SHENZHEN NANSHAN POWER STATION CO., LTD.

SUMMARY OF ANNUAL REPORT 2003

§1. Important Notes

1.1 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. The summary of annual report 2003 is abstracted from the annual report; the investors are suggested to read the full text of annual report to understand more details.

1.2 No director stated that they couldn't ensure the correctness, accuracy and completeness of the contents of the Annual Report or had objection for this report.

1.3 Wang Jianbin, Vice Chairman of the Board, Yu Chunling, Director of the Company and Liu Zhanjun, Independent Director of the Company were absent from the Board meeting due to business. Of them, Vice Chairman of the Board Wang Jianbin and Director Yu Chunling respectively authorized Director Zhong Chengli and Chairman of the Board Liu Deyu to attend the Board meeting and voted on his/her behalf; Independent Director Liu Zhanjun authorized Independent Director Huang Sujian to attend the Board meeting and voted on his behalf.

1.4 PricewaterhouseCoopers Certified Public Accountants produced the standard unqualified Auditor's Report for the Company.

1.5 Mr. Liu Deyu, Chairman of the Board, Mr. Zhang Renyi, General Manager, Mr. Lu Xiaoping, CFO and Mr. Chen Xueshun, Director of Financing Dept. guarantee the accuracy and completeness of the financial report enclosed in this annual report.

§2. Company Profile

2.1 Basic information

Short form of the stock	Shen Nan Dian A, Shen Nan Dian B
Stock code	000037, 200037
Listed stock exchange	Shenzhen Stock Exchange
Registered address and Office address	No.18, Yueliangwan Avenue, Nanshan District, Shenzhen
Post code	518054
Internet web site of the Company	Nil
E-mail	public@nspower.com.cn

2.2 Contact person and method

	Secretary of the Board of Directors	**Representative in charge of Securities Affairs**

Name	Fu Bo	Hu Qin
Contact address	No.18, Yueliangwan Avenue, Nanshan District, Shenzhen	No.18, Yueliangwan Avenue, Nanshan District, Shenzhen
Telephone	0755-26053918	0755-26053964
Fax	0755-26053918	0755-26053964
E-mail	fubo@nspower.com.cn	huqin@nspower.com.cn

§3. Summary of Accounting Data and Financial Indexes

3.1 Major accounting data Unit: RMB

	2003	**2002**	**Increase/decrease over last year（%）**	**2001**
Turnover	1,863,937	1,622,904	14.85	1,084,094
Other income	94,556	50,883	85.83	46,583
Profit before tax	546,587	511,014	6.96	271,301
Profit attributable to shareholders	475,995	365,642	60.18	205,587
	At the end of 2003	**At the end of 2002**	**Increase/decrease from the end of previous year（%）**	**At the end of 2001**
Shareholder’s equity	1,519,821	1,274,445	19.25	1,079,372
Net cash inflows arising from operating activities	369,313	746,712	-50.54	366,753

3.2 Difference of net profit as audited by Chinese Accounting Standard (CAS) and International Accounting Standard (IAS)

√Applicable □Inapplicable

Unit: RMB’0000

	CAS	IAS
Net profit	47,111.04	51,608.30

Explanation on the difference	In 2003, the reason of the difference amounting to RMB 4,884,600 between the foreign net profit and domestic consolidated net profit is as follows: 1. The method of accounting disposal for RMB 44,852,700 dividend given up by Jinbiwan Company is different. According to the resolution of the Shareholders' General Meeting of Jinbiwan Company held on Mar. 11, 2003, Proposal on Disposal of Non-distributed Profit of New Electric Power Company examined and approved by the 4th Extraordinary Shareholders' General Meeting held on Apr. 17, 2003 and Resolution on Profit Distribution for 2001 and 2002 of the Shareholders' General Meeting of New Electric Power Company held on June 13, 2003, the shareholder of New Electric Power Company, Jinbiwan Company agreed not to share the bonus distribution of New Electric Power Company as the proportion of equity held by it but calculate and share the investment income in the former half of 2001 and 2002 of New Electric Power Company as income ratio of net assets of 2001 and 2002 of the Company and agreed not to share non-distributed profit in the later half of 2002 of New Electric Power Company, concerning exceeding distributed profit amounting to RMB 44,852,700 calculated as the above method, the Company and its wholly-owned subsidiary, Xingdesheng Company share it according to the corresponding proportion of equity of New Electric Power Company respectively held by them. In the account settled as accounting rule of HK, the Company took net amount amounting to RMB 42,951,100 after deducting enterprise income tax payable totally RMB 1,901,600 from RMB 44,852,700 dividend given up by Jinbiwan Company as Negative Goodwill dividing 15 years into income of each year according to generally accepted accounting principle of HK and the current income transferred-into in this year was RMB 2,863,400 according to generally accepted accounting principle of HK; but in the account settled as Chinese accounting rule, the Company carried forward net amount amounting to RMB 42,951,100 after deducting enterprise income tax payable totally RMB 1,901,600 from RMB 44,852,700 dividend given up by Jinbiwan Company into credit of Capital Public Reserve according to relevant regulation of accounting system. 2. The method of accounting disposal for the difference amounting to RMB 30,330,800 between the investment cost caused by the Company's purchasing 49% equity of New Electric Power Company held by Jinbiwan Company under proportion of shareholder's equity of the invested company the Company should share is different. In the account settled as accounting rule of HK, the Company averagely amortized the credit balance difference of equity investment totally RMB 30,330,800 as Negative Goodwill dividing 15 years into income of each year according to generally accepted accounting principle of HK and the current income transferred-into in this year was RMB 2,022,100; but in the account settled as Chinese accounting rule, the Company transferred the credit difference totally RMB 30,330,800 of equity investment as provision for equity investment into the credit of Capital Public Reserve according to Implementation of Enterprise Accounting System and Answers (II) of Relevant Problems of Related Accounting Rule promulgated by the State Ministry of Finance.

§4. Changes in Share Capital and Particulars about Shareholders

4.1 Statement of change in share capital (Unit: share)

	Before the change	Increase / decrease in this time (+, -)	After the change
I. Unlisted shares			
1. Sponsor's shares	312,853,274	0	312,853,274
Including: State-owned share	85,538,864	0	85,538,864
Domestic legal person's shares	113,783,159	0	113,783,159
Foreign legal person's shares	113,531,251	0	113,531,251
Others		0	0
2. Raised legal person's shares	61,700,661	0	61,700,661
3. Inner employees' shares		0	0
4. Preference shares or others		0	0
Total unlisted shares	374,553,935	0	374,553,935
II. Listed shares			
1. RMB ordinary shares	64,846,135	0	64,846,135
2. Domestically listed foreign shares	108,565,928	0	108,565,928
3. Overseas listed foreign shares		0	0
4. Others		0	0
Total listed shares	173,412,063	0	173,412,063
III. Total shares	547,965,998	0	547,965,998

4.2 Statement of shares held by the top ten shareholders and the top ten shareholders of circulating share

Total number of shareholders at the end of report year			24,667			
Particulars about shares held by the top ten shareholders						
Full name of Shareholders	**Increase / decrease in the report year (share)**	**Holding shares at the year-end (share)**	**Proportion (%)**	**Type of shares (Circulating/Non-circulating)**	**Number of share pledged/ frozen (share)**	**Nature of shareholders (State-owned shareholder/foreign shareholder)**
Shenzhen Guangju Electronic Investment Co., Ltd.	0	125,845,702	22.97	Non-circulating	Unclear	
Hong Kong Nam Hoi (International) Limited	0	83,748,408	15.28	Non-circulating	Unclear	Foreign shareholder
Shenzhen Energy Group Co., Ltd.	0	62,697,297	11.44	Non-circulating	Unclear	
Shenzhen State Power Science and Technology Development Co., Ltd.	0	54,709,180	9.98	Non-circulating	Unclear	
Tengda Property Co., Ltd.	0	47,553,343	8.68	Non-circulating	Unclear	Foreign shareholder
DEUTSCHE BANK AG LONDON	2,939,319	2,939,319	0.54	Circulating	Unclear	
Western Securities Co., Ltd.	2,500,535	2,928,856	0.53	Circulating	Unclear	
SKANDIA GLOBAL FUNDS PLC	2,555,371	2,555,371	0.47	Circulating	Unclear	
Feng He Value Securities Investment Funds	2,403,076	2,403,076	0.44	Circulating	Unclear	

National Combination of 101 Social Insurance Funds	2,183,498	2,183,498	0.40	Circulating	Unclear	
Explanation on associated relationship among the top ten shareholders or consistent action	(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 of Hong Kong Nam Hoi (International) Limited, the Company's No. 2 shareholder as well as the Company's foreign legal person shareholder. (3) Shareholders of No. 6 to No. 10 were social public shareholders. The Company is not aware of their associated relationships or whether belongs to the persons acting in concert regulated by the Management Regulation of Information Disclosure on Change of Shareholding for Listed Companies.					

Particulars about shares held by the top ten shareholders of circulating share		
Full name of Shareholders	**Holding circulating share at the year-end (share)**	**Type (A-share, B-share, H-share or others)**
DEUTSCHE BANK AG LONDON	2,939,319	B
WESTERN SECURITIES CO., LTD.	2,928,856	A
SKANDIA GLOBAL FUNDS PLC	2,555,371	B
FENG HE VALUE SECURITIES INVESTMENT FUNDS	2,403,076	A
NATIONAL COMBINATION OF 101 SOCIAL INSURANCE FUNDS	2,183,498	A
GF SECURITIES CO., LTD.	2,074,695	A
BANK OF COMMUNICATIONS – HAIFUTONG CHOICENESS SECURITIES INVESTMENT FUNDS	2,072,306	A
SHANGHAI (HK) WANGUO SECURITIES	1,759,988	B
VALUE PARTNERS INTELLIGENT FUNDS – CHINESE MAINLAND FOCUS FUND	1,691,842	B
BOHAI SECURITIES CO., LTD.	1,654,568	A
Explanation on associated relationship among the top ten shareholders of circulating share	By the end of the report period, the Company is not aware of their associated relationships among the top ten shareholders of circulating share.	

4.3 Particulars about holding shareholders and actual controller of the Company

4.3.1 Particulars about change in holding shareholders and actual controller of the Company

□Applicable √Inapplicable

4.3.2 Introduction of especial situation for holding shareholder and other actual controller

The Company has no holding shareholder.

§5. Particulars About Directors, Supervisors, Senior Executives

5.1 Particulars about changes in shares held by directors, supervisors and senior executives

Names	Titles	Sex	Age	Office Term	Shares Held at the Year-begin	Shares Held at the Year-End	Reason for change
Liu Deyu	Chairman of the Board	Male	57	Jun. 2003-Jun. 2006	0	0	
Wang Jianbin	Vice Chairman of the Board	Male	40	Jun. 2003-Jun. 2006	0	0	
Cui Jichun	Vice Chairman of the Board	Male	47	Jun. 2003-Jun. 2006	0	0	
Zhang Renyi	Director, GM	Male	43	Jun. 2003-Jun. 2006	0	0	
Yu Chunling	Director	Female	38	Jun. 2003-Jun. 2006	0	0	
Li Li	Director	Male	60	Jun. 2003-Jun. 2006	0	0	
Zhao Xiao	Director	Male	58	Jun. 2003-Jun. 2006	0	0	
Zhong Chengli	Director	Male	56	Jun. 2003-Jun. 2006	0	0	
Sun Yulin	Director	Male	52	Jun. 2003-Jun. 2006	0	0	
Liu Aiqun	Independent Director	Male	49	Jun. 2003-Jun. 2006	0	0	
Huang Sujian	Independent Director	Male	48	Jun. 2003-Jun. 2006	0	0	
Liu Zhanjun	Independent Director	Male	45	Jun. 2003-Jun. 2006	0	0	
Zhou Chengxin	Independent Director	Male	48	Jun. 2003-Jun. 2006	0	0	
Zhu Tianfa	Chairman of the Supervisory Committee	Male	54	Jun. 2003-Jun. 2006	0	0	
Ji Ming	Supervisor	Male	47	Jun. 2003-Jun. 2006	0	0	
He Yingyi	Supervisor	Male	47	Jun. 2003-Jun. 2006	0	0	
Li Yongsheng	Supervisor	Male	31	Jun. 2003-Jun. 2006	0	0	
Zhou Qun	Supervisor	Male	39	Jun. 2003-Jun. 2006	0	0	
Wang Rendong	Employee Supervisor	Male	42	Jun. 2003-Jun. 2006	0	0	
Xu Shichun	Employee	Male	52	Jun. 2003-	0	0	

	Supervisor			Jun. 2006			
Fu Bo	Deputy GM, Secretary of the Board	Male	41	Jun. 2003-Jun. 2006	0	0	
Zhu Wei	Deputy GM	Male	46	Aug. 2003-Jun. 2006	0	0	
Lin Qing	Deputy GM	Female	39	Oct. 2003-Jun. 2006	0	0	
Lu Xiaoping	CFO	Male	41	Aug. 2003-Jun. 2006	0	0	
Sun Shoulin	Chief Engineer	Male	57	Aug. 2003-Jun. 2006	0	0	

5.2 Particulars about directors and supervisors holding the post in Shareholding Company

√Applicable ☐Inapplicable

Name	Name of Shareholding Company	Title in Shareholding Company	Office term	Drawing the payment or allotment from the Company (Yes / No)
Liu Deyu	Shenzhen Energy Group Co., Ltd.	Deputy GM	Since Nov. 1997	No
Wang Jianbin	Shenzhen Guangju Energy Co., Ltd.	Chairman of the Board	Since Feb.1999	No
Cui Jichun	Shenzhen State Power Science and Technology Development Co., Ltd.	Chairman of the Board	Since Jul. 2003	No
Yu Chunling	Shenzhen Energy Group Co., Ltd.	Director of Plan & Development Dept.	Since Apr. 2003	No
Li Li	Tengda Property Co., Ltd.	Chairman of the Board	Since 1992	No
Zhao Xiao	Shenzhen Energy Group Co., Ltd.	Chief Engineer	Since Nov. 2001	No
Zhong Chengli	Shenzhen Guangju Electronic Investment Co., Ltd.	Chairman of the Board	Since Sep. 2000	No
Sun Yulin	Shenzhen State Power Science and Technology Development Co., Ltd.	Deputy GM	Since Dec. 1999	No
Zhu Tianfa	Shenzhen Energy Group Co., Ltd.	Chief Economist	Since Nov. 2001	No
Ji Ming	Shenzhen Guangju Electronic Investment Co., Ltd.	GM	Since Sep. 2000	No
Zhou Qun	Shenzhen Energy Group Co., Ltd.	Assistant GM and concurrently Director of Office	Since Mar. 2003	No
He Yingyi	Shenzhen State Power Science and Technology Development Co., Ltd.	Manager of Market Dept.	Since Apr. 2000	No
Li Yongsheng	Tengda Property Co., Ltd.	Manager	Since 1994	No

5.3 Particulars about the annual remuneration of directors, supervisors and senior executives

Total annual remuneration	RMB 5,400,000
Total annual remuneration of the top three directors drawing the highest payment	RMB 1,150,000
Total annual remuneration of the top three senior executives drawing the highest payment	RMB 2,750,000
Allowance of independent director	RMB 100,000 per person/ year
Other treatment of independent directors	The Company paid the relevant expenses such as traffic, accommodation, investigation and research, investigation and meeting occurred due to work.
Name of directors and supervisors receiving no payment or allowance from the Company	Liu Deyu, Wang Jianbin, Cui Jichun, Yu Chunling, Li Li, Zhong Chengli, Zhao Xiao, Sun Yulin, Zhu Tianfa, Ji Ming, He Yingyi, Zhou Qun and Li Yongsheng
Payment	Number of persons
RMB 950,000 ～ RMB 1,000,000	1
RMB 850,000 ～ RMB 900,000	3
RMB 700,000 ～ RMB 750,000	1
RMB 400,000 ～ RMB 450,000	2
RMB 150,000	1

§6. Report of the Board of Directors

6.1 Discussion and analysis to the whole operation in the report period

In the report period, the rapid development of the economy in Shenzhen also drove the city's electricity load and comsumption to increase dramatically. The city's consumption amount and the highest load of electricy reached 30,771 million KWH and 5.8 million KW respectively, an increase of 20.83% and 24.73% over the previous year respectively; the network electricity of Shenzhen's fuel power plant reached 9,135 million KWH, with an increase of 30.79% over the same period in the previous year. The electricity demand was in bloom, while in Shenzhen even in Guangdong province, the power supply construction lagged and the power network was very weak, resulting in the very tense power supply in Shenzhen in 2003. The objective market environment created favorable opportunity for the operation and development of the Company's main operations.

2003 was the year for the Company to consolidate basic business, develop outwards and create SHENNANDIAN brand. The Company grasped tightly the favorable tendency of power demand's increase in a rapid and sustainable way and acquired good achievements in production and operation of main operations and external investment. In this year the Company actually completed electricity generation amounting to 3,145,251,500 KWH, an increase of 470,902,800 KWH and 17.61% than the corresponding period of last year, an excess of 20.97% than the generation task of 2,600,000,000 KWH prescribed by the Board of Directors in the early period of the year and created the best record since the Company was established. The Company realized income from main operations amounting to RMB 1,863,937,200, an increase of 14.85% than last year, and for the reason of the dramatic rise in fuel price and drop in the electricity price, the profit from main operations was RMB 499,239,900, a decrease of 6.65% than last year; acquired allowance RMB 72,905,700 and realized net profit amounting to RMB 475.9950 million, an increase of 30.18% than last year.

While finishing the indexes of power generation and profit, the technical renovation project of "substituting the big for the small" for the combustion engine invested and constructed by the New Power Company was put into production at the end of September, making the Company's total installed capacity reach 180,000 KW, and the total installed capacity reach to 880,000KW, put across the general contract project of "substituting the big for the small" for the combustion engine of Shenzhen Baochang Power Plant, indicated the start of the Company's business of accepting general contract projects of external combustion engine stations and technical consulting service; Successfully exploitd the investment and operation in Zhongshan power market, strengthened the development of main operations and expanded the operation scale, realized the Company's strategic object of cross-regional development

6.2 Statement of main operations classified according to industries or products

Unit: RMB'0000

Classified according to industries or products	Income from main operations	Cost of main operations	Gross profit ratio (%)	Increase/decrease in income from main operations over the last year (%)	Increase/decrease in cost of main operations over the last year (%)	Increase/decrease in gross profit ratio over the last year (%)
Production and supply of power, steam and hot water	186,393.72	136,343.51	26.85	14.85	25.48	-6.20
Including: related transactions	0.00	0.00	-	0.00	0.00	0.00
Electric power	186,393.72	136,343.51	26.85	14.85	25.48	-6.20
Including: related transactions	0.00	0.00	-	0.00	0.00	0.00
Pricing rules for related transactions	Naught					
Necessity and durative of related transactions	Naught					

6.3 Particulars about main operations classified according to areas

Unit: RMB'0000

Areas	Income from main operations	Increase/decrease in income from main operations over the last year (%)
Shenzhen, Guangdong	186,393.72	14.85

6.4 Particulars about the customers of purchase and sales

Unit: RMB'0000

Total amount of purchase of the top five suppliers	100,267.53	Proportion in the total amount of purchase	89.00%
Total amount of sales of the top five sales customers	213,706.97	Proportion in the total amount of sales	100.00%

6.5 Operation of share-holding companies (applicable to the situation where investment equity takes over 10% of its net profit)

☐Applicable √Inapplicable

6.6 Explanation on reasons of material changes in main operations and its structure

☐Applicable √Inapplicable

6.7 Explanation on reasons of material changes in profitability capability of main operations (gross profit ratio) than that in the last year

☐Applicable √Inapplicable

6.8 Analysis to reasons of material changes in operating results and profit structure compared with the previous year

☐Applicable √Inapplicable

Analysis to reasons of material changes in the whole financial position than that in the last year

√Applicable ☐Inapplicable

Unit: RMB'000

	In 2003(the year)	In 2002(the last year)	Increase/decrease in amount of the year over the last year (%)
Shareholders' equity	1,519,821	1,274,445	19.25
Profits attributable to shareholders	475,995	365,642	30.18
Net increase in cash and cash equivalents	(76,838)	277,108	-127.73

Reasons of increase/decrease:

1.The increase of total assets is mainly because of the increase of profits attributable to shareholders and the capital public reserve.

2.Profits attributable to shareholders mainly are allowance income, increase of minority shareholders' abandonment of dividends and the decrease of the minority shareholders' equity.

3.Net decrease in cash and cash equivalents is mainly because of the rise in international fuel price and drop in power price, resulting into the decrease in the net cash flow.

6.9 Explanation on the past, current and future important effects of the material changes in production and operation environment, macro-policies and regulations on the Company's financial position and operating results

√Applicable ☐Inapplicable

√Applicable ☐Inapplicable

1. Rising demand for power

In 2004, the demand for power in the whole country will keep rising rapidly and the general power supply situation will be more austere than last year. In Guangdong province, the shortage of power supply will be changed from seasonal to all-year, the gap of the power supply in the whole province will exceed 2 million KW. As the district with the most austere power supply in Guangdong, Shenzhen's highest power load is forecasted to reach to 6.8 million KW, net increase of 1 million KW compared to last year. Ended the end of Jan. of 2004, the highest power load of Shenzhen power network has reached to 4.681 million, an increase of 26.82% than the corresponding period of last year.

2. Drop in the price of power

According to the Notice on Adjusting the Network Power Price of the Gas Turbine Power Generation Enterprise of Guangdong Price Bureau, from Jul.1, 2003, the Company's network power price will be adjusted form RMB 0.75/KWH to RMB 0.72/KWH, and thus decrease the income from main operations amounting to RMB 44.175 million.

3. Rise in the price of fuel

In 2003, due to the persistent high price in the international oil market, the cost of the fuel needed for power generation increased 17% than the corresponding period of the last year, and added to the Company's power production cost.

6.10 Completion of the profit estimation

☐Applicable √Inapplicable

6.11 Completion of the business plan

☐Applicable √Inapplicable

6.12 Application of the raised proceeds

☐Applicable √Inapplicable

Particulars about the changed projects

☐Applicable √Inapplicable

6.13 Application of the proceeds not raised through shares offering (For details, please refer to 7.1 in this report)

√Applicable ☐Inapplicable

Unit: RMB'0000

Name of projects	Amount of projects	Progress of projects	Earnings of projects
SHENNANDIAN (Zhongshan) Power Co., Ltd.	120,000.00	18.17%	Naught
Total	120,000.00	-	-

6.14 Explanation of the Board of Directors on the "Qualified Opinion" made by the Certified Public Accountants

☐Applicable √Inapplicable

6.15 Business plan as of the next year of the Board of Directors (If it has)

√Applicable ☐Inapplicable

1.At the beginning of the year, the Company invested over RMB 60 million to overhaul the main power generating sets and accessorial sets, ensure the completion rate and contribution rate, actively strive for generation amount, fuithest satisfy the requirment of power attemper during the summer power consuming peak, try to complete the annual power generation plan amountting to 3400 million KWH and the profit index excessly and ahead of time. 2.Nearly track the price trend of international fuel price, rationally arrange the fuel purchase plan in the whole year, hunter for the new purchase channel of oil variety and spare parts. Elevate the management of planned purchase and stored material, on the premise of guaranteeing production and supply, try hard to cut down purchase cost. 3.Pay more emphasis on the progress of the project construction of the technical renovation project of "substituting the big for the small" for the combustion engine invested by SHENNANDIAN (Zhongshan) Company, try to put the first combustion engine single circulation sets into production for power generation in June of 2004, and the rest sets will all be constructed and put into production in te 4th quarter of 2004. Make the successful exploitation of Zhongshan power market as the breakthrough, grasp the opportunity of the serious power shortage in Zhongshan, actively apply to invest gas-steam combined circulation power generation sets (2*180,000KW) and quicken the pace of the cross-region development of the Company's main operations. 4.Organized to hold the Seminar on Strategy of the Adaptation of the Combustion Engine Sets to the Power Market Development and Nationalization Experience of 9E type Combustion Engine Combined Circulation System, through cooperating with the international suppliers of combustion engine and national supplier of combined circulation suited instruments, actively expliot the method of cooperating with the national research academies and institutions and well known enterprises in this industry, synthetize the resourses of all fields of combustion engine and combined circulation suited instruments as design, production and maintenance, try to sythetize the advantagies and transfer to actual ability for profits and strengthen the Company's competition status in the industry. 5.Activly explore the method of capital operation and assets operation, actively participate in the oversea promotion acivity of B share, expand the influence of the Company on national and international capital market. Make full use of the resources of the listed company and exert its financing advantage, raise money for the Company's development. 6.In the first part of the year, the Company has finished the purchase of 75% of Zhongshan Power Plant to which Power Development Company blonged and Zhongshan Zhongfa Power Co., Ltd. and their power generation assets, wholly took over the company's production, operation and management. The Company invested RMB 50 million to implement the technique innovation project of residual heat utilization, newly added four residual heat power generation(4*3000KW), elevate the contribution of sets and cut down power generation cost. 7.Quicken the establishment of SHENNANDIAN Combustion Engine Engineering and Technique Co.,Ltd., actively exploit contracting combustion engine station project,

technical service business, roundly exporting the Company's advanced management and technique, elevating the brand of SHENNANDIAN and make it a new profit growth point.
8.According to the construction progress of Shenzhen LNG project, strengthen the communication with Shenzhen government, bring the project of Nanshan Power Plant's change to burn natural gas into the whole layout of of Shenzhen LNG project, try to be the first group of users of Shenzhen LNG project and create conditions for the Company's sustained developmetn.
9.Continue to seek effective method of activating the #21, #22, #23 gas wheel power generation assets of Nanshan Power Plant, try to complete the transfer and removal of the three sets. Actively apply to invest and establish a gas-steam combined circulation power generation sets with 180000KW on the original location, and form sets of Combined Supply of Heat and Power with the gas-steam combined circulation power generation sets which has been established by New Power Company, to satisfy the demands for heat supply n the area of Shenzhen Nanyou district.
10.Press on with the drawback procedure of value added tax on national instruments of technique innovation of "substituting the big for the small" and favourable tax procedure on the project of sythetically utilizing resources.
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.

Profit estimation of the next year (If it has)
□Applicable √Inapplicable

6.16 The preplan on the profit distribution and capitalization of capital public reserve of the Board of Directors

Audited by Guangzhou Yangcheng CPAs Co., Ltd. according to the Independent Auditing Standards for Chinese Certified Public Accountants, the net profit realized by the parent company in 2003 was RMB 482,619,712.84. After the statutory public reserve was provided based on 10% of the net profit amounting to RMB 48,261,971.29, and the public welfare fund was provided based on 5% of the net profit amounting to RMB 24,130,985.64 in accordance with the relevant provisions of the Articles of Association, the balance was RMB 410,226,755.91. Plus the undistributed profit carried down from 2002 amounting to RMB 322,506,828.13, subtract the cash dividends distributed last year amounting to RMB 230,145,719.16, the total profit available for distribution to the shareholders in 2003 was RMB 502,587,864.88. After the consolidation, the net profit of the Company in 2003 was RMB 471,110,360.33. After provision of the statutory public reserve amounting to RMB 48,261,971.29 and public welfare fund amounting to RMB 24,130,985.64, and deduction of statutory public reserve and public welfare fund provided by the consolidated subsidiaries in 2003 amounting to RMB 14,614,328.98, the balance was RMB 384,103,074.42. Plus the undistributed profit carried down from 2002 amounting to RMB 296,799,472.19, subtract the cash dividends distributed last year amounting to RMB 230,145,719.16, the profit available for distribution to the shareholders after consolidation in 2003 was RMB 450,756,827.45.

Audited by PricewaterhouseCoopers Certified Public Accountants, the net profit realized in 2003 based on the calculation according to Hong Kong Accounting Standards was RMB 475,995,000. Less the statutory public reserve provided based on 10% of the net profit amounting to RMB 48,262,000 and public reserve provided based on 5% of the net profit amounting to RMB 24,131,000 according to the regulations of the People's Republic of China, plus the undistributed profit carried down from the previous year amounting to RMB 296,800,000 and less the difference arising from the consolidation of the subsidiaries amounting to RMB 14,614,000 and the conversion into capital public reserve amounting to RMB 4,885,000, subtract the cash dividends distributed last year amounting to RMB 230,146,000, the profit available for distribution to the shareholders in 2003 was RMB 450,757,000.

Based on the above calculation result, the profit available for distribution to the shareholders after the domestic consolidation in 2003 was RMB 450,756,827.45, and the domestic parent company's profit available for distribution to the shareholders was RMB 502,587,864.88; the profit available distribution to the shareholders outside the People's Republic of China was RMB 450,757,000. 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 2003, namely RMB 450,756,827.45.
The preplan on profit distribution in 2003 is: allotting cash to all shareholders (total share capital is 547,965,998 shares) at the rate of RMB 4.68 (tax included) for every 10 shares and the balance is carried forward to the next year.
The Company shall not convert capital reserve into share capital in the year.
The above proposal is subject to Shareholders' General Meeting 2003 for review and approval before implementation.

§ 7. Significant Events

7.1 Purchase of assets
☐Applicable √Inapplicable

7.2 Sales of assets
☐Applicable √Inapplicable

7.3 Significant guarantees
√Applicable ☐Inapplicable

Unit: RMB'0000

Name of guaranteed objects	Date of happening (date of agreement signing)	Amount of guarantees	Type of guarantees	Term of guarantees	Complete Implementation or not	Guarantee for related parties or not (yes or no)
Shenzhen New Power Industrial Co., Ltd.	Oct. 30, 2002	2,550.00	Ordinary guarantee	Oct. 30, 2002 – Oct. 30, 2004	No	Yes
SHENNANDIAN (Zhongshan) Power Co., Ltd.	Dec. 31, 2003	20,000.00	Ordinary guarantee	Dec. 30, 2003 – Dec. 31, 2006	No	Yes
Total amount of guarantee			15,550.00			
Total balance of guarantee			15,550.00			
Including: total balance of related guarantees			15,550.00			
Total guarantees provided by the listed company for controlling subsidiaries			15,550.00			
Total illegal guarantees			0.00			
Proportion of total guarantees in net assets of the Company			9.79			

7.4 Current related credits and liabilities

√Applicable ☐Inapplicable

Unit: RMB'0000

Related parties	Providing capital to related parties		Providing capital to the listed company by related parties	
	Amount	Balance	Amount	Balance
Shenzhen Xiefu Power Supply Co., Ltd.	-13.03	0.97	-81.02	3,070.53
Shenzhen Moon Bay Renhe Industrial Co., Ltd.	0.00	0.00	-97.77	17.01
Shenzhen Energy Group Co., Ltd.	0.00	0.00	0.00	55.33
Total	-13.03	0.97	-178.79	3,142.87

7.5 Entrusted assets management

☐Applicable √Inapplicable

7.6 Implementation of commitments

√Applicable ☐Inapplicable

1. The Company has released profit distribution policy in Annual Report 2002 and has implemented the said commitment. For details in profit distribution preplan 2003, please see "Preplan on profit distribution and converting capital reserve into share

capital in the year".

2. In the report period, the Company's shareholders holding over 5% shares and related parties did not owe payments of the Company and there was also no other commitment.

7.7 Significant lawsuits and arbitrations

□Applicable √Inapplicable

7.8 Particulars about duties performance of Independent Directors

In the report period, after elected and passed by the 6th Provisional Shareholders' General Meeting 2003, the Company has engaged four independent directors, which made the Company's number of independent directors reach the requirements of CSRC. The new independent directors actively participated into the training of independent directors, studied such relevant regulations as Company Law and the Articles of Association, deeply learned about the duty standard and responsibility of independent directors, actively took part in the Board meetings and seriously considered all proposals. Besides, making use of their professional knowledge and work experience, they took part in the significant decision-making of the Company, expressed opinions independently on the related transactions of the Company in compliance with relevant provisions and exerted the functions as independent directors.

§8. Report of the Supervisory Committee

(I) Meetings in the Report Year

In the report period, the Supervisory Committee held 12 meetings and attended all board meetings as non-voting delegates. The meetings are summarized as follows:

1.The 15th meeting of the 3rd Supervisory Committee was held on Jan.7, 2003 that examined and approved Proposal on Making General Contract with New Power Company on the Construction of its Technique Innovation Project of "substituting the big for the small", Proposal on Submitting for Examination and Approval the Mandatory Operation Contract of the assets of the Gas-Steam Combined Circulation Residual Heat Power Generation, and the procedure arragement of the 2nd Provisional Shareholders' General Meeting of 2003.

2.The 16th meeting of the 3rd Supervisory Committee was held on Feb.18, 2003. In order to regulate the Company's operation and protect all shareholder's interest of the Company, the meeting examined and approved Proposal on Assigning 49% Equity of Shenzhen New Power Co., Ltd. and the procedure arragement of the 3rd Provisional Shareholders' General Meeting of 2003.

3.The 17th meeting of the 3rd Supervisory Committee was held on Mar.13, 2003 which examined and approved Disposal Plan on the Undistributed Profit of New Power Company, Proposal on Generally Contracting with Baochang Power Plant on the Construction of Technique Innovation Project of "substituting the big for the small",and Proposal on holding the 4th Provisional Shareholders' General Meeting of 2003.

4.The 18th meeting of the 3rd Supervisory Committee was held on Apr.18, 2003 which examined and approved Business and Work Report of the General Manager 2002, Financial Settlement Report 2002, Report on Providing Reserve for Devaluation of Various Assets and Canceling the Assets through Verification 2002, Profit Distribution and Converting the Capital Public Reserve into Share Capital 2002, Annual Report and the Summary 2002; Auditors' Report 2002 (both Oversea and Domestic Versions); Work Report of the Supervisory Committee 2002; Report on Plan for Production, Operation and Management Work in 2003.

5.The 19th meeting of the 3rd Supervisory Committee was held on Apr. 25, 2003 that examined and approved the 1st Quarterly Production, Business and Management Report 2003, the 1st Quarterly Report 2003, Report on Investing and Constructing the Technique Innovation Project of "substituting the big for the small" Gas-Steam Combined Circulation Residual Heat Engineering of New Power Company, Explanation on the Use Status of the Proceeds Previously Raised and Proposal on Holding the 5th Provisional Shareholders' General Meeting of 2003.

6.The 20th meeting of the 3rd Supervisory Committee was held on May 13, 2003 that examined and approved Proposal on Changing Office of Supervisory Committee, Proposal on Consigning Special Auditing of Shenzhen Energy Group Co., Ltd. and Proposal on holding the 6th Provisional Shareholders' General Meeting of 2003.

7.The 1st meeting of the 4th Supervisory Committee was held on Jun. 17, 2003 that conformably elected Mr. Zhu Tianfa as the Chairman of the Supervisory Committee of the Company, and seven members as Zhu Tianfa, Ji Ming, He Yingyi, Zhou Qun, Li Yongsheng, Wang Rendong and Xu Shichun etc. formed the 4th Supervisory Committee.

8.The 2nd meeting of the 4th Supervisory Committee was held on Aug.6, 2003, which examined and approved Report on Purchasing Zhongshan Power Development Company's Subsidiary Fuel Power Plant and Report on Jointly Constructing Technical Renovation Project of "Substituting the big for the small" for the Combustion Engine with Xingdesheng Co., Ltd. and Zhongshan Power Development Company.

9.The 3rd meeting of the 4th Supervisory Committee was held on Aug.17, 2003. The meeting examined and approved Report on the Company's Production, Operation and Management on the First Half Year of 2003, Proposal on Interim Profit Settlement 2003, Interim Auditors' Report of Guangzhou Yangcheng CPAs Co., Ltd. 2003, Interim Report 2003 (both Oversea and Domestic Versions).

10.The 4th meeting of the 4th Supervisory Committee was held on Sept. 29, 2003. The meeting examined and approved Proposal on Investing and Constructing Zhongshan Nanlang Combustion Engine Power Station, Proposal on Investing and establishing SHENNANDIAN (Zhongshan) Power Co., Ltd., Proposal on Report on Adjusting the Company's Organization Structure and Management Mode, Proposal on Operating Related Transactions between the Company and Shenzhen Xiefu Oil Supply Co., Ltd., Proposal on Amending the Articles of Association of the Company, Proposal on Holding the 7th Provisional Shareholders' General Meeting 2003, and examined Report on Progress of Buying Fuel Power Plant, the subsidiary of Zhongshan Power

Development Co., Ltd..
11.The 5th meeting of the 4th Supervisory Committee was held on Oct.17, 2003. The meeting examined and approved Report on the Company's Production, Operation and Management in the 3rd Quarter of 2003, the 3rd Quarterly Profit Settlement Project 2003, the 3rd Quarterly Report 2003 (both Oversea and Domestic Versions).
12.The 6th meeting of the 4th Supervisory Committee was held on Dec.19, 2003. The meeting listened to the Company's Power Generation Instruments Overhaul Report 2004 and considered and passed Proposal on Self-inspection and Rectification Report on the Company's Normative Operation in 2003 and Proposal on the Contract of Assets Trusteeship of New Power Company's Power Generation Sets. At the same time the meeting discussed Report on Implementing the Smoke Sulfur-off Technique Innovation of 7# Set and the meeting also studied Shenzhen Securities Regulation Office's report on Elevating Level of Administration Regulation, Promote the Development of Listed Companies.

(II) The Supervisory Committee's independent opinions on the following events
1. The Company's operation according to laws
In 2003, the members in the Supervisory Committee attended all meetings of the Board of Directors as nonvoting delegates and supervised on all decisions, material operations and investments submitted to the Board of Directors for research. The Supervisory Committee considered that the Company could develop all productive and operative business according to the State and local laws and regulations and the Articles of Association in 2003, not disobeying any law and regulation, which should be fully affirmed. In the report period, there was still no final conclusion in the registered check from CSRC Shenzhen Inspection Bureau. The Company actively cooperated, seriously conduced self-examination and self-correction and fully checked the problems left in the history and in the aspects of normative operation. It put forward rectification measures and projects and formed rectification report, in which each item should be implemented in rectification within a limited period. The Company committed to stick to operation according to laws and normative operation based on the principle of safeguarding the interests of the Company and its shareholders in the future.

2. Inspecting the Company's finance
In 2003, the Company further enlarged the capital management and cost control. Through rigorous and effective internal management measures, the Company's productive and operative cost was controlled in an effective way, which made the benefits increase and created good returns for the shareholders.
The Supervisory Committee considered that the Company could strictly implement the relevant financial and tax policies of the State, attach importance to the financial management and exert the supervision and control function of finance. It agreed the unqualified auditors' report on the Company's accounting statements' complying with the provisions in Accounting Standards for Business Enterprises and Accounting System for Business Enterprises released by the State and on reflecting the

Company's financial position ended Dec. 31, 2003 and its operating results and cash flows for the year then ended in all material aspects presented by Guangzhou Yangcheng CPAs Co., Ltd. and PricewaterhouseCoopers Certified Public Accountants respectively for the Company.

3. Use of the raised proceeds

The actual projects and the committed projects invested with the Company's latest proceeds raised through pubic offer were accordant.

4. Acquisition and sales of assets

The Company had no acquisition or sales of assets in the report period.

5. Related transactions

The Supervisory Committee considered the principle of fair transaction in the market was taken into account in the Company's related transactions in the report period and their transaction prices were confirmed according to the market price of the products in the same type. After considered and passed by the Board of Directors and Shareholders' General Meeting of the Company, the transaction price was fair and reasonable.

§9. Financial Report

9.1 Auditing opinions

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 2003 and of its profit and cash flows for the year then ended.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 14 March 2004

9.2 Financial statement

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003	2002
		RMB'000	RMB'000
Turnover	3	1,863,937	1,622,904
Other revenues	3	94,556	50,883
		1,958,493	1,673,787
Fuel costs		(1,023,375)	(753,020)
Staff costs	4	(85,859)	(143,031)
Depreciation of fixed assets		(137,831)	(119,152)
Impairment of fixed assets		-	(11,320)
Amortisation of intangible assets		(2,055)	(8,190)
Operating lease expenses - equipment		(30,375)	(26,198)
Repairs and maintenance expenses		(59,291)	(34,642)
Other operating expenses	5	(62,190)	(52,873)
Operating profit		557,517	525,361
Finance costs	6	(12,367)	(14,347)
Share of profit of associated companies		1,437	-
Profit before taxation		546,587	511,014
Taxation	7	(70,592)	(51,671)
Profit after taxation		475,995	459,343

Minority interests		-	(93,701)
Profit attributable to shareholders		475,995	365,642
Dividends	8	256,448	230,146
Earnings per share - basic	9	RMB0.87	RMB0.67

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2003

	Note	2003 RMB'000	2002 RMB'000
Intangible assets	11	(61,045)	14,292
Fixed assets	12	1,314,880	1,038,912
Construction in progress	13	231,976	54,864
Interest in associated companies	14	3,622	-
Investment securities	15	71,885	74,285
Current assets			
Inventories	16	150,316	86,909
Trade receivables		216,190	148,368
Amount due from a minority shareholder	19	23,530	-
Amount due from a related company		-	3,223
Other receivables, deposits and prepayments		58,042	37,212
Bank balances and cash	17	494,178	570,956
		942,256	846,668
Current liabilities			
Trade payables		5,476	31,975
Amounts due to associated companies	18	3,238	2,367
Amount due to a related company	20	13,865	1,148
Other payables and accrued charges		140,348	197,883
Taxation payable		48,657	40,834
Bank loans, unsecured	21	622,329	335,000
		833,913	609,207
Net current assets		108,343	237,461
Total assets less current liabilities		1,669,661	1,419,814
Financed by:			
Share capital	22	547,966	547,966
Reserves	23	521,098	429,679

Retained earnings	24		
Proposed final dividend		256,448	230,146
Others		194,309	66,654
Shareholders' funds		1,519,821	1,274,445
Minority interests		19,840	145,369
Bank loans, unsecured	21	130,000	-
		1,669,661	1,419,814

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 RMB'000	2002 RMB'000
Total equity as at 1 January		1,274,445	1,079,372
Declaration of dividend	24	(230,146)	(169,869)
Profit for the year		475,995	365,642
Exchange differences	23	60	1,432
Utilisation of public welfare fund	23	(533)	(2,132)
Total equity as at 31 December		1,519,821	1,274,445

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 RMB'000	2002 RMB'000
Operating activities			
Cash received from customers		2,137,328	1,882,878
Cash paid to suppliers		(1,269,047)	(845,594)
Cash paid to and on behalf of employees		(104,481)	(103,256)
Other cash received		15,750	11,200
Other cash payments		(327,847)	(150,342)
Net cash inflow generated from operations	25(a)	451,703	794,886
Interest paid		(17,934)	(16,379)
PRC income tax paid		(64,456)	(31,795)
Net cash inflow from operating activities		369,313	746,712
Investing activities			
Purchase of fixed assets and payments for construction in progress		(582,762)	(360,124)

Purchase of investment securities		-	(2,400)
Purchase of interest in a subsidiary from minority shareholder		(56,320)	-
Dividend received from investment securities		867	-
Interest received		5,033	4,178
Loan to a minority shareholder		(20,000)	-
Net cash outflow from investing activities		(653,182)	(358,346)
Net cash (outflow)/inflow before financing		(283,869)	388,366
Financing activities	25(b)		
New loans raised		752,329	335,000
Repayment of loans borrowed		(335,000)	(295,000)
Decrease in pledged bank deposits		-	18,611
Capital contribution from minority shareholder of a subsidiary		19,840	-
Dividends paid		(230,138)	(169,869)
Net cash inflow/(outflow) from financing		207,031	(111,258)
(Decrease)/increase in cash and cash equivalents		(76,838)	277,108
Cash and cash equivalents at 1 January		570,956	292,416
Effect of foreign exchange rate changes		60	1,432
Cash and cash equivalents at 31 December	17	494,178	570,956

9.3 Compared with the latest annual report, changes in accounting policy, accounting estimate and calculation method with reasons as follows:

1. There was no change in accounting policy.
2. There was no change in accounting estimate.
3. Detailed explanations on changes in calculation method

The accounting disposal of the Company's income tax was adopted payable tax method originally. From Jan. 1, 2003, the accounting policy that the Company originally adopted payable tax method to calculate corporate income tax was changed into adopting tax influence accounting method to calculate corporate income tax. After checking, the accumulative amount arising from the said changes in accounting policy was RMB 0.00 and its influence on the current was RMB 0.00.

9.4 Compared with the latest annual report, the consolidated scope changes with reasons as follows:

On Dec. 12, 2003, after approved by Zhongshan Foreign Trade and Economic Cooperation Bureau with ZWJMZZ [2003] No. 968 document, SHENNANDIAN jointly invested and established SHENNANDIAN (Zhongshan) Power Co., Ltd. (hereinafter referred to as SHENNANDIAN (Zhongshan) with Xingdesheng Company and Zhongshan Power Development Company. Its corporate business license registration number was: QHYZZZ No. 003422 and its registered capital was RMB 99.20 million, of which the Company held its 55% equity, Xingdesheng Company and Zhongshan Power Development Company held 25% and 20% of its equity respectively. Since Xingdesheng Company's 100% equity was indirectly held by the Company, the Company totally held 80% equity of SHENNANDIAN (Zhongshan). Thus, the said subsidiary was listed into the consolidated scope in the report period.

Board of Directors of

Shenzhen Nanshan Power Station Co., Ltd.

Mar. 17, 2004