SHENZHEN NANSHAN POWER STATION CO., LTD.
THE FIRST QUARTERLY REPORT 2005

No.: 2005-14

§1. Important Notice

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 state 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 authorized Director Sun Yulin to attend and exercise the voting right.
1.4 The Accounting Statement in this Quarterly Report of the Company has not been audited.
1.5 Chairman of the Board Mr. Wei Wende, General Manager Mr. Fu Bo, 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	**Security Affairs Representative**
Name	Hu Qin	Hu Qin
Address	16, 17/F, Hantang Building, OCT, Nan Shan District, Shenzhen, China	
Tel	(86)755-26003683	
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Email	huqin@nspower.com.cn	

2.2 Financial materials

2.2.1 Major accounting data and financial indexes

Unit: RMB'000

Item	**At the end of this report period**	**At the end of the previous year**	**Increase/decrease**
Total assets	4,368,248	3,723,233	17.32%
Shareholders' equity (excluding minority shareholders' rights)	1,776,933	1,708,136	4.03%
Net assets per share	3.2428	3.1172	4.03%

	In the report period	The same period of the previous year	Increase / decrease
Net cash flow arising from operating activities	-154,713	147,151	-205.14%
Earnings per share	0.12554	0.14778	-15.05%
Earning ratio of net assets	3.87%	5.06%	-23.46%
Items of non-recurring gains and losses (January to March)			
Subsidy income			8,774

2.2.2 Difference between domestic net profit and overseas profit

Influence of the adjustments according to Hong Kong accounting principles on the Chinese legal account is as follows:

	Profit of the 3 months after deducting tax and rights of minority shareholders by Mar. 31, 2005 RMB'000
According to Chinese legal account	67,569
Amortization on goodwill of the minus amount arising from the purchase of a subsidiary's equity	1,221
Account according to Hong Kong principles	68,790

2.2.3 Profit and loss statement

Shenzhen Nanshan Power Station Co., Ltd

Profit and Loss Statement

(Jan. 1, 2005 – Mar. 31, 2005)

Unit: RMB'000

	Of the 3 months by Mar. 31, 2005	Of the 3 months by Mar. 31, 2004
Turnover	727,348	554,828
Other income	9,411	1,025
	736,759	555,853
Fuel cost	(506,804)	(315,563)
Cost of construction	(3,728)	0
Cost of employees	(39,268)	(37,302)
Depreciation of fixed assets	(48,003)	(40,393)
Amortization of intangible assets	(78)	(76)
Charges of profit-making lease - equipments	(6,390)	(9,296)
Charges of repairs and maintenance	(25,148)	(49,500)
Other profit-making charges	(10,914)	(8,939)
Operating profit	96,390	94,784
Financing cost	(16,702)	(4,708)
Divided profit of affiliated company	1,108	0
Profit before deducting tax	80,796	90,076
Tax	(5,220)	(9,097)
Profit after deducting tax	75,576	80,979

Equity of minority shareholders	(6,786)	0
Profit due for shareholders	68,790	80,979

2.3 Statement of total number of shareholders and shares held by top 10 shareholders holding circulating shares (new data not available yet)

Total number of shareholders at the end of the report period	26,901	
Shares held by top 10 shareholders holding circulating shares		
Name of shareholders (full name)	**Number of circulating shares held at the end of the year**	**Share type (A, B, H share or others)**
MORGAN STANLEY INT'L (CHINA) - FIRM	14,134,935	B-share
SKANDIA GLOBAL FUNDS PLC	4,891,041	B-share
National Combination of 101 Social Insurance Funds	3,097,083	A-share
Agricultural Bank of China – Changsheng Dongtai Selected Securities Investment Funds	3,087,000	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.	2,296,915	B-share
Neiteng Securities Co., Ltd.	2,218,124	B-share
Industrial and Commercial Bank of China – Guolian Andesheng Xiaopan Selected Securities Investment Funds	1,937,168	A-share
China Minsheng Banking Corp. Ltd. – Tianzhi Pinzhi Selected Mixed Securities Investment Funds	1,719,131	A-share

§3. Discussion and analysis of the management team

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

In the report period, facing the disadvantageous factors of the skyrocketing oil price and the large-margin increase of generating cost, the Company have taken active countermeasures, carried out the work of increasing income, decreasing expenditure, digging potential and reducing consumption, and, according to the arrangement of the standardized management year activity, continuously strengthened standardized management, established the Bid Invitation and Discussion Center, strictly implemented the bid invitation and discussion system concerning important operating activities and economic contracts, standardized the flow of work, controlled cost charges, and eluded operating risks. Taking the continuously rising oil price in to account, the Company has tried to minimize the negative influence of the rising oil price on the Company through scale effect and choosing of purchase time and place.

In the report period, the subordinate Nanshan Power Plant of the Company had carried out the going-beyond-year repair work to nine machine sets and completed the work 10 days ahead of the scheduled date. Right now, the performance and condition of the each machine set are good, and all had been put into commercial operation, which has set a sound base for accomplishing the electricity generation task of the whole year successfully. While arranging the examination and repair to the machine set, the Company has also strived to generate steadily, fully and more, and done everything to increase the income from core businesses and operating profit of the Company through the increase of generated electricity volume.

1. Electricity generation

(1) Nanshan Power Plant of the Company and the wholly-owned subsidiary of the Company Shenzhen New Power Industrial Co., Ltd. has completed a power generation volume of 964,611,900 KWH, an increase of 3.16% year-on-year. The average oil charge of heavy oil is RMB 2,122.63 per ton, and increase of RMB 431.44 per ton year-on-year; the average oil charge of light oil is RMB 3,507.62 per ton, an increase of RMB 528.54 per ton compared with the previous year. Due to the ever-increasing price in the international oil market, the oil charge of this period increased by RMB 79,647,100 year-on-year. In the report period, the repair cost that actually occurred is RMB 25,099,700 (mainly charges of the annual examination and repair to the machine sets), a decrease of RMB 24,400,300 year-on-year. The income from core businesses realized is RMB 570,787,900.

(2) Nanlang Power Plant of SHENNANDIAN (Zhongshan) Weimei Power Co., Ltd. completed a power generation volume of 277,740,200 KWH, and realized an income from core businesses amounting to RMB 145,560,600.

(3) Right now, the construction of each project of SHENNANDIAN (Dongguan) Weimei Power Co., Ltd. is being pushed forward according to plan. The civil engineer work has basically been finished, and the projects have entered into the overall equipment installation phase. The order of equipments satisfies the project construction. It is predicted that the first combined cycle system can be put into production and power generation in the last ten days of September.

2. Aspects not concerning power generation

(1) The projects contracted by Shenzhen Shennan Combustion Engine Engineering &Technology Co., Ltd. (including offering technical consultation service) include the 8 combustion engines of Jinhua Electric Power Plant, Foshan Electric Power Plant, Fuhuade Electric Power Plant, Dongguan Tongming Electric Power Plant, Dongguan Dongxing Electric Power Plant, and Dongguan Gao Electric Power Plant. At present, the 1st and 2nd combined cycle machine set of Foshan Electric Power Plant have been completed and put into power generation, while the single round machine set of the combustion engine of Dongguan Tongming Electric Power Plant has realized full-load operation. The progress rate of the other projects has marched forward according to plan. In the report period, the income from core businesses realized is RMB 11 million.

(2) In the 1st quarter, Shenzhen Xiefu Oil Supply Co., Ltd. has accomplished processed oil products amounting to 380,700 tons, and realized an income from core businesses of RMB 41,496,600, a profit from core businesses of RMB 6.3 million and a net profit of RMB 2,216,200.

In the report period, the Company has accomplished a power generation volume of 1,244,152,100 KWH, and realized an income from core businesses of RMB 727,348,500, an increase of 31.09% year-on-year; the Company has obtained a power generation subsidy income of RMB 8,774,570 for the highest peak of summer power

consumption between May and October 2004. The net profit realized in the 1st quarter is RMB 68,790,000, and the earning per share is RMB 0.126.

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 or product	Income from main operations	Cost of main operations	Gross profit ratio (%)
Power generation	71,634.85	62,006.04	13.44
Project contracting	1,100.00	320.10	70.90

Unit:RMB'0000

District	Income from main operations	Cost of main operations	Gross profit ratio (%)
Shenzhen	57,078.79	50,221.62	12.01
Zhongshan	14,556.06	11,784.42	19.04
Other districts	1,100.00	320.10	70.90

3.1.2 Seasonal and periodicity characteristics of the operation

√Applicable ☐Inapplicable

The Company mainly engages in power production, and is one of Shenzhen City's combustion engine peak-regulating power generation enterprises. Along with power demand's increase in a rapid and sustainable way and the implementation of compulsory peak-diversion power consumption policy, the periodicity of production presented a tendency of extended period of power generation peak and even seasonal power generation. The purchasing price of fuel used by the Company in production is influenced to a large extent by the periodical fluctuation in the international oil market, and the Company has tried to minimize the influence of price fluctuation in the oil market through planned and centralized large-volume purchase.

3.1.3 Profit formation of the report period (operating profit, divided equity of affiliated company)

√Applicable ☐Inapplicable

Unit: RMB'000

Item	January to March 2005		January to December 2004	
	Amount	Proportion taking up total profit	Amount	Proportion taking up total profit
Profit before tax	80,796	100%	487,551	100%
Operating profit	96,390	119.30%	500,311	102.62%
Financing cost	-16,702	-20.67%	-26,775	-5.49%
Divided profit of affiliated company	1,108	1.37%	14,015	2.87%

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

□Applicable √Inapplicable

3.1.5 Explanation on the 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, the gross profit ratio was 14.31%, a decrease of 6.25% compared with 20.56% of the previous year, and the reason was mainly that the price in the international oil market had increased and oil price had frequently broken new records, resulting in the large-margin increase of the fuel cost of the Company in the report period.

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

√Applicable □Inapplicable

1. On Jan. 19, 2005, the Company held the 12th meeting of the 4th Board of Directors. The meeting had elected Mr. Wei Wende Chairman of the Board of the Company, and engaged Mr. Fu Bo as General Manager of the Company. (For details, please refer to relevant notifications of the Company published on Jan. 20, 2005.) 2. On Mar. 5, 2005, the Company held the 13th meeting of the 4th Board of Directors. The former Secretary of the Board Mr. Fu Bo resigned from the position of Secretary of the Board due to work reason, while Ms. Hu Qin was engaged Secretary of the Board of the Company. (For details, please refer to relevant notifications of the Company published on Mar. 8, 2005.) 3. In the report period, the Company received the paper jointly issued by Shenzhen Trade and Industry Bureau and Shenzhen Finance Bureau, which had provided subsidy for the on-wire electricity volume generated by Shenzhen Fuel Power Plantduring the summer power consumption peak period from May to October 2004, and the Company had obtained a subsidy amounting to RMB 8,774,570. (For details, please refer to relevant notifications of the Company published on Mar. 23, 2005.)

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.19, 2005

Overall Loss and Profit Statement

	Of the 3 months by Mar. 31, 2005	**Of the 3 months by Mar. 31, 2004**
Turnover	727,348	554,828
Other income	9,411	1,025
	736,759	555,853
Fuel cost	(506,804)	(315,563)
Cost of construction	(3,728)	0
Cost of employees	(39,268)	(37,302)
Depreciation of fixed assets	(48,003)	(40,393)
Amortization of intangible assets	(78)	(76)
Charges of profit-making lease - equipments	(6,390)	(9,296)
Charges of repairs and maintenance	(25,148)	(49,500)
Other profit-making charges	(10,914)	(8,939)
Operating profit	96,390	94,784
Financing cost	(16,702)	(4,708)
Divided profit of affiliated company	1,108	0
Profit before deducting tax	80,796	90,076
Tax	(5,220)	(9,097)
Profit after deducting tax	75,576	80,979
Equity of minority shareholders	(6,786)	0
Profit due for shareholders	68,790	80,979

General Balance Sheet

	Mar. 31, 2005 RMB'000	**Dec. 31, 2004 RMB'000**
Intangible assets	(19,731)	(19,653)
Fixed assets	2,163,249	1,206,501
Projects under construction	463,549	1,247,505
Equity of affiliated company	17,644	16,536
Investment security	71,885	71,885
Assets with delayed tax	9,280	9,280
Current assets		
Stored goods	213,122	249,409
Receivables	512,098	234,363
Receivable of a minority shareholder	0	11,680
Other receivables, down payments and advance payments	265,999	114,076
Bank balance and cash	671,153	581,651
	1,662,372	1,191,179
Current liabilities		
Payables	107,697	92,758

Notes payable	39,047	0
Construction contract funds payable to clients	12,499	20,499
Funds payable to affiliated company	5,469	4,000
Funds payable to a related company	13,865	13,865
Other payables and charges withdrawn	139,853	71,008
Tax payable	11,606	28,676
Long-term liability due within 1 year	135,795	0
Bank loan – no pledge	1,338,253	1,252,734
	1,804,084	1,483,540
Net current liabilities	(141,712)	(292,361)
Total assets less current liabilities	2,564,164	2,239,693
Source of capital		
Share capital	547,966	547,966
Reserve	653,435	652,207
Reserved surplus		
Planned distributed dividend	273,983	273,983
Others	301,549	233,980
Shareholders' equity	1,776,933	1,708,136
Equity of minority shareholders	163,280	102,033
Bank loan – no pledge	623,951	429,524
	2,564,164	2,239,693

General Statement of Cash Flow

	January to March 2005 RMB'000
Net cash outflows arising from operation	(116,277)
Interest payment	(16,702)
Payment of China income tax	(21,734)
Net cash outflows arising from operating activities	(154,713)
Investment activity	
Funds used to add fixed assets and pay projects under construction	(226,385)
Cash acquired from sales of fixed assets	7
Interest received	644
Net cash outflows arising from investment activities	(225,734)
Net cash outflows before financing	(380,447)
Financing activity	
Newly borrowed funds	1,045,521
Cash received from absorption of investment	54,428
Repayment of loans	(630,000)
Net cash inflows by financing	469,949
Increase of cash and cash equivalents	89,502
Cash and cash equivalents on Jan. 1	581,651

Influence of foreign exchange rate	0
Cash and cash equivalents on Mar. 31	671,153
Supplemental materials	
Operating profit adjusted into cash flow of operating activities	
Operating profit	96,390
Depreciation of fixed assets	48,003
Amortization of intangible assets	78
Interest income	(644)
Operating profit before the change of running funds	143,827
Decrease of stored goods	36,287
Adding the receivables from a related company and a minority shareholder, accounts receivable, and other receivables, down payment as well as advance payment	(417,978)
Adding the funds payable to clients for the construction contract funds, a related company and affiliated companies, accounts payable, other payables and drawn expense in advance	121,587
Net cash outflows arising from operating activities	(116,277)