

SHENZHEN NANSHAN POWER CO., LTD.
THE 1st QUARTERLY REPORT FOR 2007

§1. Important Notice

1.1 The Board of Directors and Supervisory Committee of Shenzhen Nanshan Power Co., Ltd. (hereinafter referred to as the Company) and its directors, supervisors and senior executives hereby confirm that there are not any fictitious statements, misleading information and important omissions 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 1st Quarterly Report, or have any 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
Zhou Chengxin	Haven't presented due to business	Yu Xiufeng

1.4 The financial report for the 1st Quarterly of the Company has not been audited by CPAs.

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 1st Quarterly Report is true and complete.

§2. Company Profile

2.1 Main Accounting Highlights and Financial Indexes:

Unit: RMB'000

Item	At the end of the report period	At the end of last year	Increase/decrease (%)
Total assets	4, 479, 258	4, 878, 412	-8. 18
Shareholders' equity (excluded minority shareholders' equity)	1, 577, 595	1, 576, 612	0. 06
Net assets per share (RMB)	2. 879	2. 877	0. 06

	In the report period	The same period of last year	Increase/decrease
Net cash flow arising from operating activities	177,918	-185,396	195.97
Earnings per share (RMB)	0.002	0.012	-84.46
Return on equity (%)	0.06	0.42	-0.36

Items of non-recurring gains and losses

Unit: RMB

Items of non-recurring gains and losses	Amount from year-begin to end of report period
Income from disposal of fixed assets	91,568.93
Donation	-24,000.00
Total	67,568.93

2.2 Total number of shareholders in the end of the report period and shares held by the top ten shareholders with unrestricted conditions

Unit: Share

Total number of shareholders	25,272	
Shares held by the top ten shareholders with unrestricted conditions		
Full Name of the shareholder	Amount of unrestricted shares held	Type of shares
TENGDA PROPERTY CO., LTD.	60,737,449	Domestically listed foreign share
MORGAN STANLEY INT'L (CHINA)-FIRM	26,676,024	Domestically listed foreign share
ZHONGSHAN GAOLING INVESTMENT CO., LTD	15,201,676	RMB common share
GUOTAI JUNAN SECURITIES HONG KONG LIMITED	4,588,859	Domestically listed foreign share
CHINAFAMOUSBRAND SECURITIES HOLDING CO.,LTD	3,659,559	Domestically listed foreign share
TOYO SECURITIES ASIA LIMITED-A/C CLIENT.	2,322,399	Domestically listed foreign share
NAITO SECURITIES CO., LTD.	2,198,167	Domestically listed foreign share
Shanghai Nandu Weifeng Investment Management. Co., Ltd.	2,036,600	RMB common share
HSBC PRIVATE BANK (SUISSE) SA GENEVA	1,199,919	Domestically listed foreign share
Yang Shimin	1,181,400	Domestically listed foreign share

§3 Significant events

3.1 Particulars about material changes in items of main accounting statement and financial index, and explanations of reasons

Applicable Inapplicable

The Company has carried out the new accounting standards since Jan.1, 2007; all the accounting statement items were compiled in accordance with the requirement of new accounting standards. In the report period, the Company realized operating income amounting to RMB 595,545,400, which decreased 21.06% compared with the same period of last year; net profit amounting to RMB 983,000, which decreased 84.46% compared with the same period of last year. The main reasons were: i. The power generation income reduced due to the decrease in power generation volume; ii. The financial expense increased due to the up-regulated basic interest rate of the bank; iii. The subsidy income of fuel decreased.

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

Applicable Inapplicable

1. The shareholder of the Company Shenzhen State Power Science And Technology Development Co., Ltd. has renamed to State Grid Shenzhen Power Development Group Co., Ltd. (For details, please refer to relevant public notice published by the Company dated Jan.23 in current year)
2. The foreign shareholder of the Company Tengda Real Estate Co., Ltd. and its consistent action person has purchased Shen Nan Dian B shares through securities trading system of Shenzhen Stock Exchange during the period from Jul.30, 2006 to Feb.5, 2007, ended Feb.5, 2007, they totally held 86,733,473 shares which took up 15.83% of the total shares of the Company. (For details, please refer to relevant public notice of the Company dated Feb.8 in current year)
3. In order to ensure the power supply in Shenzhen, relieve the operation difficulties of fuel power plant resulted from the oil price increase in international market, the Shenzhen government promulgated the Provisional Administrative Rules on Power Generation Subsidy of Local Combustion Sets in Shenzhen in current year, and reasonably compensated the fuel cost quarterly corresponding with the exceeded part of electricity price to grid approved by the price authority resulted from the oil price increase in international market, including 70% compensated by the government, and 30% assimilated by the Company itself. (For details, please refer to relevant public notice of the Company dated Mar.15 in current year)
4. The restricted A shares held by related non-circulating shareholders in A share market (Shenzhen Guangju Electronic Investment Co., Ltd., Shenzhen Energy Group Co., Ltd., State Grid Shenzhen Power Development Group Co., Ltd.) after the share merger reform have been partially released sales restriction since Apr.3, 2007 which totally amounted to 82,194,900 shares, taking up 15% of the total shares of the Company at present. (For details, please refer to relevant public notice of the Company dated Mar.29 in current year)

5. In the report period, the Company received power generation subsidy of the Company and its wholly owned subsidiary Shenzhen New Power Industrial Co., Ltd. in Nov. and Dec. of 2006 amounting to RMB 23,296,700; according to relevant situation of Provisional Administrative Rules on Power Generation Subsidy of Local Combustion Sets in Shenzhen and power generation volume and oil price of the Company in the 1st quarter, calculated the power generation subsidy from Jan. to Mar. in 2007 amounting to RMB 39,872,400.

3.3 Implementations of commitments by the Company, shareholders and actual controller

Applicable Inapplicable

3.4 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

3.5 Differences between the shareholders' equity in period-begin of 2007 listed in balance sheet of the quarterly report and shareholders' equity in period-begin of 2007 listed in Reconciliation Statement on Differences of Shareholders' Equity Based on Old and New Accounting Standards, and explanations of reasons

Applicable Inapplicable

§4 Appendix

4.1 Consolidated balance sheet

(Except additional indications, all the units were in RMB' 000)

	Unaudited 2007 Mar.31	Audited 2006 Dec.31
Assets		
Non-current assets		
Land use right	69,042	70,045
Intangible assets	24,651	25,188
Property, machines and equipments	2,861,027	2,910,064
Rights and interests of affiliated company		
Deferred income tax assets	10,299	10,243
Financial assets available for sales	61,705	61,705
	3,026,724	3,077,245

Current assets		
Inventory	359,432	379,643
Trade and other receivable account	671,358	798,010
Cash and cash equivalent	421,744	623,514
	<u>1,452,534</u>	<u>1,801,167</u>
Total assets	<u>4,479,258</u>	<u>4,878,412</u>
Equity		
Capital and reserves attributable to equity holders of the Company		
Capital share	547,966	547,966
Other reserves	753,240	753,240
Retained earnings	276,389	275,406
	<u>1,577,595</u>	<u>1,576,612</u>
Minority shareholders' equity	195,537	207,530
Total equity	<u>1,773,132</u>	<u>1,784,142</u>
Liability		
Non current liability		
Bank loans	445,491	321,467
Current liability		
Trade and other payable account	450,315	622,152
Income tax liability in current period	21,464	19,870
Bank loans	1,788,855	2,130,781
	<u>2,260,634</u>	<u>2,772,803</u>
Total liability	<u>2,706,126</u>	<u>3,094,270</u>
Total equity and liability	<u>4,479,258</u>	<u>4,878,412</u>

4.2 Consolidated income statement

(Except additional indications, all the units were in RMB'000)

	Unaudited	Unaudited
	2007	2006
	Mar.31	Mar.31
Sales	593,456	750,299
Other income-net amount	65,259	99,841
	<u>658,714</u>	<u>850,140</u>
Fuel cost	-433,345	-667,336

Construction cost	0	-2,707
Employee welfare expense	-23,702	-25,317
Depreciation of fixed assets	-49,037	-48,399
Amortization of land use right and intangible assets	-2,766	-2,819
Operative leasing expenses-equipment	-6,908	-7,041
Maintenance expenses	-26,262	-9,270
Other operation cost	-90,429	-62,158
Operation earnings	26,265	25,093
Financing cost	-35,339	-29,009
Gains attributable to affiliated companies	0	
Profit before income tax	-9,073	-3,916
Income tax expenses	-2,327	
Annual profit	-11,400	-3,916
Attributable to:		
Equity holder of the Company	983	6,323
Minority shareholders' equity	-12,384	-10,239
	-11,400	-3,916
Profit per share attributable to equity holders of the Company – basic and diluted (calculated by RMB per share)	0.002	0.012

4.3 Consolidated cash flow statement

(Except additional indications, all the units were in RMB'000)

	Unaudited 2007 Jan. to Mar.
Cash flow from operation activities	
Cash using/arising from operation	178,652
Income tax paid	-734

Net cash using/arising from operation activities	177,918
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Cash flow from investing activities	
Purchased property, machine & land use right	-120,313
Amount of selling property, machine and equipment	209
Intangible assets purchased	
Consolidated subsidiaries	
Amount arising from selling affiliated companies	
Dividend received	
Interest received	1,457
Credit – loans of associated companies	
Income of loans repaid by associated companies	
Net cash using from investing activities	-118,647
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Cash flow arising from financing activities	
Income from bank loans	712,179
Repaying bank loans	-938,817
Interest paid	-33,623
Input assets of minority shareholders	0
Dividends paid for shareholders of the Company	0
Net cash arising/using from financing activities	-260,261
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Increase /decrease of net cash	-200,992
Cash at the year-begin	622,736
Losses from cash exchange	
Cash at the end of the year	421,744
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**Board of Directors of
Shenzhen Nanshan Power Co., Ltd.**
April 24, 2007