SHENZHEN NANSHAN POWER STATION CO., LTD.
THE 1st QUARTERLY REPORT FOR 2006

No.: 2006-30

§1. Important Notice

1.1 The Board of Directors and Supervisory Committee of Shenzhen Nanshan Power Station Co., Ltd. (hereinafter referred to as the Company) and its directors, supervisors and senior executives hereby confirm that there are no any important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

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 Name list of un-presented directors

Name of directors	Reasons for not attending the Board meeting	Name of entrustee
Wang jianbin	Not present due to business	Zhong chengli
Li Li	Not present due to business	Zhong chengli
He Yingyi	Not present due to business	Sun Yulin

1.4 The Accounting Statement in the 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	G Nan Dian	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	
Fax	(86)755-26003684	
Email	investor@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	4,950,556	4,263,689	16.11

Shareholders' equity (excluding minority shareholders' rights)	1,513,730	1,507,407	0.42
Net assets per share	2.76	2.75	0.36
	In the report period	**The same period of the previous year**	**Increase / decrease**
Net cash flow arising from operating activities	-185,396	-154,713	–
Earnings per share(RMB)	0.012	0.126	-90.48
Return on equity (%)	0.42	3.87	Down to 3.45 percentage
Non-recurring gains and losses (January to March)	Amount		
Subsidy income	95,322.23		
Net income and cost from non-operating activities	-30.00		

2.2.2 Difference between domestic net profit and overseas net profit

□Applicable √Inapplicable

2.2.3 Profit and loss statement

	Unaudited	
	2006 March 31	2005 March 31
	In ten thousand	
Sales	750,299	727,348
Other income-net amount	99,841	9,411
	850,140	736,759
Fuel cost	-667,336	-506,840
Construction cost	-2,707	-3,728
Employee cost	-25,317	-39,268
Amortization of fixed assets	-48,399	-48,003
Amortization of land use right and intangible assets	-2,819	-78
Operative leasing expenses-equipment	-7,041	-6,390
Maintenance expenses	-9,270	-25,148
Other operation cost	-62,158	-10,914

Profit from operation	25,093	96,390
Finance cost	-29,009	-16,702
Share of profit of associated company		1,108
Profit before taxation	-3,916	80,796
Income tax cost		-5,220
Annual profit	-3,916	75,576
Share of profit		
Equity holder of the Company	6,323	68,790
Minority interest	-10,239	6,786
	-3,916	75,576

2.3 Total number of shareholders in the end of the report period and shares held by the top ten shareholders of tradable share

Total shareholders at the end of report	27,755	
Particulars about the shares held by the top ten shareholders of circulating share with unlimited sales		
Name of shareholders (full name)	**Number of circulating shares held at the end of the year**	**Share type (A, B, H share or others)**
BNP P P/PANDA INVESTMENT COMPANY LIMITED	49,772,308	B-share
MORGAN STANLEY INT'L (CHINA)-FIRM	25,996,024	B-share
ZHONGSHAN GAOLING INVESTMENT CO., LTD	13,631,636	A-share
CMBLSA RE FTIF TEMPLETON ASIAN GRW FD GTI 5496	3,758,650	B-share
TOYO SECURITIES ASIA LIMITED-A/C CLIENT.	3,516,289	B-share
NAITO SECURITIES CO., LTD.	3,209,324	B-share
CHINAFAMOUSBRAND SECURITIES HOLIDING CO.,LTD	2,259,559	B-share
DEUTSCHE BANK AG LONDON	2,254,779	B-share
SKANDIA GLOBAL FUNDS PLC	1,538,700	B-share
GUOTAI JUNAN SECURIES HONG KONG LIMITED	1,514,800	B-share

§3. Discussion and analysis of the management team

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

2006 is the crucial year for “Way of innovation, reduce cost, go through difficulties, seek for development” of the Company. Faced with the external environments, such as the international oil price remained high, the Company began to take overall and deep analysis to the whole operation from the beginning of 2006, and pursued the origins to make various plans of operation and definite counter-measures. In the report period, the Company strictly implemented the operation ideas of “ Safety utmost, cost leading, benefits as basis”, perfected the operation patterns, strengthened the implementation of rules, further improved the level of budget management, deeply developed the works of increasing sources of income and reducing expenditures, fully utilized the subjective motivation of all management group and staff. At the same time, the Company actively strengthened the communication with the relevant national departments, stove for preferential policy on electrovalence subsidy, and maximized to offset the adverse effects by the external bad environments of operation.

1. Power generation

According to the spirit on the power assignment of the whole province in the 1st quarter of 2006, Nanshan Power Plant, monthly generation plan made by the Company, Shennandian (Zhongshan) Electric Power Co., Ltd and Shennandian (Dongguan) Electric Power Co., Ltd scientifically and reasonably adjusted the generation units, strictly controlled the production costs, overcame the difficulties of very high oil price, annual arduous tasks of repairs of Nanshan Power Plant, thus met the demands of adjustment of local power supply government and power supply of local areas. At the same time, on the basis of comprehensive summary on the safety management of the Company in 2006, the Company proposed a higher request on 2006 safety work, singed letter of responsibility on safe production with its subordinate companies. The main production target of the power generation enterprises of the Company was normal, the generation equipment run well and the Company realized the safety production target of “no person die and fatal accident, no significant equipment accident, no significant accident of electrical network, no significant fire accident”. Due to the rising in the purchasing price of oils, the average oil expense of heavy oil counting into the production cost of the Company amounted to RMB 2,872.53 per ton with a increase of 35.33% and upgrading 13.17% compared with last year; the average oil expense of light oil amounted to RMB 4,048.87 per ton with a increase of 15.43% and upgrading 9.37% compared with last year. The oil expenses in the report period increased RMB110, 585,500 compared with the same period of last year.

① Nanshan Power Plant and wholly-owend subsidiary Shenzhen New Power Industrial Co., Ltd of the Company completed its generation power in the 1st quarter amoungting to 758,835,000 KWH, with the comprehensive oil comsumption to the network amounting to 186.90 gram/kwh(with light oil)

②Zhongshan Nanlang Power Plant of Shennandian (Zhongshan) Electric Power Co., Ltd completed its power generation in the 1st quarter amounting to 272,975,600KWH with the comprehensive oil consumption to the network amounting to 175.56 gram/ kwh(with light oil)

③Dongguan Gaobu Power Plant of Shennandian (Dongguan) Weimei Electric Power

Co., Ltd was put into commercial operation in March of 2006, completed its power generation in the 1st quarter amounting to 115,090,000KWH with the comprehensive oil consumption to the network amounting to 174.86 gram/ kwh(with light oil)

2. Aspects not concerning power generation

① Project of combsution engine generation of Shenzhen New Power Industrial Co., Ltd has obtained the approvals from from Combustion Engine Generating Units of Guangdong Economic Trade Committee; completed its external gas supply in the 1st quarter amounting to 110,210 tons.

②Shenzhen Shennan Combustion Engine Engineering &Technology Co., Ltd in the 1st quarter mainly supply protection on transferring for Dongguan Dongcheng Dongxing Power Plant and Dongguan Tongming Power Plant; and provide for services on technological consultancy for Inner Mogolia Sulige Power Plant; meanwhile, actively developed the repairs and spare parts for domestic and overseas project of combustion engine and combustion engine power plant.

③Shenzhen Xiefu Oil Supply Co., Ltd accomplised its sales amount of 41.200 tons in the 1st quarter.

In the report period, the Company has accomplished a power generation volume of 1,146,900,600 KWH, and realized an income from core businesses of RMB 750，299，000(with the same currency in followings) with an increase of 3.16% over the last year of RMB 727, 348, 500; the Company has obtained cost from main operation amounting to RMB 804,023,200 with a increase of 29.00% over the last year of RMB 623,261,400; the profit from main operation amounted to RMB -53,818,800; fuel subsidy income of Shenzhen Nanshan Power Station Plant (including new power station) amounted to RMB 95,322,200 in Sep.-Oct., 2005, realized net profit amounting to RMB 6,323,700 and earnings per share amounting to RMB 0.012.

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 (%)
Production and supply of power, steam and hot water	69,745.68	74,694.08	-7.09
Including: related transaction	0.00	0.00	0.00

Unit: RMB’0000

District	Income from main operations	Cost of main operations	Gross profit ratio (%)
Shenzhen(Jan. to March)	47,821.27	51,415.29	-7.52
Zhongshan(Jan. to March)	14,610.41	16,198.86	-10.87
Dongguan(Jan. to March)	7,314.00	7,079.93	3.20

3.1.2 Seasonal and periodicity characteristics of the operation

√ Applicable ☐Inapplicable

The Company mainly engages in power production, and is 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, price of fuel in international marker kept continuously rising, and the purchase cost of oil products of the Company remained high. On the basis of original plans and centralized large-volume purchase, the Company tried to make research to the method of annual long-term purchase, and actively search for new resources of oil, developed fuel switching to minimize the influence of price fluctuation in the oil market.

3.1.3 Profit formation of the report period (Changes and explanations of reason on profit from main operation, profit from other operation, period expense, investment earnings, subsidy income, net amount of non-operating income and expense, proportion in the total amount of profit over last period)

√ Applicable ☐Inapplicable

Unit: RMB'000

Item	January to March 2006		January to December 2005	
	Amount	**Proportion taking up total profit**	**Amount**	**Proportion taking up total profit**
Profit before tax	-3,916	100%	22,399	100%
Operating profit	25,093	640.78%	99,164	442.72%
Financing cost	-29,009	740.78%	-87,415	-390.26
Divided profit of affiliated company	–	–	10,650	47.55

Main reasons on changes:

In the report period, profit from main operation, profit from other operations, period expense, investment income, subsidiary income, the proportion of net income from non-operating activities in total profit changed over the last report period, and the reason was mainly that in the report period, the increasing of profit from main operation, period expense, net income from non-operating activities of Shennandian (Dongguan) Weimei Electric Power Co., Ltd and Shenzhen Xiefu Oil Supply Co., Ltd; thus, the profit formation of the report period changed.

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 changed a lot compared with the previous year, and the reason was mainly that the price in the international oil market had continuously increased and remained high, 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. According to the unified arrangements of State-owned Assets Administration Commission of Shenzhen, CSRC of Shenzhen and Shenzhen Stock Exchange, with the great support and active cooperation of shareholding units, the Company made officially announcement on the plan of Share Merger Reform on Jan. 23, 2006. After the announcement, the relevant non-circulating shareholders of the Company carried wide communications with circulating A shareholders; with the agreement of departments, such as State-owned Assets Administration Commission of Shenzhen, etc. the Notification on Communication on Plan of Share Merger Reform and Adjustment on Plan of Share Merger Reform. With great efforts of various parties, the plan of Share Merger Reform of the Company obtained approval from the relevant Shareholders' General Meeting on Feb. 27, 2006, and was implemented on March 28, 2006, on which the short form of A-share changed into G Nandian and restored the transaction. So far, hare Merger Reform of the Company completed smoothly. (For details, please refer to the relevant notice dated from January to March of 2006.) 2. According to Notice on Approval Lists of Combustion Engine Generating Units of 2005 (YJMDLZY [2006] No.110) promulgated by Guangdong Economic Trade Committee, and the national relevant laws and approval procedures, the relevant units of the Company have obtained the approval certification from Combustion Engine Generating Units of Guangdong Economic Trade Committee; the certified combustion engine generating units were not contained in the scope of closing down the small generating units of Guangdong, and continued to enjoy the preferential policy of national combustion engine generation.(For details, please refer to the relevant notice dated March 8, 2006) 3. According to subsidy situation of power generation of Shenzhen Nanshan Power Station Plant (New power station included) in May-Aug., 2005 and relevant documents of Shenzhen municipality, power generation subsidy in Sep.-Oct., 2005 of the said plant receivable amounted to RMB95,322,200.

The possession of funds and its payoff progress

☐Applicable √ Inapplicable

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

√ Applicable ☐Inapplicable

In the report period, Shenzhen Xiefu Oil Supply Co., Ltd was brought into the scope of financial consolidated statement.

3.4 Relevant explanation of the Board of Directors and the Supervisory Committee under the situation of being audited and provided "Qualified 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

3.7 Special commitments and implementations of original non-circulating shareholders in Share Merger Reform

√Applicable □Inapplicable

Full name of shareholder	Special commitments	Implementation of commitments
SHENZHEN GUANGJU ELECTRONIC INVESTMENT CO., LTD.	Since the implementation of plan on Share Merger Reform, the original non-circulating shareholders could not conduct listed exchange or transfer within 10 months; After the stipulated expiration of the aforesaid item, the original non-circulating shareholders sold the original non-circulating shares through the listed transaction of Shenzhen Stock Exchange. The sales amount accounting for the total shares of the Company will not surpass 5% within 12 months, and not surpass 10% within 24 months.	It is implemented strictly according to the commitment.
SHENZHEN ENERGY GROUP CO., LTD.		It is implemented strictly according to the commitment.
SHENZHEN STATE POWER SCIENCE AND TECHNOLOGY DEVELOPMENT CO., LTD.		It is implemented strictly according to the commitment.

Board of Directors of
Shenzhen Nanshan Power Station Co., Ltd
Apr.21, 2006

Shenzhen Nanshan Power Station Co., Ltd

Consolidated balance sheet

		unaudited 2006 March 31	Unaudited 2005 December 31
		RMB ten thousand	
Assets	Order		
Non-current assets	1		
Land use right	2	79,170	36,888
Intangible assets	3	31,273	33,360

Property, machine and equipment	4	3,095,540	2,919,201
Equity of associated companies	5	3,171	25,400
Assets of deferred tax	6	8,936	8,936
Fanatical assets available to be sold	8	81,850	53,919
Non-current stocks	9		0
	11	**3,299,940**	**3,077,704**
Current assets	12		
Inventory	13	483,946	430,329
Trade and other account receivable	16	978,680	448,131
Bank balance and cash	17	187,990	307,525
	18	1,650,616	1,185,985
Total assets	19	**4,950,556**	**4,263,689**
	20		
Share equity	21		
Share of assets and storage of equity holder of the Company	22		
Dividends	23	547,966	547,966
Other storage	24	735,907	735,907
Remained surplus	25		
The proposed final dividend	26		
Other	27	229,857	223,534
	28	1,513,730	1,507,407
Minority equity	29	202,890	172,898
Total equity	30	1,716,620	1,680,305
	31		
Liability	32		
Non-current liability	33		
Loans	34	494,005	416,783
	35		
Current liability	36		
Trade and other payable	37	1,327,396	797,340
Amount of establishing contract with customer payable	39		
Liability of period income tax	43	10,431	10,685
Loans	45	1,402,104	1,358,576
	46	2,739,931	2,166,601
Total liability	47	3,233,936	2,583,384
Total equity and liability	48	**4,950,556**	**4,263,689**

Shenzhen Nanshan Power Station Co., Ltd

Consolidated income statement

	Unaudited	
	2006	2005
	March 31	March 31
	RMB ten thousand	
Sales	750,299	727,348
Other income-net amount	99,841	9,411
	850,140	736,759
Fuel cost	-667,336	-506,840
Construction cost	-2,707	-3,728
Employee cost	-25,317	-39,268
Amortization of fixed assets	-48,399	-48,003
Amortization of land use right and intangible assets	-2,819	-78
Operative leasing expenses-equipment	-7,041	-6,390
Maintenance expenses	-9,270	-25,148
Other operation cost	-62,158	-10,914
Profit from operation	25,093	96,390
Finance cost	-29,009	-16,702
Share of profit of associated companies		1,108
Profit before tax	-3,916	80,796
Income tax cost		-5,220
Annual profit	-3,916	75,576
Share of profit		
Equity holder of the Company	6,323	68,790

Minority equity	-10,239	6,786
	-3,916	75,576

Shenzhen Nanshan Power Station Co., Ltd

Consolidated cash flow statement

	Unaudited 2006 Jan.-Mar.
Cash flow from operation activities	
Cash rising from operation	-185,396
Income tax paid	
Net cash from operation activities	-185,396
Cash flow from investment activities	
Purchased property, machine & land use right	-46,593
Amount of selling property, machine and equipment	1,830
Intangible assets purchased	
Interest received	1,005
Dividend received	
Credit – loans of associated companies	
Income tax of loans paid by associated companies	
Net cash from investment activities	-43,758
Income tax of loans	795,720
Paying loans	-675,000
Interest paid	-29,106
Input assets of minority shareholders	18,004
Dividends paid for shareholders of the Company	
Net cash rising/using from finance activities	109,618
Increase /decrease of net cash	-119,536
Cash at the year-begin	307,526
Gains and losses from cash exchange	
Cash at the end of the year	187,990