SHENZHEN NANSHAN POWER STATION CO., LTD.

REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2003

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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

SHENZHEN NANSHAN POWER STATION CO., LTD.

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

	Note	2003 RMB'000	2002 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

SHENZHEN NANSHAN POWER STATION CO., LTD.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2003

	Note	2003	2002
		RMB'000	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

Director

Director

SHENZHEN NANSHAN POWER STATION CO., LTD.

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

SHENZHEN NANSHAN POWER STATION CO., LTD.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003	2002
		RMB'000	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

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 principally 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 ("SSAP") issued by the Hong Kong Society of Accountants (the "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 SSAP 35 "Government Grants and Disclosure of Government Assistance" and SSAP 12 "Income Taxes" issued by the HKSA which are effective for accounting periods commencing on or after 1 July 2002 and 1 January 2003, respectively. There is no material impact of adopting these 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.

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

2 Principal accounting policies (continued)

(b) Consolidation (continued)

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 together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account and any related accumulated foreign currency translation reserve.

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.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(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 concerned, whichever is shorter.

2 Principal accounting policies (continued)

(e) Fixed assets and depreciation (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

(i) Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's share of the net assets of the subsidiary acquired at the date of acquisition over the cost of acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the consolidated profit and loss account immediately.

2 Principal accounting policies (continued)

(g) Intangible assets (continued)

(ii) Other intangible assets

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

(h) Impairment of long-lived assets

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.

(i) Inventories

Inventories comprise fuel oil, spare parts and consumables and are stated at the lower of cost and net realisable value after provision for obsolete items, and are expensed to fuel costs or repairs and maintenance when used, or capitalised to fixed assets when installed, as appropriate.

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

(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.

2 Principal accounting policies (continued)

(k) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse 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.

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 are dealt with as a movement in reserves.

(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.

2 Principal accounting policies (continued)

(p) Revenue recognition

Revenue from the sale of electricity is recognised when the electricity is transmitted to the supply centre of Guangdong Guang-dian Power Grid Group Co., Ltd. Shenzhen Power Supply Branch ("SPSB") which was formerly known as 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.

Dividend income is recognised when the right to receive payment is established.

Consultancy fee income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

(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.

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.

NOTES TO THE ACCOUNTS

2 Principal accounting policies (continued)

(s) Government grants

A government grant is recognised, when there is a reasonable assurance that the Group will comply with the conditions attaching with it and that the grant will be received.

Grants relating to income are deferred and recognised in the profit and loss account over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of fixed assets are included in non-current liabilities as deferred income and are credited to the profit and loss account on a straight-line basis over the expected lives of the related assets.

3 Turnover and revenues

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

	2003 RMB'000	2002 RMB'000
Turnover		
Sales of electricity (note (a))	1,863,937	1,622,904
Other revenues		
Government grants - tax refunds (note (b))	72,906	46,705
Consultancy fee income	15,750	-
Interest income	5,033	4,178
Dividend income	867	-
	94,556	50,883
Total revenues	1,958,493	1,673,787

(a) Turnover represents sales of electricity to SPSB 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 a refund on value-added tax paid. The refund is recognised upon assessment and approval by the relevant authorities. 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 after 1 January 2003 would not be refunded.

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

4 Staff costs

	2003 RMB'000	2002 RMB'000
Wages and salaries	30,701	34,503
Bonuses	77,621	99,758
Retirement scheme contributions (note (a))	3,829	6,932
Allowances and others	1,660	1,838
Bonuses refunded (note (b))	(27,952)	-
	85,859	143,031

(a) 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% (2002: 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.

(b) In previous years the Group made bonus payments to staff based on the current and expected future growth in sales which was estimated to be brought to the Group as a result of the cost incurred by staff to increase the production capacity of certain existing plant and machinery of the Group. According to the resolutions of Shenzhen Discipline Investigation Committee passed during the year, directors and management staff of the Group are required to return all or part of the bonuses received.

5 Other operating expenses

Other operating expenses include the following:

	2003 RMB'000	2002 RMB'000
Write-down of inventories to net realisable value	-	6,844
Provision for/(recovery of) doubtful debts	157	(145)
Net exchange loss	706	679
Loss on disposal of fixed assets	198	46

6 Finance costs

	2003 RMB'000	2002 RMB'000
Interest on bank loans	17,934	16,379
Less: amount capitalised in construction in progress	(5,567)	(2,032)
	12,367	14,347

The average capitalisation rate applied to funds borrowed generally and used for the development of construction in progress was 3.5% (2002: 5.0%) per annum.

7 Taxation

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

	2003 RMB'000	2002 RMB'000
PRC income tax:		
The Group	70,377	51,671
The associated companies	215	-
	70,592	51,671

(a) The companies comprising the Group and the associated companies are subject to income tax rate in their respective jurisdictions. The PRC enterprise income tax rate applicable to those companies incorporated in the PRC is 15% which is the preferential income tax rate for enterprises established in the Shenzhen Special Economic Zone.

(b) A subsidiary, Shenzhen New Power Industrial Co., Ltd. ("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. No income tax was provided for 2003 and 2002.

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

7 Taxation (continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2003 RMB'000	2002 RMB'000
Profit before taxation	546,587	511,014
Calculated at a taxation rate of 15% (2002: 15%)	81,988	76,652
Profit earned in the tax holiday period	(14,431)	(28,667)
Income not subject to taxation	(732)	-
Expenses not deductible for taxation purposes	3,717	3,550
Unrecognised tax losses	50	136
Taxation charge	70,592	51,671

8 Dividends

	2003 RMB'000	2002 RMB'000
Final, proposed	256,448	230,146

At a meeting held on 14 March 2004 the directors declared a final dividend of RMB0.468 (2002: RMB0.420) per ordinary share. 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 2004.

9 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of RMB475,995,000 (2002: RMB365,642,000) and the number of shares in issue of 547,966,000 (2002: 547,966,000).

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

10 Acquisition of interest in a subsidiary from a minority shareholder

SNP was previously held as to 26%, 25% and 49% by the Company, Hong Kong Syndisome Co., Limited("Syndisome")(a wholly owned subsidiary of the Company) and Shenzhen Jinbiwan Investment Development Company Limited ("Jinbiwan") (a company owned by certain staff of the Company). 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. The consideration was calculated by reference to the amount of capital injected by Jinbiwan in SNP plus an agreed return up to 31 December 2002. Following the transfer, SNP became a wholly owned subsidiary of the Company.

On 12 March 2003, Jinbiwan further agreed to waive a portion of the dividend receivable from SNP and the waiver was finalised and approved in the shareholders' meeting of SNP held on 13 June 2003. The amount waived by Jinbiwan of RMB44,853,000, attributable to the Company and Syndisome, was calculated by reference to the agreed rates of return on net assets of the Company and SNP for 2001 and 2002. Income tax totalling RMB1,902,000 has been provided in the books of the Company and Syndisome in respect of the waiver.

The excess of the fair value of the Group's share of the net assets of SNP at the date of acquisition over the cost of acquisition, as adjusted by the amount of dividend waived (net of tax) by Jinbiwan, was taken to negative goodwill (note 11).

11 Intangible assets

Year ended 31 December 2003	Negative goodwill (note (a)) RMB'000	Amounts paid for the construction of electricity output facilities (note (b)) RMB'000	Total RMB'000
Opening net book amount	-	14,292	14,292
Acquisition of additional interest in a subsidiary (note 10)	(73,282)	-	(73,282)
Amortisation charge for the year	4,885	(6,940)	(2,055)
Closing net book amount	(68,397)	7,352	(61,045)
At 31 December 2003			
Cost	(73,282)	81,900	8,618
Accumulated amortisation	4,885	(74,548)	(69,663)
Net book amount	(68,397)	7,352	(61,045)
At 31 December 2002			
Cost	-	81,900	81,900
Accumulated amortisation	-	(67,608)	(67,608)
Net book amount	-	14,292	14,292

11 Intangible assets (continued)

(a) The negative goodwill is amortised over the remaining weighted average useful life of non-monetary assets of the subsidiary acquired of 15 years.

(b) The amounts were paid to SPSB for the construction of relevant facilities in respect of increase in electricity output by the Group and are amortised over the useful life of the facilities of 10 years.

12 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 2003	128,299	1,759,124	48,184	1,935,607
Additions	539	17,218	4,102	21,859
Transfer from construction in progress (note 13)	777	385,824	5,537	392,138
Disposals	-	(19)	(1,775)	(1,794)
At 31 December 2003	129,615	2,162,147	56,048	2,347,810
Accumulated depreciation and impairment				
At 1 January 2003	51,742	807,496	37,457	896,695
Depreciation charge	6,888	128,126	2,817	137,831
Disposals	-	(17)	(1,579)	(1,596)
At 31 December 2003	58,630	935,605	38,695	1,032,930
Net book value				
At 31 December 2003	70,985	1,226,542	17,353	1,314,880
At 31 December 2002	76,557	951,628	10,727	1,038,912

(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.

13 Construction in progress

	2003 RMB'000	2002 RMB'000
At 1 January	54,864	81,314
Finance cost capitalised (note 6)	5,567	2,032
Other additions	563,683	353,392
Transfer to fixed assets (note 12)	(392,138)	(381,874)
At 31 December	231,976	54,864

14 Interest in associated companies

	2003 RMB'000	2002 RMB'000
Share of net assets	3,622	-

As at 31 December 2003, the Company has equity interest in the following unlisted companies which are companies incorporated with limited liability and operated in the PRC:

Name	Registered/ paid up capital	Attributable equity interest Held directly	Attributable equity interest Held indirectly	Principal activities
Shenzhen Server Petrochemical Supplying Co., Ltd. ("Shenzhen Server")	RMB55,300,000	50%	-	Trading of fuel oil
Shenzhen Yueliangwan Renhe Industrial Co., Ltd. (" Yueliangwan Renhe") (note (a))	RMB12,000,000	-	20%	Management of fuel pipes and trading

(a) During the year, the Group's investment in Yueliangwan Renhe is reclassified from investment securities to interest in associated companies following the acquisition by the Company of additional interest in SNP (note 10) which owns 20% interest in Yueliangwan Renhe and increase of influence in the management of Yueliangwan Renhe.

15 Investment securities

	2003 RMB'000	2002 RMB'000
Unlisted investments, at cost	71,885	74,285

As at 31 December 2003, the Company held direct interests in the following unlisted companies which are companies incorporated with limited liability and operated in the PRC:

Name	Registered/ paid up capital	Attributable equity interest	Principal activities
Anhui Province Tongling Shenneng Power Co., Ltd.	RMB392,634,000	10%	Power generation
Shenzhen Energy Environmental Engineering Co., Ltd.	RMB290,000,000	10%	Power generation (yet to commence operation)

16 Inventories

	2003 RMB'000	2002 RMB'000
Fuel oil	35,771	32,289
Spare parts and consumables	121,389	61,464
	157,160	93,753
Less: provision	(6,844)	(6,844)
	150,316	86,909

Total cost of inventories recognised as fuel costs, repairs and maintenance and other expenses of the year was RMB1,082,329,000 (2002: RMB775,193,000).

At 31 December 2003, inventories with cost amounted to RMB6,844,000 (2002: RMB6,844,000) were carried at zero realisable value.

17 Bank balances and cash

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

	2003 RMB'000	2002 RMB'000
Bank balances	493,791	570,764
Cash	387	192
	494,178	570,956

18 Amounts due to associated companies

The amounts represent fees payable for rental of oil tanks and use of pipes for transportation of fuel oil. The amounts are unsecured, interest free and repayable in accordance with the terms of the rental contracts and transportation agreements.

19 Amount due from a minority shareholder

The amount due from a minority shareholder is unsecured and included a loan of RMB20,000,000 which is charged at prevailing bank borrowing rate and for a period of six months. The remaining balance is interest free and repayable on demand.

20 Amount due to a related company

The amount due to a related company represents the dividend payable to Jinbiwan, a company which is owned by certain staff of the Company and also a former minority shareholder of a subsidiary. The amount is unsecured, interest free and repayable on demand.

21 Bank loans, unsecured

	2003 RMB'000	2002 RMB'000
Wholly repayable within one year	622,329	335,000
Wholly repayable within two to five years	130,000	-
	752,329	335,000

22 Share capital

	2003 RMB'000	2002 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.

23 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 2002	215,488	93,373	8,344	44,600	(860)	360,945
Appropriation from retained earnings	-	46,289	-	23,145	-	69,434
Transfer of reserve funds	-	-	14,405	(14,405)	-	-
Exchange differences	-	-	-	-	1,432	1,432
Utilisation of public welfare fund	-	-	-	(2,132)	-	(2,132)
At 31 December 2002	215,488	139,662	22,749	51,208	572	429,679
At 1 January 2003	215,488	139,662	22,749	51,208	572	429,679
Appropriation from retained earnings	-	58,005	-	29,002	-	87,007
Exchange differences	-	-	-	-	60	60
Transfer to capital reserve	4,885	-	-	-	-	4,885
Utilisation of public welfare fund	-	-	-	(533)	-	(533)
At 31 December 2003	220,373	197,667	22,749	79,677	632	521,098

23 Reserves (continued)

(a) Capital reserve mainly comprises (i) the difference between the 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; (ii) share premiums from the issuance of shares; and (iii) amounts transferred from retained earnings for income that is not available for distribution in the PRC statutory accounts.

(b) According to relevant PRC regulations, the Company and its subsidiaries established in the PRC should allocate 10% of its profit after taxation (per PRC statutory accounts) 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 profit after taxation (per PRC statutory accounts) 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 (per PRC statutory accounts) 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 Municipal government dated 23 June 1997, the Company was allowed to utilise the fund to pay a portion of the contributions to the staff retirement scheme. Pursuant to the document Caiqi [2003] No.61 issued by the Finance Bureau dated 9 February 2003, the Company is no longer allowed to utilise the fund to pay any portion of the contributions to the staff retirement scheme from 1 April 2003 onwards.

24 Retained earnings

	2003 RMB'000	2002 RMB'000
At 1 January	296,800	170,461
Profit for the year	475,995	365,642
Transfer to capital reserve	(4,885)	-
Appropriation to funds	(87,007)	(69,434)
Dividends declared	(230,146)	(169,869)
At 31 December	450,757	296,800

24 Retained earnings (continued)

The retained earnings at year end represent:

	Note	2003 RMB'000	2002 RMB'000
A final dividend proposed after year end	8	256,448	230,146
Others		194,309	66,654
		450,757	296,800

(a) As at 31 December 2003, the retained earnings of the Group included accumulated losses of RMB25,428,000 (2002: RMB26,650,000) attributable to the associated companies.

(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.

25 Notes to the consolidated cash flow statement

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

	2003 RMB'000	2002 RMB'000
Operating profit	557,517	525,361
Depreciation of fixed assets	137,831	119,152
Impairment of fixed assets	-	11,320
Loss on disposal of fixed assets	198	46
Amortisation of intangible assets	2,055	8,190
Write-down of inventories to net realisable value	-	6,844
Provision for /(recovery of) doubtful debts	157	(145)
Dividend received from investment securities	(867)	-
Interest income	(5,033)	(4,178)
Operating profit before working capital changes	691,858	666,590
Increase in inventories	(63,407)	(24,167)
(Increase)/decrease in amounts due from a related company and a minority shareholder, trade receivables, other receivables, deposits and prepayments	(82,393)	45,843
(Decrease)/increase in amount due to a related company and associated companies, trade payables, other payables and accrued charges	(94, 355)	106,620
Net cash inflow generated from operating activities	451,703	794,886

25 Notes to the consolidated cash flow statement (continued)

(b) Analysis of changes in financing during the year

	Bank loans		Pledged bank deposits		Minority interests	
	2003	2002	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	335,000	295,000	-	18,611	145,369	51,668
Capital contribution from minority shareholder	-	-	-	-	19,840	-
Minority interest's share of profit	-	-	-	-	-	93,701
Acquisition of interest in a subsidiary from minority shareholder	-	-	-	-	(145,369)	-
New loans raised	752,329	335,000	-	-	-	-
Repayment of loans borrowed	(335,000)	(295,000)	-	-	-	-
Pledged bank deposits withdrawn	-	-	-	(18,611)	-	-
At 31 December	752,329	335,000	-	-	19,840	145,369

26 Commitments

(a) Capital commitments for fixed assets

At 31 December 2003, the Group had capital commitments for acquisition and construction of fixed assets as follows:

	2003	2002
	RMB'000	RMB'000
Contracted but not provided for	194,664	65,549

(b) Commitments under operating leases

At 31 December 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2003	2002
	RMB'000	RMB'000
Not later than one year	38,160	6,840
Later than one year and not later than five years	37,152	-
	75,312	6,840

27 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:

	2003 RMB'000	2002 RMB'000
The associated companies		
- Shenzhen Server		
Purchase of fuel oil	17,555	32,672
Leasing of fuel oil tankers	30,375	26,198
- Yueliangwan Renhe		
Fuel oil transportation fee paid	3,903	1,148

28 Subsidiaries

As at 31 December 2003, the Company held interests in the following unlisted subsidiaries all of which are companies with limited liability:

Name	Place of incorporation and operation	Registered / paid up capital	Attributable equity interest		Principal activities
			Held directly	Held indirectly	
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. (note 10)	PRC	RMB57,500,000	75%	25%	Power generation
Shennandian (Zhongshan) Power Co., Ltd.	PRC	RMB99,200,000	55%	25%	Power generation (yet to commence operation)

29 Ultimate holding company

The directors regard the Company has no ultimate holding company.

30 Approval of accounts

The accounts were approved by the board of directors on 14 March 2004.

SHENZHEN NANSHAN POWER STATION CO., LTD.

SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2003

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 2003 RMB'000	Net assets as at 31 December 2003 RMB'000
As per PRC statutory accounts	471,110	1,588,218
Impact of HK GAAP adjustments		
- Reclassification of negative goodwill arising on the acquisition of interest in a subsidiary from capital reserve account to intangible assets and provision of related amortisation	4,885	(68,397)
As per HK GAAP accounts	475,995	1,519,821