SHENZHEN NANSHAN POWER STATION CO., LTD

SEMI-ANNUAL REPORT 2006

Notice No. 2006 - 44

August 22, 2006

Content

I. Important Notice

1.1 The Board of Directors and its directors, Supervisory Committee and its supervisors, senior executives of Shenzhen Nanshan Power Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are no false recordation, misleading statements or material omissions carried in this report, and shall take all responsibilities, individually and/or jointly, for the reality, accuracy and completeness of the whole contents.
1.2 No director, supervisor or senior executive stated unsureness or disagreement about the truthfulness, accuracy and completeness of the contents carried in the interim report.
1.3 Name list of un-presented directors

Name of directors	Reasons for not attending the Board meeting	Name of entrustee
Zhao Xiao	on business	Wei Wende
Yu Chunling	on business	Wei Wende
Zhong Chengli	on business	Wang Jianbin
Li Li	on business	Wang Jianbin
Liu Zhanjun	on business	Huang Sujian

1.4 The SEMI-ANNUAL REPORT 2006 of the Company has not been audited.
1.5 Chairman of the Board Wei Wende, General Manager Fu Bo, CFO Lu Xiaoping and Manager of Financial Dept. Chen Xueshun hereby confirm the truthfulness and completeness of the Financial Report in the Interim Report 2006.
1.6 This report is prepared in both Chinese and English. Should there be any difference in interpretation between the two versions, the Chinese version shall prevail.

Paraphrase:

Company or the Company: Shenzhen Nanshan Power Station Co., Ltd.
Xiefu Company: Shenzhen Xiefu Oil Supply Co., Ltd., 50% of whose equities held by the Company.
Xindianli Company: Shenzhen Xindianli Industrial Co., Ltd., 100% of whose equities directly and indirectly held by the Company.
Engineering Company: Shenzhen Shennandian Combustion Engine Engineering Technology Co., Ltd., 60% of whose equities held by the Company.
Shennandian (Zhongshan) Company: Shennandian (Zhongshan) Electric Power Co., Ltd., 80% of whose equities held by the Company.
Shennandian (Dongguan) Company: Shennandian (Dongguan) Weimei Electric Power Co., Ltd., 55% of whose equities held by the Company.
Nanshan Power Plant: Shenzhen Nanshan Power Plant, an affiliate company of

Shenzhen Nanshan Power Co., Ltd.
Zhongshan Nanlang Power Plant: Zhongshan Nanlang Power Plant of Shennandian (Zhongshan) Electric Power Co., Ltd.
Dongguan Gaobu Power Plant: Dongguan Gaobu Power Plant of Shennandian (Dongguan) Weimei Electric Power Co., Ltd.
Designated newspapers: Securities Times, China Securities and Wen Wei Po.
CSRC: China Securities Regulatory Commission.
RMB: The financial data and amount in this report are expressed in RMB except for otherwise stated.

II. Company Profile

2.1 Basic Information

① Legal Name of the Company:
In Chinese: 深圳南山热电股份有限公司
In English: Shenzhen Nanshan Power Station Co., Ltd.

② Stock Exchange Listed with: Shenzhen Stock Exchange
Short Form of the Stock and Stock Code: G Nan Dian 000037
Shen Nan Dian B 200037

③ Registered Address: No.18 Yueliangwan Avenue, Nanshan District, Shenzhen, Guangdong Province
Office Address: 16/F-17/F, Hantang Building, OCT, Nanshan District, Shenzhen, Guangdong Province
Post Code: 518053
Website: http://www.nsrd.com.cn
E-mail: public@nspower.com.cn

④ Legal Representative: Wei Wende

⑤ Secretary of the Board: Hu Qin
Tel / Fax: (086)755-26003683, 26003684
E-mail: investor@nspower.com.cn
Securities Affairs Representative: Hu Qin
Contact address: 16/F-17/F, Hantang Building, OCT, Nanshan District, Shenzhen, Guangdong Province

⑥ Website for Information disclosure: http: //www.cninfo.com.cn
Newspapers Designated for publishing notices: China Securities, Securities Times and Wen Wei Po
Venue Where the Interim Report is Prepared and Placed: Secretariat of the Board

⑦ Other Relevant Information:
Initial Registration Date: April 6, 1990
Initial Registration Venue: Nanshan Jiaozui, Nanshan District, Shenzhen
Registration Place after the Change: No.18 Yueliangwan Avenue, Nanshan District, Shenzhen
Registration code of the corporate business license for enterprise legal person: QGYSZ Zi. No. 101591
Registration code of tax.: YSW Zi No. 440305930100069（14）
Names and office addresses of Certified Public Accountants engaged by the Company:
Domestic: Guangdong Yangcheng Certified Public Accountants & Ltd
Address: 25/F, Jianlibao Building, No. 410, Dongfeng Middle Road, Guangzhou, Guangdong
International: PricewaterhouseCoopers Certified Public Accountants
Address: 23/F, Sunning Plaza, No.10, Hysan Avenue, Tung Lo Wan, Hong Kong

2.2 Major Financial Data and Indexes

2.2.1 Major accounting data and financial indexes

Unit: RMB'000

Items	Jan.-Jun. 2006	Jan.-Jun. 2005	Increase/decrease in this report period compared with the same period of last year (%)
Turnover	1,600,838	1,512,012	5.87
Other income-net amount	210,052	19,282	989.37
Annual profit of equity holders of the Company	-39,860	25,845	-254.23
Total shareholders' fund	1,467,425	1,507,407	-2.65
Earnings per share (RMB)	-0.073	0.0472	-254.66
Net assets per share (RMB)	2.68	2.75	-2.55

2.2.2 Non-reccurring ganis or losses

Unit: RMB

Non-reccurring ganis or losses	Amount
1. Subsidy income	186,797,680.00
2. Net profit from non- business operation	-146,000.00
3. Influence of income tax	-8,349,226.19
Total	178,302,453.81

2.2.3 Difference under CAS and IAS

	Net assets (RMB'000) (Ended Jun. 30, 2006)	Net Profit (RMB'000) (Jan. to Jun. 2006)
Calculation in accordace with CAS	1,485,391	
Adjustment in accordance with IAS		
Adjustment based on influence of HK Financial Report Standards		
Reevalution of financial assets available for sale	-17,966	0
Calculation in accordace with IAS	1,467,425	

III. Change in Share Capital and Particulars about Shareholders

3.1 Particulars about equity change

(Unit: share)

Content	Before the change		Increase/decrease in this change (+, -)						After the change	
	Amount	Proportion (%)	Rationed share	Bonus share	Capitalization of public reserves	Additional issuing	Others	Sub-total	Amount	Proportion (%)
I. Restricted shares	243,268,480	44.40		-15,218,143				-15,218,143	228,050,337	41.62
1. State-owned share										
2. State-owned legal person's share	243,252,179	44.39		-15,221,969				-15,221,969	228,030,210	41.61
3. Other domestic share										
Including: Domestic legal person's share										
Domestic nature person's share	16,301	0.01		+3,826				+3,826	20,127	0.01
4. Foreign share										
Including: Overseas legal person's share										
Overseas nature person's share										
II. Unrestricted shares	220,949,110	40.32		+15,218,143				+15,218,143	236,167,253	43.10
1. RMB ordinary share	64,829,839	11.83		+15,218,143				+15,218,143	80,047,982	14.61
2. Domestic listed foreign share	156,119,271	28.49							156,119,271	28.49
3. Overseas listed foreign share										
4. Others										
III. Non-listed foreign share	83,748,408	15.28							83,748,408	15.28
IV. Total share	547,965,998	100							547,965,998	100

Note: ①Changes of share structure in the report period is due to the Company's implementation of Share Merger Reform.②Domestic nature person shares among shares subject to conditional sales are shares held by senior executives.

Top ten shareholders subject to conditional sales and the condition

Unit: Share

No.	Shareholders subject to conditional sales	Amount of shares subject to conditional sales	Date of being allowed to be listed for trading	Amount of newly added tradable shares	Sales condition
1	SHENZHEN GUANGJU ELECTRONIC INVESTMENT CO., LTD	118,800,636	Mar. 28, 2007	27,398,300	Legal condition
			Mar. 28, 2008	27,398,300	
			Mar. 28, 2009	64,004,036	

2	SHENZHEN ENERGY (GROUP) CO., LTD.	59,187,391	Mar. 28, 2007	27,398,300	Legal condition
			Mar. 28, 2008	27,398,300	
			Mar. 28, 2009	4,390,791	
3	SHENZHEN STATE POWER SCIENCE AND TECHNOLOGY DEVELOPMENT CO., LTD.	50,042,183	Mar. 28, 2007	27,398,300	Legal condition
			Mar. 28, 2008	22,643,883	

3.2 Particulars on shares held by top ten shareholders and top ten shareholders subject to non-conditional sales

Ended the report period-end, there are 28,326 shareholders of the Company, including 16,992 of A shares and 11,334 of B shares.

Unit: Share

Total amount of shareholders	28,326				
Particulars on shares held by top ten shareholders					
Name of shareholder	**Nature of shareholder**	**Proportion of share holding**	**Total amount of share held**	**Amount of share held subject to conditional sales**	**Amount of share pledged or frozen**
SHENZHEN GUANGJU ELECTRONIC INVESTMENT CO., LTD	State-owned shareholder	21.68%	118,800,636	118,800,636	0
HONG KONG NAM HOI (INTERNATIONAL) LIMITED	Foreign-funded shareholder	15.28%	83,748,408	0	0
SHENZHEN ENERGY (GROUP) CO., LTD.	State-owned shareholder	10.80%	59,187,391	59,187,391	0
TENGDA PROPERTY CO., LTD.	Foreign-funded shareholder	9.52%	52,147,348	0	0
SHENZHEN STATE POWER SCIENCE AND TECHNOLOGY DEVELOPMENT CO., LTD.	State-owned shareholder	9.13%	50,042,183	50,042,183	0
MORGAN STANLEY INT'L (CHINA)-FIRM	Others	4.74%	25,996,024	0	Unknown
ZHONGSHAN GAOLING INVESTMENT CO., LTD	Others	2.49%	13,631,636	0	Unknown
TOYO SECURITIES ASIA LIMITED-A/C CLIENT.	Others	0.63%	3,475,767	0	Unknown
NAITO SECURITIES CO., LTD.	Others	0.56%	3,073,018	0	Unknown
CHINAFAMOUSBRAND SECURITIES HOLDING CO., LTD.	Others	0.41%	2,259,559	0	Unknown

Particulars on share held by top ten shareholders subject to non-conditional sales		
Name of shareholder	**Amount of shares subject to conditional sales**	**Type of share**
TENGDA PROPERTY CO., LTD.	52,147,348	Domestic listed foreign share
MORGAN STANLEY INT'L (CHINA)-FIRM	25,996,024	Domestic listed foreign share
ZHONGSHAN GAOLING INVESTMENT CO., LTD	13,631,636	RMB ordinary share
TOYO SECURITIES ASIA LIMITED-A/C CLIENT.	3,475,767	Domestic listed foreign share
NAITO SECURITIES CO., LTD.	3,073,018	Domestic listed foreign share
CHINAFAMOUSBRAND SECURITIES HOLDING CO., LTD.	2,259,559	Domestic listed foreign share
GUOTAI JUNAN SECURIES HONG KONG LIMITED	1,497,500	Domestic listed foreign share

CHINA SOUTHERN SECURITIES Hong Kong CO., LTD	1,400,000	Domestic listed foreign share
AIZAWA SECURITIES CO., LTD	1,205,557	Domestic listed foreign share
ABN AMRO BANK NV	1,135,798	Domestic listed foreign share
Explanation on affiliations or accord actions among the aforementioned shareholders	1. Among the top ten shareholders, the third, SHENZHEN ENERGY (GROUP) CO., LTD. holds indirectly a stake of 100% in the second , HONG KONG NAM HOI (INTERNATIONAL) LIMITED 2. It is unknown whether there is affiliated relation or accord actionist among other public shareholders.	

3.3 In the report period, the controlling shareholder and actual controller remain unchanged.

IV. Particulars about Directors, Supervisors and Senior Executives

4.1 Changes of shares held by directors, supervisors and senior executives

Name	Post	Shares held at period-beginning	Shares held at period-end	Reasons of changes
Sun Shoulin	Chief Engineer	16,301	20,127	Bonus shares due to Share Merger Reform

4.2 Directors, supervisors and senior executives remain unchanged in the report period.

V. Discussion and Analysis of the Management

5.1 Operations in the report period

In the first half year, cost of fuel takes up 90% of general production cost in subsidiaries of the Company, due to fuel price increase in the international market. At the meantime, Nanshan Power Plant (including Xindianli Company) burdened to execute a heavy yearly generator repairing; Interim electricity price of Zhongshan Nanlang Power Plant and Dongguan Gaobu Power Plant was relatively low. Problems similar to the aforementioned brought great challenge to the Company. Confronting with the severe outer environment, on basis of implementing the operating strategy of “Safety first, Cost focused and Profit oriented”, the Company timely adjusted producing and operating strategies for controlling subsidiaries accoding to changes of the outer environment, making detailed producing and operating plans and countermeasures,continuing to optimize modes of standardized operation, further strengthening budgeting supervisory management and increasing income while inducing cost, to lay a solid foundation for realizing yearly operating goals. Besides, the Company has been worked actively to further communications with local government, striving for preferance treatments such as eletricity allowance, to offset maximumly negative influence from the severe outer environment. The Company was trying to get done with perfecting the procedures related to projects in Zhongshan and Dongguan.

(1) Power supply

In accordance with electricity producing and operating principle made by the Board of Directors at year-beginning, considering oil price allowance and price of on-grid electricity allowance, subsidiary electricity companies adjusted quaterly or even monthly output of eletricity, reasonally arranging the production of electricity. In the first quarter, under the influence of mismatching betwwen price of on-grid electicity and price of oil, as well as heavy generator repairing, eletricity output was only 21.51% of that supposed in the yearly plan. After March, as policies of Zhongshan government and Dongguan government about direct supplying to major consumers were implemented, and generator repaired of Nanshan Power Plant and Xindianli Company were put into operation, electricity output achieved an obvious growth. Ended report period-end, 48.18% of the yearly plan had been accomplished. At the same time, the Company focused on all-round management concerning asset, finance, investment, person and vehicle, etc. on basis of ensuring production safety. The controlling subsidiaries kept good records in the report period.

①Nanshan Power Plant (including Xindianli Company) fulfilled an output of 1,607,614,500 Kilowatt-Hour in the first half year, down by 21.73% compared with the same period of the previous year due to a heavy generator repairing. In the report period, the Company received electricity allowance from Sep. to Dec. 2005, totaling to RMB 95,335,500; Jan. to Mar. 2006, RMB 91,462,200. Details are available in the First Quarterly Report 2006 and notice dated Jul. 28.

②Zhongshan Nanlang Power Plant fulfilled an output of 544,464,900 Kilowatt-Hour in the first half year, down by 12.31% compared with the same period of the previous year due to the Company’s controlling on output as oil price stood high. According to relative documents of Zhongshan government, basing on the interim electricity price of RMB 0.457 per Kilowatt-Hour (tax included) from Jan. to Apr., an allowance of RMB 0.183 per Kilowatt-Hour was favored to the company. Thus, price after favored was RMB 0.64 per Kilowatt-Hour (tax included). From May to Jun., basing on the interim electricity price of RMB 0.457 per Kilowatt-Hour (tax included), an allowance of RMB 0.333 per Kilowatt-Hour was favored to the company. Thus, price after favored was RMB 0.79 per Kilowatt-Hour (tax included). Details are available in notices dated May 29, 2006 and Jul. 28, 2006.

③Dongguan Gaobu Power Plant were put into commercial opertaion in Mar. 2006. It fulfilled an output of 417,070,000 Kilowatt-Hour in the first half year. According to relative documents of Dongguan government, basing on the interim electricity price of RMB 0.457 per Kilowatt-Hour (tax included) from Mar. to Apr., an allowance of RMB 0.283 per Kilowatt-Hour was favored to the company. Thus, price after favored was RMB 0.74 per Kilowatt-Hour (tax included). From May to Jun., basing on the interim electricity price of RMB 0.457 per Kilowatt-Hour (tax included), an allowance of RMB 0.333 per Kilowatt-Hour was favored to the company. Thus, price after favored was RMB 0.79 per Kilowatt-Hour (tax included). Details are available in notices dated Jun. 26, 2006.

(2) Non-power supply

①Combustion engine heat-electricity cogeneration project of Xindianli Company has audited and recognized by the Heat-Electricity Cogeneration Team of Guangdong Economic and Trade Commission, managing an outer supply of 211,680 tons, fulfilling 50.4% of the yearly plan.

②Engineering Company provided service on operating insurance for Dongguan East Town Dongxing Power Plant and Dongguang Tongming Power Plant and service on adjusting, operating insurance and combustion engine installing for Inner Mongolia Sulige Power Plant, as well as accepting adjusting engineering of S206B Concentrated Heat Supply for Beijing Zhengdong Electron Power Group Co. Ltd. At the meantime, the company worked positively to develop domestic and overseas projects about combustion engine engineering.

③Xiefu Company fulfilled product oil sales of 361,400 tons in the first half year.

(3) Changes in cost of generating fuel

In the first half year, fuel price in the international market kept up and stood high. Average price of heavy oil accounted into production cost was RMB 3,029.33 per ton (excluding VAT), up by 30.07% compared with the same period of the previous year; up by 19.35% compared with the whole of the previous year. Average price of light oil was RMB 4,245.80 per ton (excluding VAT), up by 21.63% compared with the same period of the previous year; up by 14.69% compared with the whole of the previous year. Expense on oil was up by RMB 218,249,500 compared with the same period of the previous year.

(4) Yearly examination and repairing

Yearly equipments heavy repairing of Nanshan Power Plant (including Xindianli Company) began on Nov. 5, 2005. The actual amount of occurred expenditure spent on heavy repair of No. 5 and No. 6 furnaces, expanding current repair of No. 7 and No. 9 engines, heavy repair of chemical water treatment machines, heavy repair of No. 1 and No. 2 engines, as well as medium repair of No. 10 and No. 11 engines was RMB 20,829,600.

(5) Progress of Oil-to-Gas project

Due to continuous effort of the Company, Oil-to-Gas project of Nanshan Power Plant (including Xindianli Company) has been approved by Shenzhen Development and Reform Bureau. On Oct. 10, the Project was approved by the Board of Directors and was started. The project was supposed to be completed in September. Due to delayed arrival of equipments, etc., the Company has been still trying to speed up construction of the project, planning to finish the reconstruction of natural gas systems in and out of the plant at year-end. It would be possible for the company to generate by burning natural gas then.

The company planed to start Oil-to-Gas project of Zhongshan Nanlang Power Plant in the year. Thus, the company further strengthens communication with natural resources owners, and looks for substitutes for natural gas, striving for supports from the government and all circles to settle problem on fuel and environmental protection of the subsidiaries.

(6) Particulars on implementation of operating indexes

In the report period, the Company accumulatively fulfilled an electricity output of 2,569,149,400 Kilowatt-Hour, realizing an income from prime operations of RMB 1,600,837,600, up by 5.87% compared with the same period of the previous year; cost of prime operations, RMB 1,753,912,200, up by 23.35% and profit from prime operations, RMB -153,622,400. With allowance of RMB 186,797,700 from the government, the company realized a net profit of RMB 39,860,000; earning per share, RMB -0.073.

5.2 Statement of prime operations classified according to industries and products

Unit: RMB’0000

Prime operations classified according to industries						
Industries or products	Income from prime operations	Cost of prime operations	Profit margin of prime operations（%）	Increase/decrease of income from prime operations compared with the same period of the previous year（%）	Increase/decrease of cost prime operations compared with the same period of the previous year（%）	Increase/decrease of profit margin of prime operations（%）
Producing and supply of power, steam, and heat water	156,748.86	172,689.95	-10.17	8.10	22.04	Down by 12.59
Other industries	3,334.90	2,701.27	19.00	-46.21	290.86	Down by 69.85
Prime operations classified according to products						
Power production	151,374.63	167,901.95	-10.92	4.40	18.66	Down by 13.34
Steam producing	5,374.23	4,788.00	10.91	—	—	Up by 10.91
Engineering contract	289.18	511.61	-76.92	-95.34	-25.97	Down by 165.77
Others	3,045.72	2,189.66	28.11	—	—	Up by 28.11

5.3 Statement of prime operations classified according to areas

Unit: RMB’0000

Areas	Income from prime operations	Increase/decrease of income from prime operations compared with the same period of the previous year（%）
Shenzhen	103,849.58	-18.60
Zhongshan	31,492.35	33.32
Dongguan	24,741.83	—

5.4 Particulars on operation of joint stock companies

Unit: RMB'0000

<table>
<tr><td colspan="2">Name</td><td colspan="3">Anhui Tongling Shenneng Electric Power Co. Ltd</td></tr>
<tr><td colspan="2">Contributed income from investments of the period</td><td>0.00</td><td>Proportion in net profit of the listed company</td><td>0.00</td></tr>
<tr><td rowspan="2">Company</td><td>Scope of operation</td><td colspan="3">Electricity producing and sales to the Grid</td></tr>
<tr><td>Net profit</td><td colspan="3">-2,026.01</td></tr>
<tr><td colspan="2">Name</td><td colspan="3">Shenzhen Energy- Environment Protection Engineering Co. Ltd</td></tr>
<tr><td colspan="2">Contributed income from investments of the period</td><td>0.00</td><td>Proportion in net profit of the listed company</td><td>0.00</td></tr>
<tr><td rowspan="2">Company</td><td>Scope of operation</td><td colspan="3">Investment in electricity producing by burning waste and other environment protection equipments</td></tr>
<tr><td>Net profit</td><td colspan="3">-1,351.43</td></tr>
</table>

5.5 Investments of the Company

(1) Investment of the raised proceeds

In the report period, the Company neither raised proceeds nor had proceeds raised prior to but extending to the report period.

(2) Investment of proceeds not raised through public offer

①Dongguan Gaobu Power Plant project: The two sets gas-Steam combined cycle generators (installed capacity: 2×18 ten thousand Kilowatt-Hour) invested by Shennandian (Dongguan) Company has put into commercial operation on Mar. 13, 2006 night.

②Oil-to-Gas project: Oil-to-Gas project of Nanshan Power Plant (including Xindianli Company) has been approved in the 17th Meeting of the 4th Board of Directors, and was started on Jan. 15, 2006. The Company was to complete reconstruction of bypass line project of natural gas supply of Nanshan Power Plant (including Xindianli Company) during heavy straddling over years, making it possible to generate by burning natural gas.

5.6 Profitability (gross profit margin) of prime operations in the report period was -9.60%, achieving a negative growth of 9.38% compared with -0.22% of the previous year, mainly because oil price in the international market continuously went up, which led to an increase of fuel cost for generating electricity.

VI. Significant Events

6.1 Corporate governance

The actual governance of the Company is in accordance with the relevant regulations on the governance of listed companies promulgated by CSRC. The Company

established the legal person's administrative structure in accordance with Code of Corporate Governance for Listed Companies in China, and strictly complied with Company Law, Securities Law, the Articles of Association and the requirements of relevant laws and regulations in the operations of the Company.
In the report period, the Company continued to perfect the inner control system, and revised the documents such as the Articles of Association, Rules of Procedure of Shareholders' General Meeting, the Rules of Procedure of Board Meeting, the Rules of Procedure of Supervisory Committee Meeting according to the new regulations on Company Law, Securities Law, Rules of Procedure of Shareholders' General Meeting of Listed Company, Guidance on Articles of Association of Listed Companies and Stock Listing Rules of Shenzhen Securities Exchange (2006 Amendment) combing with the actual conditions of the Company.

6.2 Profit distribution plan and its implementation in the report period
2005 Shareholders' General Meeting of the Company examined and approved 2005 Profit Distribution Plan: The Company did not distribute the profit distribution and would not conduct capital public reserve into share capital. In view of that the international oil price remained high, thus the fuel oil cost of the Company increased with a great margin; the undistributed profit of the Company in 2005 would be used in supplementing the current funds needed in the routine operations of the Company.
The Company would neither distribute profits nor convert public reserve into share capital in the interim of 2006.

6.3 In the report period, the Company had no material lawsuits and arbitrations.

6.4 In the report period, the Company had no significant acquisition, merger or reorganization of assets.

6.5 In the report period, the Company had no material related transactions; the routine related transactions were as follows:

Type of related transaction	Related party	Amount of Jan. to Jun, 2006	Amount of Jan. to Jun, 2005
Oil discharge in jetty	Shenzhen Moon Bay Oil-bearing Port Co., Ltd.	RMB 7,070,000	RMB2,215,300

Note: The details of the routine related transaction please refer to the relevant notice published on June 9, 2006.

6.6 In the report, the Company, its Board of Director and directors received no inspection, administrative penalty and criticism by circulating a notice from China Securities Regulatory Commission and public censure from Shenzhen Stock Exchange.

6.7 Significant guarantee

Unit: RMB'0000

Particulars about external guarantees (excluding guarantees for controlling subsidiary company)						
Name of warrantee	**Date of happening (date of agreement signing)**	**Amount of guarantee**	**Type of guarantee**	**Term of guarantee**	**Accomplished or not**	**Guarantee for related parties or not (yes or no)**
—	—	—	—	—	—	—

Total amount of guarantee in the report period	0.00
Total balance of guarantee at the end of the report period (A)	0.00
Guarantees of the Company for controlling subsidiaries	
Total amount of guarantee for controlling subsidiaries in the report period	54,896.15
Total balance of guarantee for controlling subsidiaries at the end of the report period (B)	20,627.15
Particulars about external guarantees of the Company (Including guarantees for controlling subsidiaries)	
Total amount of guarantee (A+B)	20,627.15
The proportion of the total amount of guarantee in the net assets of the Company	13.89%
Including:	
Total amount of guarantee for the shareholders, actual controllers and the relevant parties (C)	0.00
The debts guarantee amount directly or indirectly provided for the guarantee of which the assets-liability ratio exceeded 70% (D)	20,627.15
Proportion of total amount of guarantee in net assets of the Company exceeded 50% (E)	0.00
Total amount of the aforesaid guarantees* (C+D+E)	20,627.15

6.8 Current credits and liabilities related with the Company

Unit: RMB’0000

Name of related parties	Relationship with the listed company	Funds supplied by the listed company to related parties		Funds supplied by related parties to the listed company	
		Amount occurred	Balance	Amount occurred	Balance
Shenzhen Moon Bay Renhe Industry Co., Ltd.	Affiliate enterprise	—	—	10.54	10.54
Shenzhen Moon Bay Oil-bearing Port Co., Ltd.	Shares indirectly controlled by Shenzhen Energy Group Co., Ltd	—	—	-37.81	266.82
Shenzhen Energy Group Co., Ltd.	Shareholder party	—	—	-0.22	54.52
Total		—	—	-27.49	331.88

6.9 Significant contracts and implementation

(1) In the report period, except that Xindianli Company trusted the assets of project of residual heat power generation to the Company for operation and management, the Company did not trust, contract and lease the assets of other companies, or vice versa.
(2) In the report period, the Company had no other material contracts.
(3) In the report period, the Company didn't entrust others to manage cash assets.

6.10 The commitments made by the original tradable shareholders in the Share Merger Reform were legal ones; in addition, the Company or the shareholders holding over 5% shares (including 5%) had no commitment that would probably impact significant influence on the operating cost and financial position of the Company in the report period or happening in the previous years but going down to the report period.

VII. Financial Report (un-audited)

7.1 Auditing opinion

Financial Report	√ Un-audited ☐ Audited

7.2 2006 Interim Financial Report (un-audited) (enclosed)

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

VIII. Other data information

8.1 Statement of assets depreciation reserve
Prepared by Shenzhen Nanshan Power Co., Ltd. June 30, 2006 Unit: RMB

Items	Balance at year-begin	Increase in the report period	Decrease in the report period			Amount at year-end
			Switching back due to recovered price of assets	Transferring out due to other reasons	Total	
Ⅰ. Total reserve for bad debts	21,892,959.49	38,128,679.01				60,021,638.50
Including: Accounts receivable						
Other receivables	21,892,959.49	38,128,679.01				60,021,638.50

Ⅱ. Total reserve for falling price of short-term investment						
Including: Stocks investment						
Bonds investment						
Ⅲ. Reserve for falling price of inventories	6,843,694.05					6,843,694.05
Including: Inventory goods						
Raw material	6,843,694.05					6,843,694.05
Ⅳ. Total reserve for devaluation of long-term investment						
Including: Long-term equity investment						
Long-term debt investment						
Ⅴ. Total reserve for devaluation of fixed assets						
Including: Houses and Building						
Machinery equipment						
Ⅵ. Reserve for devaluation of intangible assets	1,652,772.45					1,652,772.45
Including: Patent right						
Trademark right						
Ⅶ. Reserve for devaluation of construction in progress						
Ⅷ. Reserve for devaluation of commission loan						
IX. Total	30,389,425.99	38,128,679.01				68,518,105.00

8.2 In the report period, the domestic CPA and international CPA engaged by the Company were not changed.

IX. Documents Available for Reference

9.1 The SEMI-ANNUAL REPORT 2006 carried with the personnel signature of legal representative;

9.2 Accounting Statements carried with the signature and seals of the legal representative, General Manager and CFO;

9.3 All the originals of the Company's documents and public notices disclosed in Securities Times, China Securities and Wen Wei Po in the report period;

9.4 Articles of Association of the Company recently examined and approved by Shareholders' General Meeting;

9.5 Place for inspection: Secretariat of the Board of Director of the Company.

Board of Directors of
Shenzhen Nanshan Power Station Co., Ltd.
August 22, 2006

Condensed Consolidated Profit and Loss Statement

（Except for additional notes, unit of the amount is in RMB thousand）

	Note	Un-audited	
		2006	2005
		June 30	**June 30**
Sales		1,600,838	1,512,012
Other income-net amount		210,052	19,282
		1,810,890	1,531,294
Fuel cost		-1,536,999	-1,213,850
Construction cost		-5,161	-9,382
Employment cost		-48,253	-50,444
Depreciation of fixed assets		-104,503	-95,851
Amortization of intangible assets		-5,300	-4,630
Rent on operation purpose - equipment		-14,082	-19,196
Repair and maintenance expenses		-28,547	-32,023
Other operating expenses		-41,140	-33,942
Operating profits		26,906	71,976
Financing cost		-57,806	-38,786
Profits of affiliated companies		-16,007	6,905
Profits before taxation		-46,907	40,095
Expense of income tax		-8,960	-9,056
Annual profit		-55,867	31,039
Occupation			
the equity owner of the Company		-39,860	25,845
Equity of minority shareholders		-16,007	5,194
		-55,867	31,039

Condensed Consolidated Balance Sheet

（Except for additional notes, unit of the amount is in RMB thousand）

	Order	**Un-audited Jun.30, 2006**	**Audited and revised Dec. 31, 2005**
Asset	Order		
Non-current asset	1		
Land use rights	2	41,876	36,888
Intangible assets	3	43,348	33,360
Property, machinery and equipment	4	3,049,079	2,919,201
Equities of affiliated companies	5	3,171	25,400
Deferred tax-asset	6	8,936	8,936
Financial asset available for sales	8	81,850	53,919
Non-tradable securities	9		
	10		
	11	3,228,260	3,077,704
Current assets	12		
Inventories	13	551,819	430,329
Trade and other receivables	16	956,029	448,131
Bank balance and cash	17	452,324	307,525
	18	1,960,172	1,185,985
Total asset	19	5,188,432	4,263,689
	20		
Equity	21		
Capital and reserve occupied in equity holders of the Company	22		
Share capital	23	547,966	547,966
Other reserve	24	735,907	735,907
Reserved surplus	25		
Proposed dividend at the end of report period	26		
other	27	183,552	223,534
	28	1,467,425	1,507,407
Minority’s equity	29	197,388	172,898
Total equity	30	1,664,813	1,680,305
	31		
Liabilities	32		
Non-current liabilities	33		
Loans	34	475,368	416,783
	35		
Current liabilities	36		
Trade and other account payable	37	1,089,713	797,340

Contracted amount of constructions payable to customers	39		
Liabilities of income tax in the report period	43	8,033	10,685
loan	45	1,950,505	1,358,576
	46	3,048,251	2,166,601
Total liabilities	47	3,523,619	2,583,384
Total equity and liabilities	48	5,188,432	4,263,689

Condensed Consolidated Equity Change Statement
6 months ended Jun., 30, 2006

Un-audited

	Note	**Occupation of equity owner of the Company**			**Minority shareholders' equity**	**Total equity**
		Share capital	**Other reserve**	**Reserved surplus**		
Balance as of Jan. 1, 2005; relisted		547,966	700,663	507,963	102,033	1,858,625
Dividend in 2004		-	-	-273,983	-	-273,983
Annual surplus		-	-	29,919	-22,463	7,456
Reevaluation of the financial asset available for sales		-	-2,910	-	-	-2,910
Distribution from reserved surplus		-	40,365	-40,365	-	-
Capital invested by minority shareholders		-	-	-	93,328	93,328
Balance of monetary exchange		-	-2,211	-	-	-2,211
Balance as of Dec. 31, 2005		547,966	735,907	223,534	172,898	1,680,305
Annual surplus				-39,860	-16,007	-55,867
Reevaluation of the financial asset available for sales						0
Distribution from reserved surplus						0

Capital invested by minority shareholders				40497	40,497
Balance of monetary exchange			-122		-122
Balance as of June 30, 2006	547,966	735,907	183,552	197,388	1,664,813

Condensed Consolidated Statement of Cash Flow
6 months ended Jun., 30, 2006

	Un-audited 2006 Jan. to Jun.
Cash flow arising from operating activities	
Cash arising from operating activities	-409,649
Income tax paid	
Net cash arising from operating activities	-409,649
Cash flow arising from investment	
Purchasing property, machinery, equipment and land use right	-300,818
Amount of sales of property, machinery and equipment	1,830
Purchase of intangible asset	
Interest received	1,689
Dividend received	
Borrowing-loan of affiliated company	
Amount of loan repayment by affiliated company	
Net cash of investment	-297,299
Account from loan	2,099,881
Repayment of loan	-1,210,164
Dividend paid	-56,119
Capital invested by minority shareholders	31,308

Dividend paid to shareholders of the Company	-13,162
Net cash arising from financing activities	851,744
Decrease/increase of cash	144,796
Cash in the year-begin	307,527
Losses/gains of cash exchange	
Cash in the year-end	452,323

1. General Information

Shenzhen Nanshan Power Station Co., Ltd (hereinafter referred to as the Company) is an incorporated company registered in People's Republic China (hereinafter referred to as China). The Company issues A-share and B-share listed with Shenzhen Stock Exchange. The Company and its affiliates (jointly referred to as the Group) are mainly engaged in power generation in the domestic market of China.

2. Methods for preparing the consolidated accounting statements and the main accounting policies

The unaudited Condensed Interim Financial Report (Interim Financial Report) was prepared in accordance with Hong Kong financial report standards (shortly referred to as Report Standards).

3. Business turnover and revenues

The Group is mainly engaged in power generation. In the report period, revenues are stated as follows:

	6 months ended June30	
	2006	2005
	RMB'000	RMB'000
Sales		
Sales of Power	1,513,746	1,450,012
Income from sales of power	53,743	
Incomes from contracted projects	2,892	62,000
Other sales income	30,457	
	1,600,838	1,512,012
Other income-net amount		
-Other income	20,357	10,903
-Returned tax	319	-

- Subsidiary of generation fuel	186,798	5,925
-Incomes from consultation service	591	1,010
- Income from interests	1,987	1,444
	210,052	19,282

4. Operating cost

	Note	2006 June 30	2005 June 30
Fuel cost		-1,536,999	-1,213,850
Construction cost		-5,161	-9,382
Employment cost		-48,253	-50,444
Depreciation of fixed asset		-104,503	-95,851
Land use right and amortization of intangible asset		-5,300	-4,630
Expense of operating lease-equipment		-14,082	-19,196
Expense of maintenance		-28,547	-32,023
Other operating expense		-41,140	-33,942

5. Financing cost

	2006 June 30	2005 June 30
Financing cost	-57,806	-38,786

6. Taxes

The taxes accounted in the consolidated profit and loss statement include:

	2006 June 30	2005 June 30
Expense of income tax	-8,960	-9,056