SHENZHEN NANSHAN POWER STATION CO., LTD.

THE FIRST QUARTERLY REPORT 2004

§1. Important Notes

1.1 The Board of Directors of Shenzhen Nanshan Power Station Co., Ltd. (hereinafter referred to as the Company) and its directors individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions nor errors which would render any statement misleading.

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

1.3 Vice Chairman of the Board Cui Jichun and Independent Director Huang Sujian respectively authorized Director Sun Yulin and Independent Director Liu Zhanjun to attend and exercise the voting right.

1.4 The Quarterly Financial Report has not been audited.

1.5 Chairman of the Board Mr. Liu Deyu, the General Manager Mr. Zhang Renyi, Chief Financial Officer Mr. Lu Xiaoping and Director of Financial Department Mr. Chen Xueshun hereby confirm that the Financial Report enclosed in the First Quarterly Report is true and complete.

§2. Company Profile

2.1 Basic information

Short form of stock	Shen Nan Dian A	Shen Nan Dian B
Stock code	000037	200037
	Secretary of the Board	**Securities Affairs Representative**
Name	Fu Bo	Hu Qin
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2.2 Financial information

Major accounting data and financial indexes (Unit: RMB'000)

	Report period	The same period of previous year	Increase/decrease compared with the same period of previous year (%)
Turnover	554,828	306,644	80.93
Other income		35,289	-100.00
Profit after taxation	80,979	71,824	12.74
Total shareholders' equity	1,600,843	1,115,589	43.50
Earnings per share (RMB)	0.15	0.13	15.38

Net assets per share (RMB)	2.92	2.04	43.14

2.3 Total shareholders as at the end of the report period: 26,044 shareholders (including 13,879 shareholders of A-share and 12,165 shareholders of B-share).

§3. Discussion and analysis of the management

3.1 Brief analysis of total status of operating activities in the report period

During the first quarter of 2004, Shenzhen's volume of power supply has reached 7,190,000,000 KWH; the highest power load has reached 4,860,000 KW, up 20% year-on-year. It is estimated that Shenzhen's power network stagger peak loan has increased to 750,000-800,000 KW from 400,000 KW of last year. In the face of badly-needed power market, the Company made full use of various resources, brought every positive factor into play, insisted on enhancing power production and at the same time developing operation, and finally, completed satisfactorily power generation task and various operation management work in the first quarter of 2004.

In the first quarter of 2004, the Company completed the power generation of 935,069,400 KWH, up 85.14% year-on-year, broke the highest record again at the same period in history, and established a favorable foundation in order to accomplish yearly production task. The power generation was increased by a big margin because that the demand for power kept the persistent rising and the Company's installed capacity has increased by 180,000 KW, except for these, also benefited from the finish of annual overhauling task in advance, so as to improve the translatable ability of sets. Additionally, other production target, such as oil consumption of power supply, linear damage ratio and factories' power consuming ratio, has dropped by a wide margin compared with the corresponding period of previous year.

In the report period, the Company took more emphasis on the construction of Zhongshan combustion engine station project, and every task was proceeding smoothly, created favorable conditions in order to insure the first combustion engine single circulation sets to generate power on June 15, 2004. The Company's external heat supply project within factory area is paying close attention to construction, and will do all one can to set up and put into production in the first half of year.

Under the prerequisite of insuring completion of power generation task, the Company actively perfected the management and organization framework of the Company's headquarter in order to improve the management level of the Company and subsidiaries.

During the first quarter of 2004, the Company realized an income from main operations of RMB 554.8284 million, up 80.94% year-on-year, a profit from main operations of RMB 449.2002 million, up 80.20% year-on-year; the Company still realized a net profit of RMB 80.9790 million, up 12% compared with the same period of last year under overcoming disadvantageous factors such as power price reduction and canceling of subsidy income.

3.1.1 Particulars about main industries or products taking over 10% of the total amount of income from main operations or profit of main operations

□Applicable √Inapplicable

Unit: RMB’0000

Industry	Income from main operations	Cost of main operations	Gross profit ratio
Power production	55,482.84	44,920.02	18.98
Product	Income from main operations	Cost of main operations	Gross profit ratio
Power	55,482.84	44,920.02	18.98

3.1.2 Seasonal and periodicity characteristics of the operation

□Applicable √Inapplicable

The Company was engaged in power production, which is one of Shenzhen City combustion engine peak-regulating power generation enterprise. Along with power demand’s increase in a rapid and sustainable way, the periodicity of production presented a tendency that the period of power generation peak was extended and difference of daily peak vale has increased. The purchasing price of fuel used by the Company in production suffered the influence of periodicity fluctuation of the market price of international oil products to a certain extent, and the Company reduced the influence of price fluctuation in the fuel market through the plan and the large number centralized purchasing.

3.1.3 Profit formation of the report period (Explanation of reason and material change of proportion of profit of main operations, other operating profit, period expense, investment income, subsidy income and non-operating income/expenses in the total amount of profit compared with of the previous report period)

□Applicable √Inapplicable

3.1.4 Explanation on material change of core business and its structure and the reason compared with the previous report period

□Applicable √Inapplicable

3.1.5 Explanation of reason and material change of profitability capability of core business (gross profit ratio) compared with the previous report period

√Applicable □Inapplicable

During the report period, gross profit ratio was 18.98%, a decrease of 29.13% company with 26.78% of previous year, which was mainly because the market price of international oil products has increased, so that the Company’s fuel cost as of the report period has risen.

3.2 Analysis and explanation of significant events and the influence and solutions

√Applicable □Inapplicable

1. The 4th Board of Directors of the Company considered and passed that the Company invested RMB 50 million to conduct technical alteration of use of residual heat to ten sets of diesel generating sets owned respectively by Zhongshan Zhongfa Power Co., Ltd. (Hereinafter referred to as Zhongfa Power) and Zhongshan Jiafa Power Co., Ltd. (Hereinafter referred to as Jiafa Power), affiliated companies of Zhongshan Power Development Company so as to enhance the efficiency of

electricity generation of their sets, reduce oil consumption and finally increase the economic benefits of Zhongfa Power and Jiafa Power, which has created beneficial condition for the Company to purchase the equity of Fuel Power Plant, an affiliated company of Zhongshan Power Development Company and its acquisition of assets for electricity generation. Along with the final accomplishment of this technical alteration project, the Company's market share of power in Zhongshan would be enhanced, which brought a certain economic benefits for the Company. (For the details, please refer to the public notice published on China Securities, Securities Times and Ta Kung Pao dated Feb. 4, 2004).

2. In order to fully make use of the brand effects of the Company and Southern Port Power Engineering (Hong Kong) Co., Ltd. (Hereinafter referred to as Southern Port Power) and market resources of fuel power expanded by the both parties, exert the technical and service consultation advantages in the installation field of large fuel engines of both parties at home, realized the strong-to-strong association and jointly develop the market at home and in Southeastern Asia, after research, the Board of the Company decided and agreed that the Company established Shenzhen Shennandian Fuel Engine Engineering Technology Co., Ltd. jointly with Southern Port Power with registered capital amounting to RMB 10 million, where the Company and Southern Port Power occupied 60% and 40% of its equity respectively. This company would be mainly engaged in the construction of power station, technical consultation, training, examination and repair of equipments and spare articles and components. At present, the relevant registration procedures for industry and commerce have been accomplished and this company starts to completely accept general contract of engineering construction and technical service of fuel power station projects at home.

3. Ministry of Commerce of the P.R.C. and Shenzhen Bureau of Foreign Trade and Economic Cooperation have presented official and written replies in principle respectively to the conversion into domestically listed foreign shares (B shares) from foreign shares of Tengda Property Co., Ltd., a foreign shareholder of the Company. At present, the Company has put forward relevant applications to CSRC according to the stipulated procedures.

3.3 Particulars about accounting policy, accounting estimation, change of consolidated scope and significant accounting errors and explanation of reasons

□Applicable √Inapplicable

3.4 Relevant explanation of the Board of Directors and the Supervisory Committee under the situation of being audited and provided "Non-standardized opinion"

□Applicable √Inapplicable

3.5 Estimation of accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation of reason

□Applicable √Inapplicable

3.6 Rolling adjustment of annual business plan or budget ever disclosed

□Applicable √Inapplicable

Board of Directors of

Shenzhen Nanshan Power Station Co., Ltd

Apr.16, 2004