SHENZHEN NANSHAN POWER STATION CO., LTD.

SUMMARY OF ANNUAL REPORT 2004

NO.:2005-6

§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 full responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there is neither any omission of material facts, untrue presentations, nor any misleading statement contained in the information herein. The summary of annual report 2004 is abstracted from the annual report; the investors are suggested to read the full text of annual report to understand more details.
1.2 Independent Director Huang Sujian was absent from the Board meeting personally because he went abroad due to business and authorized Independent Director Zhou Chengxin to attend and exert voting right on his behalf.
1.3 PricewaterhouseCoopers Certified Public Accountants respectively audited the Company's financial report and issued the standard unqualified Auditor's Report for the Company.
1.4 Chairman of the Board Wei Wende, General Manager Fu Bo, CFO Lu Xiaoping and Head of Financial Dept. Chen Xueshun hereby confirm that the Financial Report enclosed in the Annual Report is authentic and complete.

§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 16/F-17/F, Hantang Building, OCT, Nanshan District, Shenzhen, Guangdong
Post code	Post code of registered address: 518052 Post code of office address: 518053
Internet web site of the Company	Nil
E-mail	public@nspower.com.cn

2.2 Contact person and method

	Secretary of the Board	Securities Affairs Representative
Name	Fu Bo	Hu Qin

Contact address	16/F-17/F, Hantang Building, OCT, Nanshan District, Shenzhen, Guangdong	16/F-17/F, Hantang Building, OCT, Nanshan District, Shenzhen, Guangdong
Telephone	0755-26003698	0755-26003683
Fax	0755-26003629	0755-26003683
E-mail	fb@nspower.com.cn	huqin@nspower.com.cn

§3. Summary of Accounting Data and Financial Indexes

3.1 Major accounting data Unit: RMB'000

	2004	**2003**	**Increase/decrease over last year (%)**	**2002**
Turnover	2,432,712	1,863,937	30.51	1,622,904
Other income	111,839	94,556	18.28	50,883
Profit before tax	487,551	546,587	-10.81	511,014
Profit attributable to shareholders	444,582	475,995	-6.60	365,642
	At the end of 2004	**At the end of 2003**	**Increase/decrease from the end of previous year (%)**	**At the end of 2002**
Shareholder's equity	1,708,136	1,519,821	12.39	1,274,445
Net cash inflows arising from operating activities	414,049	369,313	12.11	746,712

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

√ Applicable ☐ Inapplicable

Unit: RMB

	CAS	IAS
Net profit	439,697,156.26	444,582,000.00

Explanation on the difference	Note: In 2004, the reason for the difference amounting to RMB 4,885,000 between domestic consolidated net profit and overseas net profit is as follows: 1. The method of accounting disposal for dividend of RMB 44,852,700 given up by Jinbiwan Company is different. In the accounts calculated based on Chinese Accounting Standard, the Company carried forward net amount amounting to RMB 42,951,100 after deducting enterprise income tax payable totally RMB 1,901,600 from dividend of RMB 44,852,700 given up by Jinbiwan Company into credit of public reserve according to relevant regulation of accounting system in 2003; but in the account calculated based on Hong Kong Accounting Standard, the Company took net amount amounting to RMB 42,951,100 after deducting enterprise income tax payable totally RMB 1,901,600 from dividend of RMB 44,852,700 given up by Jinbiwan Company as Negative Goodwill dividing 15 years into income of each year according to Hong Kong GAAP; the current income transferred-into in 2003 was RMB 2,863,400, while the current income transferred-into in this year was RMB 2,863,400. 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 Xindianli Company held by Jinbiwan Company under proportion of shareholder's equity of the invested company the Company should share is different. In the accounts calculated based on Chinese Accounting Standard, the Company transferred the credit difference of equity investment totaling to RMB 30,330,800 as reserve for equity investment into the credit of Public Reserve according to Implementation of Accounting System for Enterprise Business and Answers (II) of Relevant Problems of Related Accounting Rule promulgated by the State Ministry of Finance, but in the account calculated based on Hong Kong Accounting Standard, the Company averagely amortized the credit balance difference of equity investment totaling to RMB 30,330,800 as Negative Goodwill dividing 15 years into income of each year according to Hong Kong GAAP; the current income transferred-into in 2003 was RMB 2,022,100, while the current income transferred-into in this year was RMB 2,022,100.

§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
		Subtotal	
I. Unlisted Shares			
1. Sponsor's shares	312,853,274		312,853,274
Including:	85,538,864		85,538,864
State-owned shares	30,829,682		30,829,682
Including: State shares	54,709,182		54,709,182
State-owned legal person shares	113,783,159		113,783,159
Domestic legal person shares	113,531,251		113,531,251
Foreign legal person shares			

Others			
2. Raised legal person shares	61,700,661		61,700,661
3. Inner employees' shares			
4. Preference shares or others			
Total unlisted shares	374,553,935		374,553,935
II. Listed shares			
1. RMB ordinary shares	64,846,135		64,846,135
2. Domestically listed foreign shares	108,565,928		108,565,928
3. Foreign listed foreign shares			
4. Other			
Total listed shares	173,412,063		173,412,063
III. Total shares	547,965,998		547,965,998

The amount of shares offered by funds, inner employees' shares traded in the counter, shares offered by strategic investor and shares offered ordinary juridical person should be disclosed respectively

☐Applicable √ Inapplicable

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

Total number of shareholders at the end of report year				25,252		
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	0	Other
HONG KONG NAM HOI (INTERNATIONAL) LIMITED	0	83,748,408	15.28%	Non-circulating	0	Foreign shareholder
SHENZHEN ENERGY GROUP CO., LTD.	0	62,697,297	11.44%	Non-circulating	0	State-owned shareholder
SHENZHEN STATE POWER SCIENCE AND TECHNOLOGY DEVELOPMENT CO., LTD.	0	54,709,180	9.98%	Non-circulating	0	Other
TENGDA PROPERTY CO., LTD.	0	47,553,343	8.68%	Non-circulating	0	Foreign shareholder
MORGAN STANLEY INT'L (CHINA)-FIRM	Unclear	9,832,708	1.79%	Circulating	Unknown	Foreign shareholder
SKANDIA GLOBAL FUNDS PLC	2,185,670	4,741,041	0.87%	Circulating	Unknown	Foreign shareholder
NATIONAL SOCIAL INSURANCE FUND 101 PORTFOLIO	1,005,933	3,189,431	0.58%	Circulating	Unknown	Other

AGRICULTURAL BANK OF CHINA-CHANGSHENG DEVELOPMENTS WELL-CHOSEN SECURITIES INVESTMENT FUND	Unclear	3,094,151	0.56%	Circulating	Unknown	Other
INDUSTRIAL AND COMMERCIAL BANK OF CHINA – GUOLLIAN ANDERSON SMALL WELL-CHOSEN SECURITIES INVESTMENT FUND	Unclear	2,933,406	0.54%	Circulating	Unknown	Other

Particulars about shares held by the top ten shareholders of circulation share

Full name of Shareholders	Holding circulation share at the year-end	Type (A-share, B-share, H-share or others)
MORGAN STANLEY INT'L (CHINA)-FIRM	9,832,708	B-share
SKANDIA GLOBAL FUNDS PLC	4,741,041	B-share
NATIONAL SOCIAL INSURANCE FUND 101 PORTFOLIO	3,189,431	A-share
AGRICULTURAL BANK OF CHINA-CHANGSHENG DEVELOPMENTS WELL-CHOSEN SECURITIES INVESTMENT FUND	3,094,151	A-share
INDUSTRIAL AND COMMERCIAL BANK OF CHINA – GUOLLIAN ANDERSON SMALL WELL-CHOSEN SECURITIES INVESTMENT FUND	2,933,406	A-share
CHINA SOUTHERN SECURITIES (HONG KONG) LIMITED	2,798,684	B-share
DEUTSCHE BANK AG LONDON	2,315,376	B-share
TOYO SECURITIES ASIA LIMITED-A/C CLIENT	2,252,215	B-share
NEITENG SECURITIES CO., LTD.	2,135,864	B-share
INDUSTRIAL AND COMMERCIAL BANK OF CHINA – PUFENG SECURITIES INVESTMENT FUND	1,820,187	A-share
Explanation on associated relationship among the top ten shareholders or consistent action	(1) Shenzhen Energy Group Co., Ltd. holds 30,829,682 shares on behalf of the State. (2) Shenzhen Energy Group Co., Ltd., the Company's No. 3 shareholder indirectly holds 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) The Company was unknown whether there exists associated relationship or consistent action among the other shareholders.	

4.3 Particulars about the controlling shareholders and actual controller of the Company

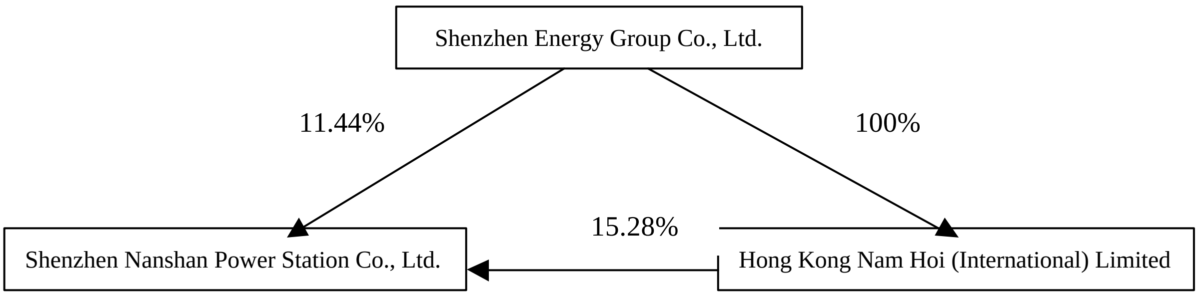
4.3.1 Particulars about change in the controlling shareholders and actual controller of the Company

□Applicable √ Inapplicable

4.3.2 Introduction of especial situation for the controlling shareholder and other actual controller

The Company has no holding shareholder. Shenzhen Energy Group Co., Ltd. is the actual largest shareholder of the Company, its legal representative is Gao Zimin; date of foundation: July 15, 1985, registered capital: RMB 955,555,556; enterprise type: company with limited liability; business scope: development, production and purchase and sale of conventionality energy (including electricity, heat, coal, oil and gas) and new energy; design, construction, management and operation of various energy project; facility and its fittings, equipments, aluminum, timber and cement and other raw materials demanded by energy project; operation of import and export business (transacted according to SMGSZ Zi No. 147 document); operating personnel training, consultation prepared for energy projects and other relevant service business (specific projects subject to approval by the authority); technology development, transfer and service of environments protection; investing and operating transportation business (highway, littoral and oceanic) of fuel, raw material and equipment demanded by energy projects, management of property (operated by property management qualification certificate), lease of owned property.

4.3.3 Property right and controlling relationship between the actual controller of the Company and the Company is as follows:



§5. Particulars about Directors, Supervisors and Senior Executives

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

Names	**Titles**	**Sex**	**Age**	**Office Term**	**Holding shares at the year-begin**	**Holding shares at the year-end**	**Reason for change**
Liu Deyu	Chairman of the Board	Male	58	Jun. 17, 2003-Dec. 17, 2004	0	0	
Wang Jianbin	Vice Chairman of the Board	Male	41	Jun. 17, 2003-Jun. 17, 2006	0	0	

Cui Jichun	Vice Chairman of the Board	Male	48	Jun. 17, 2003-Jun. 17, 2006	0	0	
Zhang Renyi	Director, GM	Male	44	Jun. 17, 2003-Dec. 17, 2004	0	0	
Yu Chunling	Director	Female	39	Jun. 17, 2003-Jun. 17, 2006	0	0	
Li Li	Director	Male	61	Jun. 17, 2003-Jun. 17, 2006	0	0	
Zhao Xiao	Director	Male	59	Jun. 17, 2003-Jun. 17, 2006	0	0	
Zhong Chengli	Director	Male	57	Jun. 17, 2003-Jun. 17, 2006	0	0	
Sun Yulin	Director	Male	53	Jun. 17, 2003-Jun. 17, 2006	0	0	
Huang Sujian	Independent Director	Male	49	Jun. 17, 2003-Jun. 17, 2006	0	0	
Liu Zhanjun	Independent Director	Male	46	Jun. 17, 2003-Jun. 17, 2006	0	0	
Zhou Chengxin	Independent Director	Male	49	Jun. 17, 2003-Jun. 17, 2006	0	0	
Xu Jing'an	Independent Director	Male	63	Sep. 3, 2004-Jun. 17, 2006	0	0	
Yu Xiufeng	Independent Director	Male	40	Nov. 29,2004-Jun. 17, 2006	0	0	
Zhu Tianfa	Chairman of the Supervisory Committee	Male	55	Jun. 17, 2003-Jun. 17, 2006	0	0	
Ji Ming	Supervisor	Male	48	Jun. 17, 2003-Jun. 17, 2006	0	0	
Zhou Qun	Supervisor	Male	40	Jun. 17, 2003-Jun. 17, 2006	0	0	
He Yingyi	Supervisor	Male	48	Jun. 17, 2003-Jun. 17, 2006	0	0	
Li Yongsheng	Supervisor	Male	32	Jun. 17, 2003-Jun. 17, 2006	0	0	
Wang Rendong	Employee Supervisor	Male	43	Jun. 17, 2003-Jun. 17, 2006	0	0	
Xu Shichun	Employee Supervisor	Male	53	Jun. 17, 2003-Jun. 17, 2006	0	0	
Fu Bo	Deputy GM, Secretary of the Board	Male	42	Jun. 17, 2003-Jun. 17, 2006	0	0	
Zhu Wei	Deputy GM	Male	47	Aug. 17,2003-Jun. 17, 2006	0	0	
Lin Qing	Deputy GM	Female	40	Oct. 17,2003-	0	0	

				Jun. 17, 2006			
Lu Xiaoping	CFO	Male	42	Aug. 17,2003-Jun. 17, 2006	0	0	
Sun Shoulin	Chief Engineer	Male	58	Aug. 17,2003-Jun. 17, 2006	0	16,301	Purchasing from the secondary market

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 allowance from the Company (Yes / No)
Liu Deyu	Shenzhen Energy Group Co., Ltd.	Deputy General Manager	Nov. 1, 1997 to now	Yes
Wang Jianbin	Shenzhen Guangju Electronic Investment Co., Ltd.	Chairman of the Board	Feb. 1, 1999 to now	Yes
Cui Jichun	Shenzhen State Power Science And Technology Development Co., Ltd.	Chairman of the Board General Manager	July 1, 2003 to now Apr. 1, 2001 to now	Yes
Yu Chunling	Shenzhen Energy Group Co., Ltd.	Head of Planning & Development Dept.	Apr. 1, 2003 to now	Yes
Li Li	Tengda Property Co., Ltd.	Chairman of the Board	Jan. 1, 1992 to now	Yes
Zhao Xiao	Shenzhen Energy Group Co., Ltd.	Chief Engineer	Nov. 1, 2001 to now	Yes
Zhong Chengli	Shenzhen Guangju Electronic Investment Co., Ltd.	Chairman of the Board	Sep. 1, 2000 to now	Yes
Sun Yulin	Shenzhen State Power Science And Technology Development Co., Ltd.	Deputy General Manager	Dec. 1, 1999 to now	Yes
Zhu Tianfa	Shenzhen Energy Group Co., Ltd.	Chief Accountant	Nov. 1, 2001 to now	Yes
Ji Ming	Shenzhen Guangju Electronic Investment Co., Ltd.	General Manager	Sep. 1, 2000 to now	Yes
Zhou Qun	Shenzhen Energy Group Co., Ltd.	Assistant General Manager and Director of General Office	Sep. 1, 2003 to now	Yes
He Yingyi	Shenzhen State Power Science And Technology Development Co., Ltd.	Manage of Market Dept.	Apr. 1, 2000 to now	Yes
Li Yongsheng	Tengda Property Co., Ltd.	Manager	Jan. 1, 1994 to now	Yes

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

Total annual remuneration	RMB 4,900,000
Total annual remuneration of the top three directors drawing the highest payment	RMB 1,150,000
Total annual remuneration of the top three senior	RMB 2,600,000

executives drawing the highest payment	
Allowance of independent director	RMB 100,000 per person/ year
Other treatment of independent directors	The Company took the relevant fees such as traffic cost, boarding cost, researching cost and studying cost occurred due to work.
Name of directors and supervisors receiving no payment or allowance from the Company	Director Wei Wende, Wang Jianbin, Cui Jichun, Yu Chunling, Zhao Xiao, Zhong Chengli, Sun Yulin, Li Li, Huang Sujian, Liu Zhanjun, Zhou Chengxin, Xu Jing'an, Yu Xiufeng received no pay from the Company; Supervisor of the Company, namely Zhu Tianfa, Ji Ming, He Yingyi, Zhou Qun and Li Yongsheng received no pay from the Company.
Payment	Number of persons
RMB 900,000 ～ RMB 950,000	1
RMB 800,000 ～ RMB 850,000	5
RMB 650,000 ～ RMB 700,000	1
RMB 400,000 ～ RMB 450,000	1

§6. Report of the Board of Directors

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

1. Scope of main operations and operation

The operation scope of the Company is electricity and heat supply for production and operation. The Company engages in related technology consultancy and technology service of power plant. The main operations are electricity supply using gas-steam combined circulation power generation sets . Presently, the Company are building and operating gas power plant and electricity project in Shenzhen, Zhongshan, Dongguan and other areas, which are the power loading center in Zhujiang Delta. In addition, it supply power for the users through the power plants in these areas.

In 2004, the national economy increased rapidly and the demand for electricity was great. The east coastal area and the areas of Zhujiang Delta, Guangdong, where the economy develops relatively fast in the country, experienced short supply of power. This led to the situation of demand exceeding supply in the power market. In 2004, the actual power supply in Shenzhen was 37.232 billion KWH, an increase of 20.99% over the same period last year. The network electricity of local gas power plant reached 11.673 billion KWH, and increase of 27.78% over the same period last year. In the whole year, the highest load of the city reached 6.85 million KW, an increase of 18.10% over the same period last year, which was an increase of 1.05 million KW. This created good external conditions for the Company.

(1) Electricity Production

The Company captured the good opportunity of power market well. It organized major maintainence when the electricity demand was reletively small, ensuring the machines in good condition during the fastigium. It overfulfilled all the tasks in the whole year. Besides, after the new power generation sets of Shennandian (Zhongshan)

Company completed and put into operation, the Company's equity installed capacity volume reached to 1.11 million KW, which further improved the Company's scale in the field of gas power generation.

In the report period, Nanshan Power Plant realized power generation reached 37.4129 billion KWH, and increase of 18.95%, overfulfilling the power generation objection set by the Board at the beginning of the year. Moreover, it rewrote the record of annual power generation of the plant. In the face of the roaring international fuel price, the Company adopted a scaled approach and flexible purchase means. The average fuel price in the whole year was RMB 1,832.21/ton, and increase of RMB 151.81/tone. The average fuel price was RMB 3,114.16/ton, an increase of RMB 807.56/ton. The fuel price has increased by RMB 122.1347million in the whole year. To stand the pressure of the rise in the price of gas, the Company strictly controled the power generation production in each procedures. The average network fuel consumption of power generation set was 196.12 gram/KWH, an decrease of 291 gram/KWH, resulting in the decrease of RMB 19.217 million. To ensure the security of the power generation set, the Company actually realized maintainence fee amounting to RMB 77.234 million (including the cross-year maintenace fee for power generation equipment in the year beginning was RMB 69.5987 million), and increase of RMB 18.6587 million compared with last year.

(2) Non-electricity Production

The engineering Company contracted the the project of stage one and stage two in Fushan Shankou Plant, the first stage engineering of Shennandian (Zhongshan) Company and the first stage of Shenzhen Fuhuade Plant, altogether four consolidated circulating power generation sets of construction general contract and technology services.All the construction have been completed as planned, totally income from realizing main operatins amounting to RMB 58.2 million and net profit RMB 38.26 million.

Xiefu Company operated fuel amounting to 1.4274 million tons, hitting its historical high. It realized profit from mian operations amounting to RMB 60.6026 million and net profit amounting to RMB 24.7451 million. In the report period, the Company established OHSAS18000 Occupation Health and Security Management System. Xifu Company and the Company jointly set up "Purchasing Center of Oil Products", further strengthened internal management and safety of production operation, effectively ensured the supplying of fuel to subsidiary power plants of the Company.

In the report period, due to increase of electricity generation and increase of income from contract for project, the turnover reached to RMB 2,432,712,000, an increase of 30.51% compared with the last year; due to continual raise of price of fuel in international oil products market, the cost of fuel has increased to RMB 1,391,848,000, an increase of 36.01% compared with the last year. Along with the enlarging of the Company's scale resulted in increase of period expenses and decrease of subsidy income corresponding, profit before tax was RMB 487,551,000, a decrease of 10.80% compared with the last year. In addition, because the Company totally obtained income tax drawback amounting to RMB 51,640,000 from homemade equipment purchased due to the 1^{st} and 2^{nd} phase of project of "substituting the big for the small", thus profit attributable to shareholders was RMB 444,582,000, a decrease of 6.60% compared with the last year.

6.2 Statement of main operations classified according to industries or products

Unit: RMB'0000

Main operations classified according to industries						
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	221,801.15	175,464.20	20.89%	19.00%	28.69%	a decrease of 6.03%
Other	21,470.10	17,788.72	17.15%			
Including: related transactions	0.00	0.00				
Main operations classified according to products						
Sales of electric power	221,801.15	175,464.20	20.89%	19.00	28.69%	a decrease of 6.03%
Contract for project	21,470.10	17,788.72	17.15%			
Including: related transactions	0.00	0.00				
Pricing rules for related transactions	Naught					
Necessity and durative of related transactions	Naught					

Including: total amount of related transactions that the listed company sold products or supplied labor service to the controlling shareholder and its subsidiaries was RMB 0.00 in the report period.

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	243,271.25	30.51%

6.4 Particulars about the customers of purchase and sales

Unit: RMB'0000

Total amount of purchase of the top five suppliers	46,445.17	Proportion in the total amount of purchase	92.91%
Total amount of sales of the top five sales customers	221,801.15	Proportion in the total amount of sales	100.00%

6.5 Operation of share-holding companies

□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

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

1. Rising demand for power

In accordance with forecast of State Grid Cooperation of China, in 2005, the national electricity comsumption will increse by about 10.5% , the electricity demand reached to 2391 billion KWH, an increase of 260 billion KWH comparied with the year 2004; the situation of Guangdong Province's power supply was more tensity comparied with the year 2004, the electricity comsumption of the whole province will reach to 270.9 billion KWH, up 13.5% over the last year; Guangdong Province's electric power load is forecasted to increase by 6 million KW, the shortage of power supply is about 4.5 million KWH, thus, Guangdong Province will become the most tensional area in the national power supply, and will continually display all-yearly and all-net shortage of power; in 2005, Shenzhen's highest power network load is forecasted to reach to 7.9 million KW, the peak shortage of power will reach 0.6 million KW. The flinty situation of power supply created the favorable external conditions for actively striving for power generation.

2. Rise in the fuel price

In 2004, because the price of international oil market break historical recorder with the persistent high price, the cost of fuel needed for power generation increased by 122,134,700 than the same 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

√Applicable ☐Inapplicable

Unit: RMB'0000

Name of projects	Amount of projects	Progress of projects	Earnings of projects
The 1st stage project of Shennandian (Zhongshan) Power Co., Ltd.	120,000.00	100%	In the report period with no income
Technology Improving Project by using residual power	5,000.00	100%	Income realized, but cannot be divided for accounting
Shenzhen Shennandian Engineering Technology Co., Ltd.	1,000.00	100%	The Company realized net profit amounting to RMB 38,260,000
The 1st stage of Shennandian (Dongguan) Weimei Power Co., Ltd.	102,874.65	20%	In construction period without in come
Total	228,874.65	-	-

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. NSRD will be more market-oriented in 2005, depending on previous advantages in this industry, keep gas turbine generation as business core, and more proactive to explore relevant business to shape a new comprehensive industry chain in fuel trade, electric power production, engineer construction, facility maintenance, technology service and professional training. Shenzhen will still keep the core position of business scope in the coming year, while more attention will also given to Zhongshan and Dongguan to enlarge local investment based on proactive and stable principles, that will establish a new status in triangular balance to support business development in Pearl River Delta area.

2. With "standardized management" as a major topic to implement manage innovation and system reformation, the Company will explore a new far-sighted operation and management system, also keep NSRD original characteristics, balanced standard and efficient in order to meet the demands of collectivize operation and sustainable development, perfect modern enterprise management system, strength human recourse management, and establish a learning-style enterprise with harmonious and proactive enterprise culture, cultivate core competition of the Company.

3. The Company will put production and operation plan of subordinate enterprises into headquarters collectivity management. According to the analysis of electric power operation, supply and demand situation of 2005, the Company will insure 6.24 billion KWH power generations based on the Company actually production capacity.
4. With the tenet of " safety first, cost priority", the Company will reinforce safety management. Take a lesson from "4.30" accident happened in Nanshan power station No.10 engineer, the Company will invest RMB 20 million and RMB19 million to facility maintenance and technology innovation, respectively, to enhance and advance comprehensive maintenance of power production facility, establish a health safety management system and network.
5. Establish "Purchasing Center for Materials", sort out supply chain management system, listed fuel supply and work for purchasing large amount of materials of all subsidiaries and secondary organs into plan management, put purchasing scale advantage into full play, and realize effective share of resources; actively enlarge petroleum supply channel, explore more scientific and advanced purchasing method, avoid market risk, reduce purchasing costs and ensure timely supply for productive materials.
6. Fully implement financial budget management, control every item of costs and expenses effectively and dig out inner potentiality; establish "Financial Supervision Center", which arrange bank loan of the Company and controlling subsidiaries, strengthen centralized management of capital, effectively avoid financial risks, and reduce financial expenses; according to the need of investment program of the Company, conduct financing of capital market timely, reduce debt ratio, and insure steady development of the Company.
7. The Company established human resources department, strengthened human recourses management function, remade human resources management strategy in need of wholly operation and development strategy, established scientific post holding system and achievement management system, and promoted all-around achievement level of the Company; organized and developed management training and special skills training, and promoted management level and comprehensive qualities roundly.
8. The Company propelled project construction of Gaobu Power Plant amain, tried to realize two sets of united circling system respectively in the second half of Sept. and Oct., 2005 respectively would put into production and generate power, and created economic benefits as soon as possible.
9. Shen Nandian (Zhongshan) Company tried to realize commercial operation of 1st Phase of "Substituting the Big for the Small" technology innovation project, meanwhile, it actively searched for support of Guangdong Province and Zhongshan Municipal Government, and tried to get the net electricity price, which faciliated enterprise operation; under the permittance conditions, it applied for listing items for 2nd Phase of "Substituting the Big for the Small" technology innovation project.
10. The Company accomplished share equity transfer and debts reorganzation of Zhongshan Zhongfa Power Co., Ltd. and Zhongshan Jiafa Power Co., Ltd. owned by Zhongshan Power Development Company and sorted out ownership relationship.
11. The Company actively followed constrcution rate of Guangdong Province LNG

Clearing Energy Sources Project and developed oil-change-into- gas project of Nanshan Power Plant; meanwhile, the Company did preparetory work for buring natural gas instead of Zhongshan New Plant and Gaobu Power Plant, and prepared for genenrating power bu using natural gas as soon as possible. 12. In the principle of "active, reliable and creaful", the Company would propel all-round power united aupply project of Nanshan Power Plant for prepare for supplying gas offically, ewhich would be an chance to accumulate project production and operating experinces, avtively paied attention to devlopment pulse of Guangdong Province Power United Supply Industry, and put the industry as a research direction of devlopment of the Company in the future. 13. The project company would introduce advanced project management pattern, strenthened safety management and quality supervision of constrcution to insure every ittem of contrcting project construction task safely, high efficently and all wool and a yard wide.

Profit estimation of the next year

□Applicable √Inapplicable

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

√Applicable □Inapplicable

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 2004 was RMB 445,589,396.54. After the statutory public reserve was provided based on 10% of the net profit amounting to RMB 44,558,939.65, and the public welfare fund was provided based on 5% of the net profit amounting to RMB 22,279,469.83 in accordance with the relevant provisions of the Articles of Association, the balance was RMB 378,750,987.06. Plus the undistributed profit carried down from 2003 amounting to RMB 502,587,864.88, subtract the cash dividends distributed last year amounting to RMB 256,448,087.06, the total profit available for distribution to the shareholders in 2004 was RMB 624,890,764.88. After the consolidation, the net profit of the Company in 2004 was RMB 439,697,156.26. After provision of the statutory public reserve amounting to RMB 73,008,885.88 (the Parent Company RMB 44,558,939.65; consolidated subsidiaries RMB 28,449,946.23) and public welfare fund amounting to RMB 36,504,442.95 (the Parent Company RMB 22,279,469.83; consolidated subsidiaries RMB 14,224,973.12), the balance was RMB 330,183,827.43. Plus the undistributed profit carried down from 2003 amounting to RMB 434,227,101.70, subtract the cash dividends distributed last year amounting to RMB 256,448,087.06, the profit available for distribution to the shareholders after consolidation in 2004 was RMB 507,962,842.07. Audited by PricewaterhouseCoopers Certified Public Accountants, the net profit realized in 2004 based on the calculation according to Hong Kong Accounting Standards was RMB 444,582,000. Less the statutory public reserve provided based on 10% of the net profit amounting to RMB 44,559,000 and public reserve provided

based on 5% of the net profit amounting to RMB 22,279,000 according to the regulations of the People's Republic of China, plus the undistributed profit carried down from the previous year amounting to RMB 450,757,000 and less the difference arising from the consolidation of the subsidiaries amounting to RMB 59,205,000 and the conversion into capital public reserve amounting to RMB 4,885,000, subtract the cash dividends distributed last year amounting to RMB 256,448,000, the profit available for distribution to the shareholders in 2004 was RMB 507,963,000.

Based on the above calculation result, the profit available for distribution to the shareholders after the domestic consolidation in 2004 was RMB 507,962,842.07, and the domestic parent company's profit available for distribution to the shareholders was RMB 624,890,764.88; the profit available distribution to the shareholders outside the People's Republic of China was RMB 507,963,000. 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 2004, namely RMB 507,962,842.07.

The preplan on profit distribution in 2004 is: allotting cash to all shareholders (total share capital is 547,965,998 shares) at the rate of RMB 5.00 (tax included) for every 10 shares, totaled RMB 273,982,999, 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 2004 for review and approval before implementation.

The preplan on the profit that has not been appropriated for cash profit distribution

□Applicable √Inapplicable

§7. Significant Events

7.1 Purchase of assets

□Applicable √Inapplicable

7.2 Sales of assets

√Applicable □Inapplicable

Unit: RMB'0000

Transaction parties	The assets sold	Date of sale	Sale price	Contribution to net profit of the Company of the assets sold from the year-beginning to the date of sale	Profit or loss from sale	Related transaction or no	Explain principle of pricing	Assets ownership involved in the assets transferred or not	Debts and Liabilities involved in the assets transferred or not
Wuhan Iron & Steel Construction	5B gas wheel power	May 15, 2004	2,000.00	0.00	536.28	No			

Project Group Co., Ltd.	generation sets (#21, #22, #23) of Nanshan Power Plant						Negotiation price	Yes	Yes

7.1, 7.2 Influence on consistence of business and stability of managers caused by the issues involved

Liquidize assets of the Company, attain to the object of maintenance and appreciation of assets value and increase the available field square of Nanshan power Co., Ltd..

7.3 Significant guarantees

√Applicable ☐Inapplicable

Unit: RMB'0000

Particulars about the external guarantee of the Company (Barring the guarantee for the controlling subsidiaries)						
Name of the Company guaranteed	Date of happening (date of signing agreement)	Amount of guarantee	Guarantee type	Guarantee term	Complete Implementation or not	Guarantee for related party (yes or not)
Total amount of guarantee in the report period				0.00		
Total balance of guarantee at the end of the report period				0.00		
Guarantee of the Company for the controlling subsidiaries						
Total amount of guarantee for controlling subsidiaries in the report period				0.00		
Total balance of guarantee for controlling subsidiaries at the end of the report period				20,000.00		
Particulars about the external guarantee of the Company (Including the guarantee for the controlling subsidiaries)						
Total amount of guarantee				20.000.00		
The proportion of the total amount of guarantee in the net assets of the Company				0.00		
Particulars about the guarantees out of line						
Total amount of guarantee for other related parties, which the Company or controlling shareholders held less than 50%				0.00		
The debts guarantee amount provided for the guarantee of which the assets-liability ratio exceeded 70%				20,000.00		
Proport ion of total amount of guarantee in net assets of the Company exceeded 50% (Yes of No)				No		
Total amount of guarantee breaking regulations				20,000.00		

7.4 Significant related transactions

7.4.1 Current **Sales** and Purchase

☐Applicable √Inapplicable

7.4.2 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.	0.00	0.00	16.48	323.53
Shenzhen Moon Bay Renhe Industrial Co., Ltd.	0.00	0.00	63.93	80.94
Shenzhen Energy Group Co., Ltd.	0.00	0.00	0.00	55.33
Baizhuoli Petroleum Co., Ltd.	0.00	0.00	0.00	709.51
Total	0.00	0.00	80.41	1,169.31

Including: In the report period, the amount of capital of the listed company provided for controlling shareholders and its subsidiaries was RMB 0.00, and the balance was RMB 0.00.

7.5 Entrusted assets management

☐Applicable √Inapplicable

7.6 Implementation of commitments

√Applicable ☐Inapplicable

1. From Nov. 4, 2002, the Company began to accept case investigation by Shenzhen Inspection Bureau of CSRC. The Company committed disclosing inspection result timely to investors. The Company implemented the relevant commitment. Please refer to the details in contents of (VII) of this Section.

2. In the report period, shareholders holding over 5% shares of the Company had no other commitment.

7.7 Significant lawsuits and arbitrations

☐Applicable √Inapplicable

7.8 Particulars about duties performance of Independent Directors

Particulars about the independent directors attending the Board

Name of Independent Directors	This year times of attending the Board meeting	Presence in person	Entrusted presence (times)	Absence (Times)	Notes
Liu Aiqun	4	3	0	1	
Huang Sujian	7	4	3	0	
Liu Zhanjun	7	6	1	0	

Zhou Chengxin	7	7	0	0	
Xu Jingan	3	3	0	0	
Yu Xiufeng	1	1	0	0	

Particulars about the independent directors proposed different opinions about the relevant matters of the Company

□Applicable √Inapplicable

§8. Report of the Supervisory Committee

√Applicable □Inapplicable

(I) Work of the Supervisory Committee

According to relevant regulations of Company Law and the Articles of the Association, the Supervisory Committee seriously fulfilled its duties. In the report period, the Supervisory Committee held 6 meetings and attended all meetings of the Board with the details as follows:

1. The 7th meeting of the 4th Supervisory Committee of the Company was held on Mar. 4, 2004, which examined and approved Work Report 2003 of General Manager, Financial Settling Report 2003, Report on Withdrawing Impairment Losses for Each Item of Assets of the Company in 2003, Preplan on 2003 Profit Distribution and Capital Reserve Conversion into Capital Reserve, 2003 Annual Report and its Summary, 2003 Auditing Report (domestic and overseas version) and work Report 2003 of the Supervisory Committee.

2. The 8th meeting of the 4th Supervisory Committee of the Company was held on Apr. 13, 2004, which examined and approved Work Report on Production, Operation and Management of the Company in 1st Quarter of 2004, 1st Quarterly Financial Settling Report of 2004, 2004 1st Quarterly Report and 2004 Plan on Evaluation and Encouragement and Punishment of Goal of Salary and Production Operation. The attendants seriously studied Several Opinions on Propelling Reform and Opening-up and Steady Development of Capital Market promulgated by the State Council.

3. The 9th meeting of the 4th Supervisory Committee of the Company was held on Aug. 1, 2004, which heard and examined and approved Report on Business Development of Shenzhen Shen Nandian Fuel Engine Project Technology Co., Ltd., Proposal on Investing Dongguan Gaobu Natural Gas Fuel Engine Power Plant, Proposal on Investing and Setting up Shen Nandian (Dongguan) Weimei Power Co., Ltd., Report on Progress of Zhejiang Ruian Fuel Engine Power Station Project, Report on Transfer

#21, # 22, #23 Fuel Engines of the Company, Proposal on Revising Assets Trustee Contract of Shenzhen Xindianli Industrial Co., Ltd., and Proposal on Suggesting Holding 1st Provisional Shareholders' General Meeting of the Company in 2004. The meeting also examined Report on Safety Production and Fuel Engine Accidents of the Company. Meanwhile, the attendants also heard Report on Joining the Bidding of Trinidad and Tobago Natural Gas Power station.

4. The 10th meeting of the 4th Supervisory Committee of the Company was held on Aug. 10, 2004, which examined and approved Report on Production, Operation and Management of the Company in metaphase of 2004, Financial Settling Plan in metaphase of 2004, 2004 Semi-annual Report and its Summary (domestic and overseas version), and Proposal on Establishing <Investors' Relationship Management System of Shenzhen Nanshan Power Station Co., Ltd.>, Proposal on Revising <the Articles of the Association> of the Company, Proposal on Supplementing Candidates for Independent Directors and Proposal on Suggesting Holding 2nd Provisional Shareholders' General Meeting of the Company in 2004. The meeting also examined Proposal on Increasing Capital on Shenzhen Energy Environmental Protection Co., Ltd..
5. The 11th meeting of the 4th Supervisory Committee of the Company was held on Oct. 15, 2004, which examined and approved Work Report on Production, Operation and Management of the Company in 3rd Quarter of 2004, 3rd Quarterly Financial Settling Report of 2004, 2004 3rd Quarterly Report and its Summary (domestic and overseas version)
6. The Provisional meeting of the 4th Supervisory Committee of the Company was held on Oct. 27, 2004, which examined and approved Proposal on Revising <Articles of the Association> of the Company, Proposal on Supplementing Candidates for Independent Directors and Proposal on Suggesting Holding 3rd Provisional Shareholders' general Meeting in 2004.
(II) The Supervisory Committee's independent opinions on the following events
1. The Company's operation according to laws
In the report period, the Supervisory Committee attended all meetings of the Board of Directors and seriously supervised on all decisions, material operations and investments and implementations of resolutions made by Shareholders' General Meeeting, and executed duties of supervisors. The Supervisory Committee considered, the Company could develop all productive and operative business according to the State and local laws and regulations and the Articles of Association. The Company step by step established and consummated legal person administration structure. The decision-making procedures of the Company need further standardizing. Directors and managers of the Company still abided by regulations of relevant laws, regulations and the Articles of the Association of the Company in executing the duties of the Company. However, at the same time, former individual executive of the Company didn't fulfill the obligations and report to the Board and Directors according to the relevant laws and regulations, in providing external guarantee for Xiefu Comopany controlled by the Company. At present, under the coordinate work of the new Board and new operating team, there was no future trouble about the matter. The Supervisory Committee required the Company further sounded and consummated every item of inner control and management system, which standardized and rationalized the daily work of the Company.
2. Inspecting the Company's finance
In 2004, the Supervisory Committee seriously checked auditors' report submitted by CPAs engaged by the Company and other accounting materials submitted by the

Company. The Supervisory believed, the Company can implement finance and tax policies of the State and paid attention to financial management. Guangzhou Yangcheng CPAs Co., Ltd. and PricewaterhouseCoopers Certified Public Accountants presented unqualified auditor's report for the Company, which truly reflect the finance, operating results and cash flow of the Company. The Supervisory Committee required the Company seriously standardized operating activities, absorbed lessons, reported timely about significant operating activities, strengthened financial supervision, made relevant system about financial supervision and risk safeguard of enterprise as soon as possible, and strictly operated according to relevant regulations of the Articles of the Association.

3. Use of raised proceeds

The actual project put in with the latest raised proceeds of the Company accorded with the project committed.

4. Transactions of purchase and sale of assets of the Company

In the report period, the Company transferred three 5B gas wheel power generation sets (#21, #22, #23) of Nanshan Power Plant to Wuhan Iron & Steel Construction Project Group Co., Ltd.. With respect to this, the Supervisory Committee required at the 9th meeting of 4th Board, in the process of selling assets and transferring share equity, the Company must conduct assets evaluation, as the reference for the decision-making of the Board, and also as the gist for fairness and rationality of assessment on disposing and purchasing and transferring assets and share equity and on achievements of management team. The Supervisory Committee required, the Company conducted sale and purchase of assets strictly according to lawful and normal procedures in the future.

5. Related transactions

The Supervisory Committee believed, according to the annual Auditor's Report presented by Guangzhou Yangcheng CPAs Co., Ltd., in the report period, there existed no behaviors out of line about capital current and transaction between the Company and related parties. The related transactions of the Company occurred also took the principle of market fair transaction into consideration. According to the market price of the same kind of product, the Company determined the transaction price. After the examination and approval of the Board of the Company and Shareholders' General Meeting, the transaction price was fair and reasonable, which didn't do harm to the interest of the Company.

6. Clearing of Beneficial Fund

The Supervisory Committee required the Company carried out the relevant contents of ZJZGZ[2004] No. 14 Notification on Rectification swiftly and tried to complete clearing work in the first half of 2005.

§9. Financial Report

9.1 Auditing opinions

Auditing opinions: Standard unqualified auditor's opinions

9.2 Financial Statements

9.2.1CONSOLIDATED PROFIT AND LOSS ACCOUNT

SHENZHEN NANSHAN POWER STATION CO., LTD.

FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004 RMB'000	2003 RMB'000
Turnover	3	2,432,712	1,863,937
Other revenues	3	111,839	94,556
		2,544,551	1,958,493
Fuel costs		(1,391,848)	(1,023,375)
Construction costs		(179,809)	-
Staff costs	4	(119,611)	(85,859)
Depreciation of fixed assets		(157,442)	(137,831)
Amortisation of intangible assets		(8,643)	(2,055)
Operating lease expenses - equipment		(38,204)	(30,375)
Repairs and maintenance expenses		(111,178)	(59,291)
Other operating expenses	5	(37,505)	(62,190)
Operating profit		500,311	557,517
Finance costs	6	(26,775)	(12,367)
Share of profit of associated companies		14,015	1,437
Profit before taxation		487,551	546,587
Taxation	7	(29,277)	(70,592)
Profit after taxation		458,274	475,995
Minority interests		(13,692)	-
Profit attributable to shareholders		444,582	475,995
Dividend	8	273,983	256,448
Earnings per share - basic	9	RMB0.81	RMB0.87

9.2.2

CONSOLIDATED BALANCE SHEET

SHENZHEN NANSHAN POWER STATION CO., LTD.

AS AT 31 DECEMBER 2004

	Note	2004 RMB'000	2003 RMB'000
Intangible assets	10	(19,653)	(61,045)
Fixed assets	11	1,206,501	1,314,880
Construction in progress	12	1,247,505	231,976
Interests in associated companies	13	16,536	3,622
Investment securities	14	71,885	71,885
Deferred tax assets	25	9,280	-
Current assets			
Inventories	15	249,409	150,316
Trade receivables		234,363	216,190
Amount due from a minority shareholder	17	11,680	23,530
Other receivables, deposits and prepayments		114,076	58,042
Bank balances and cash	16	581,651	494,178
		1,191,179	942,256
Current liabilities			
Trade payables		92,758	5,476
Amount due to a customer on construction contract	18	20,499	-
Amounts due to associated companies	19	4,000	3,238
Amount due to a related company	20	13,865	13,865
Other payables and accrued charges		71,008	140,348
Taxation payable		28,676	48,657
Bank loans, unsecured	21	1,252,734	622,329
		1,483,540	833,913
Net current (liabilities)/assets		(292,361)	108,343
Total assets less current liabilities		2,239,693	1,669,661
Financed by:			
Share capital	22	547,966	547,966
Reserves	23	652,207	521,098
Retained earnings	24		
Proposed final dividend		273,983	256,448
Others		233,980	194,309
Shareholders' funds		1,708,136	1,519,821
Minority interests		102,033	19,840
Bank loans, unsecured	21	429,524	130,000
		2,239,693	1,669,661

9.2.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004 RMB'000	2003 RMB'000
Total equity as at 1 January		1,519,821	1,274,445
Declaration of dividend	24	(256,448)	(230,146)
Profit for the year		444,582	475,995
Exchange differences	23	181	60
Utilisation of public welfare fund	23	-	(533)
Total equity as at 31 December		1,708,136	1,519,821

9.2.4
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004 RMB'000	2003 RMB'000
Operating activities			
Cash received from customers		2,792,668	2,137,328
Cash received for the government grants		57,566	-
Cash paid to suppliers		(1,787,233)	(1,269,047)
Cash paid to and on behalf of employees		(109,180)	(104,481)
Other cash received		3,533	15,750
Other cash payments		(432,517)	(327,847)
Net cash inflow generated from operations	26(a)	524,837	451,703
Interest paid		(52,442)	(17,934)
PRC income tax paid		(58,346)	(64,456)
Net cash inflow from operating activities		414,049	369,313
Investing activities			
Purchase of fixed assets and payments for construction in progress and intangible assets		(1,107,201)	(582,762)

Purchase of interest in a subsidiary from minority shareholder		-	(56,320)
Sale of fixed assets		13,704	-
Dividend received from an associate company		909	-
Dividend received from investment securities		-	867
Interest received		3,849	5,033
Repayment of loan to/(loan to) a minority shareholder		20,000	(20,000)
Net cash outflow from investing activities		(1,068,739)	(653,182)
Net cash outflow before financing		(654,690)	(283,869)
Financing activities	26(b)		
New loans raised		1,552,258	752,329
Repayment of loans borrowed		(622,329)	(335,000)
Capital contribution from minority shareholders of subsidiaries		68,501	19,840
Dividend paid		(256,448)	(230,138)
Net cash inflow from financing		741,982	207,031
Increase/(decrease) in cash and cash equivalents		87,292	(76,838)
Cash and cash equivalents at 1 January		494,178	570,956
Effect of foreign exchange rate changes		181	60
Cash and cash equivalents at 31 December	16	581,651	494,178

9.3 Explanation on changes of accounting policy, accounting estimation and settlement compared with the latest annual report

□Applicable √Inapplicable

9.4 Contents, correct amount, reason and its influence of significant accounting errors

□Applicable √Inapplicable

9.5 Explanation on change of consolidated scope compared with the latest annual report

√Applicable □Inapplicable

(1) On Feb. 24, 2004, the Company and Southern Port Power Project (Hong Kong) Co., Ltd. invested together to construct Shenzhen Shen Nandian Fuel Engine Project Technology Co., Ltd. with the registered capital amounting to RMB 10 million and the Company held 60% share equity. This year, the subsidiary was listed into consolidation scope of accounting statements.

(2) On Oct. 20, 2004, the Company and Xingdesheng Company, Xinyuan Co., Ltd., Dongguan Weimei Chinaware Industrial Park Co., Ltd., and Guangdong Province Dongguan Gaobu Industrial General Company invested together to construct Shen Nnadian (Dongguan) Weimei Power Co., Ltd. with the registered capital amounting to

USD 11.99 million. The Company held 40% share equity and Xingdesheng Company held 15% share equity. Because Xingdesheng Company was the subsidiary, of which the Company indirectly held 100% shareequity, the Company totally held 55% share equity of Shen Nandian(Dongguan). This year, the subsidiary was listed into consolidation scope of accounting statements.

Board of Directors of
Shenzhen Nanshan Power Station Co., Ltd.
Mar. 8, 2004