	-	-	-	-
New loans raised	-	-	335,000	295,000	-	-
Repayment of loans borrowed	-	-	(295,000)	(530,000)	-	-
Bank deposits pledged	-	-	-	-	-	218,260
Pledged bank deposits withdrawn	-	-	-	-	(18,611)	(232,282)
At 31 December	763,454	763,454	335,000	295,000	-	18,611

24 Contingent liabilities

At 31 December 2002, the Group had provided cross-guarantees on bank loans granted to the ultimate holding company for a total amount of RMB80,000,000 (2001: RMB120,000,000) and to an unrelated company of RMBNil (2001: RMB20,000,000).

25 Commitments

(a) Capital commitments

At 31 December 2002, the Group had capital commitments for acquisition and construction of fixed assets as follows:

	2002 RMB'000	2001 RMB'000
Contracted but not provided for	65,549	254,694

(b) Commitments under operating leases

At 31 December 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2002 RMB'000	2001 RMB'000
Not later than one year	6,840	22,600
Later than one year and not later than five years	-	1,400
	6,840	24,000

26 Related party transactions

Significant related party transactions which were carried out in the normal course of business during the year, other than those as disclosed elsewhere in these accounts, are as follows:

	2002 RMB'000	2001 RMB'000
The associated company		
- Shenzhen Server		
Purchase of fuel oil	32,672	46,155
Leasing of fuel oil tankers	26,198	22,692
A company in which the Group has 10% equity interest		
- Yueliangwan Renhe		
Fuel oil transportation fee paid	1,148	-

26 Related party transactions (continued)

	2002 RMB'000	2001 RMB'000
Directors of the Company		
- Remuneration paid		
Independent directors	125	-
Other directors	-	1,051
- Performance bonus paid	-	3,770

27 Subsidiaries

As at 31 December 2002, the Company held interests in the following unlisted subsidiaries all of which are companies with limited liability:

Name	Place of incorporation and operation	Registered and fully paid up capital	Attributable equity interest Held directly	Attributable equity interest Held indirectly	Principal activities
Shennan Energy (Singapore) Pte Ltd.	Singapore	SGD1,500,000	100%	-	Investment holding
Hong Kong Syndisome Co., Limited	Hong Kong	HKD200,000	-	100%	Investment holding
Shenzhen New Power Industrial Co., Ltd. ("SNP") (Note (a))	PRC	RMB57,500,000	26%	25%	Power generation

(a) The minority shareholder of SNP is Shenzhen Jinbiwan Investment Development Company Limited ("Jinbiwan"), a company owned and controlled by certain staff of the Company. During the year, the Company entered into the following material transactions with SNP:

	2002 RMB'000	2001 RMB'000
Purchase of electricity	229,153	71,004
Management fee received	13,260	12,063
Steam fee received	3,030	946

28 Subsequent events

(a) On 18 February 2003, the Company entered into a share transfer agreement with Jinbiwan to acquire the entire 49% equity interest in SNP held by Jinbiwan for a consideration of RMB56,320,000.

(b) Pursuant to a resolution passed on the shareholders' meeting of SNP held on 11 March 2003, Jinbiwan agreed to waive a portion of the dividends receivable from SNP. The amount to be waived by Jinbiwan will be determined by reference to the rates of return on net assets of the Company and SNP and such waived amount will be attributable to the Group.

29 Approval of accounts

The accounts were approved by the board of directors on 18 April 2003.

SHENZHEN NANSHAN POWER STATION CO., LTD.

NOTES TO THE ACCOUNTS

SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2002

The impact of HK GAAP adjustments on the PRC statutory accounts is as follows:-

	Profit after taxation and minority interests for the year ended 31 December 2002	Net assets as at 31 December 2002
	RMB'000	RMB'000
As per PRC statutory accounts	365,784	1,044,299
Impact of HK GAAP adjustments		
- Adjustment to incorporate the share by minority interests of the results and reserves of a subsidiary	(142)	-
- Reversal of dividend declared after the balance sheet date	-	230,146
As restated under HK GAAP	365,642	1,274,445