

# **SHENZHEN NANSHAN POWER CO., LTD.**

## **SEMI-ANNUAL REPORT 2007**

**Notice No. 2007-34**

August 22, 2007

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## 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 and senior executive stated that he (she) couldn't ensure the correctness, accuracy and completeness of the contents of the Semi-annual Report or have objection to this report.

1.3 Director Huang Sujian did not attend the meeting due to work and entrusted Director Yu Xiufeng to attend the meeting and vote on his behalf.

1.4 The Semi-annual Report 2007 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 Semi-annual Report 2007.

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 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: 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

RMB: The financial data and amount in this report are expressed in RMB except for otherwise stated.

## II. Company Profile

### 2.1 Basic Information

Legal Name of the Company:

In Chinese: 深圳南山热电股份有限公司

In English: Shenzhen Nanshan Power Co., Ltd.

Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form of the Stock and Stock Code: Shen Nan Dian A 000037

Shen Nan Dian B 200037

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.nsr.com.cn>

E-mail: [public@nspower.com.cn](mailto:public@nspower.com.cn)

Legal Representative: Wei Wende

Secretary of the Board: Hu Qin

Tel/ Fax: (086)755-26003604, 26003684

E-mail: [investor@nspower.com.cn](mailto:investor@nspower.com.cn)

Contact address: 17/F, Hantang Building, OCT, Nanshan District, Shenzhen, Guangdong Province

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 Semi-Annual Report is Prepared and Placed: Secretariat of the Board

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: Guangzhou 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

	Jan.-Jun. 2007	Jan.-Jun. 2006	Increase/decrease in this report period compared with the same period of last year (%)
Turnover	1,462,167	1,600,838	-8.66
Other income-net amount	173,358	210,052	-17.47
Annual profit of equity holders of the Company	25,632	-39,860	164.31
Total shareholders' fund	1,602,640	1,467,425	9.21
Earnings per share (RMB)	0.047	-0.073	164.38
Net assets per share (RMB)	2.92	2.68	8.96

### 2.2.2 Difference under CAS and IAS

Items	Net assets (RMB'000) (Ended Jun. 30, 2007)	Net Profit (RMB'000) (Jan. to Jun. 2007)
Calculation in accordance with CAS	1,612,820	25,632
Adjustment in accordance with IAS		
Adjustment based on influence of HK Financial Report Standards		
Reevaluation of financial assets available for sale	-10,180	0
Calculation in accordance with IAS	1,602,640	25,632

## III. Change in Share Capital and Particulars about Shareholders

### 3.1 Particulars about equity change

In the report period, the total shares of the Company did not change; the shares with restricted conditions for sales were released restriction on April 2, 2007 which resulted in changes of share structure:

Unit: Share

Items	Before the Changes	Increase/Decrease in the Change (+, -)	After the Change
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	Amount	Proportion (%)	Rationed share	Bonus shares	Capitalization of public reserve	Additional issuing	Other	Subtotal	Amount	Proportion (%)
I. Restricted shares	311,798,745	56.90					-82,203,215	-82,203,215	229,595,530	41.90
1. State-owned shares										
2. State-owned legal person's shares	228,030,210	41.61					-82,194,900	-82,194,900	145,835,310	26.62
3. Other domestic shares	20,127	0.004					-8,315	-8,315	11,812	0.002
Including: Domestic legal person's shares										
Domestic natural person's shares	20,127	0.004					-8,315	-8,315	11,812	0.002
4. Foreign shares	83,748,408	15.28							83,748,408	15.28
Including: Foreign legal person's shares	83,748,408	15.28							83,748,408	15.28
Foreign natural person's shares										
II. Unrestricted shares	236,167,253	43.10					+82,203,215	+82,203,215	318,370,468	58.10
1. RMB Ordinary shares	80,047,982	14.61					+82,203,215	+82,203,215	162,251,197	29.61
2. Domestically listed foreign shares	156,119,271	28.49							156,119,271	28.49
3. Overseas listed foreign shares										
4. Others										
III. Total shares	547,965,998	100							547,965,998	100

Notes: the shares before the changes of Other Domestic Shares in restricted shares were held by former senior executive Sun Shoulin which were all released restrictions for trade with the expiration of half year lock-up period due to his leaving post; the shares after change were held by deputy general manager Zhang Jie.

### 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 35,548 shareholders of the Company, including 22,262 of A shares and 13,286 of B shares.

Unit: Share

Total amount of shareholders	35,548				
Particulars about the shares held by the top ten shareholders					
Full Name of shareholder	Nature of	Proportion of	Total amount of	Amount of the	Amount of

	shareholders	shares held	shares held	restricted shares held	shares pledged or frozen
SHENZHEN GUANGJU ELECTRONIC INVESTMENT CO., LTD	State-owned legal person	21.68%	118,800,636	91,402,336	0
HONG KONG NAM HOI (INTERNATIONAL) LIMITED	Foreign legal person	15.28%	83,748,408	83,748,408	0
TENGDA PROPERTY CO., LTD.	Foreign legal person	11.08%	60,737,449	0	0
SHENZHEN ENERGY (GROUP) CO., LTD.	State-owned legal person	10.80%	59,187,391	31,789,091	0
STATE GRID SHENZHEN ENERGY DEVELOPMENT (GROUP) CO.,LTD.	State-owned legal person	9.13%	50,042,183	22,643,883	0
MORGAN STANLEY & CO.INTERNATIONAL PLC	Foreign legal person	4.74%	25,996,024	0	Unknown
ZHONGSHAN GAOLING INVESTMENT CO., LTD	Domestic non-state-owned legal person	2.49%	13,753,800	0	0
CHINAFAMOUSBRAND SECURITIES HOLDING CO., LTD.	Foreign legal person	0.41%	2,224,459	0	Unknown
YANG SHI MIN	Foreign natural person	0.41%	1,739,133	0	Unknown
TOYO SECURITIES ASIA LIMITED-A/C CLIENT.	Foreign legal person	0.63%	1,710,023	0	Unknown
Particulars about the shares held by the top ten unrestricted shareholders					
Full Name of shareholder	Amount of unrestricted shares held		Type of shares		
TENGDA PROPERTY CO., LTD.	60,737,449		Domestically listed foreign share		
SHENZHEN GUANGJU ELECTRONIC INVESTMENT CO., LTD	27,398,300		RMB ordinary share		
SHENZHEN ENERGY (GROUP) CO., LTD.	27,398,300		RMB ordinary share		
STATE GRID SHENZHEN ENERGY DEVELOPMENT (GROUP) CO.,LTD.	27,398,300		RMB ordinary share		
MORGAN STANLEY& CO. INTERNATIONAL PLC	25,996,024		Domestically listed foreign share		
ZHONGSHAN GAOLING INVESTMENT CO., LTD	13,753,800		RMB ordinary share		
CHINAFAMOUSBRAND SECURITIES HOLDING CO., LTD.	2,224,459		Domestically listed foreign share		
YANG SHI MIN	1,739,133		Domestically listed foreign share		
TOYO SECURITIES ASIA LIMITED-A/C CLIENT.	1,710,023		Domestically listed foreign share		
NAITO SECURITIES CO., LTD.	1,680,025		Domestically listed foreign share		

Explanation on associated relationship among the top ten shareholders or consistent action	<p>1. The fourth shareholder, Shenzhen Energy (Group) Co., Ltd. holds indirectly 100% equity of the second shareholder Hong Kong Nam Hoi (International) Limited;</p> <p>2. The consistent actor of the third shareholder Tengda Property Co., Ltd held B tradable shares of the Company through the sixth shareholder MORGAN STANLEY&amp; CO. INTERNATIONAL PLC.</p> <p>3. Among other social public shareholders, the Company did not know whether there were associated relationships or belonging to consistent actors.</p>
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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(Share)	Shares held at period-end(Share)	The shares available for sales in this period(Share)
Zhang Jie	Deputy General Manager	15,750	15,750	3,938

The shares of the Company held by Ms. Zhang Jie were purchased-in before Dec.30, 2006 as deputy general manager of the Company.

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

## V. Discussion and Analysis of the Management

In the first half year, the Company overcame the difficulty in aspect of continuously increasing price of fuel oil on international market etc., stick to carry out operation concept of “Safety-critical, Cost-ahead, and Profit-based”, firmly seized the equipment administration, safe production and economic generation, at the same time, actively developed relevant work such as consummating internal control system of the Company, management and hackling business chain, information construction, optimizing human resource system etc.. In order to strengthen the ability of resisting the market risk, seek for long-term and sustainable development of the Enterprise, the Company firmly seized the operation management of deposit assets, meanwhile actively seek adjustment of industry structure, tried hard to explore new project, laid an good foundation for realizing various annual production and operation objectives.

### (I) Electric power production

In the first half of current year, the public electric power consumption in Guangdong province increased rapidly, and the electrical load of provincial grid climbed remarkably. Total electric power supply amount in whole province in first half year amounts to 141.986 billion KW/H, which increased 14.32% year-on-year. The inconsistency between supply and demand of electric power in Shenzhen is especially remarkable, the electric power supply of the whole city amounts to 24.236 billion KW/H, which increased 14.93% year-on-year, whose increasing scope is higher than the whole province. But in aspect of electric power attempering structure, Guangdong province increased unified regulated electric quantity, increased 19.79% year-on-year, and non-unified regulated electric quantity of thermal power decreased 5.34% year-on-year. The non-unified regulated electric quantity of Shenzhen decreased 7.52% year-on-year.

i. Nanshan Power Plant (including Xindianli Company) accomplished electric power generation (converted electric power generation for steam supply) amounting to 1.60719 billion KW/H in the first half year, resulted from the non-unified regulated electric quantity in its locus Shenzhen in the first half year decreased 7.52% year-on-year, superadded the influences of partial units implemented annual large maintenance and Oil-to-Gas project, and No.5, 6, 8 unit quit commercial operation because of the environmental protection policy of government etc., decreased 3.91% year-on-year.

ii. According to the implementation situation of “High Come and High Go” electrovalence policy, through economic electric generating strategy, Shennandian (Zhongshan) Company reduced electric generating loss, improved operational economic benefit. In the first half year, accomplished electric power generation amounting to 450.38 million KW/H, though decreased 17.28%, the net profit decreased loss amounting to 54.46%.

iii. Shennandian (Dongguan) Company in order to carry on environmental appraisal, accomplished electric power generation amounting to 255.61 million KW/H in the first half year, which decreased 38.71% year-on-year. The Environmental Impact Statement of the Company has already been replied by State Environmental Protection Administration of China at the beginning of July in current year.

As the aforementioned, the Company accumulatively accomplished electric power generation (converted electric power generation for steam supply) amounting to 2.313 billion KW/H in the first half year, which decreased 12.13% year-on-year. The accumulative fuel oil consumed amounted to 248,204.5 tons and the natural gas consumed amounted to 2,621,200GJoule.

## (II) Production of non-electric power

i. In the first half year, the Engineering Company successfully completed the 1<sup>st</sup> phase of Oil-to-Gas Project of Nanshan Power Plant (including Xindianli Company) and operating insurance project of Inner Mongolia Sulige Power Plant, accepted Qinghai Geermu Power Plant Project, Beijing Zhengdong Power Plant Project and technique service business of Oil-to-Gas Project of Zhongshan Nanlang Power Plant and Dongguan Gaobu Power Plant, meanwhile the oversea engineering project of

combustion power station have also been developed actively.

ii. Influenced by partial units of Nanshan Power Plant (including Xindianli Company) changed to burn natural gas and increased direct domestic purchase etc. factors, Xiefu Company accomplished total operation of oil products amounting to 261,000 ton in the first half year, decreased 27.78% year-on-year.

### (III) Heat-electricity co-generation project

The heat-electricity co-generation project which Nanshan Power Plant (including Xindianli Company) applied to carry on has been replied on preparation work agreement by Shenzhen Bureau of Development & Reform, at present, it's in the process of feasibility research.

Shennandian (Zhongshan) Company has been replied by Zhongshan Government and Bureau of Development & Reform of the city, and confirmed as electrical source point of Zhongshan thermal power grid programming; the Feasibility Research Report of heat-electricity co-generation project has passed the examination and appraisal of experts , and has already signed Letter of Intent on Natural Gas Supply with China National Offshore Oil Co. Gas & Power Ltd.

Shennandian (Dongguan) Company has been brought into energy sources programming of the whole Dongguan city, its Heat-electricity Co-supply Scheme is waited to be examined and replied by Dongguan Bureau of Development & Reform, and its Environmental Impact Statement has been replied by State Environmental Protection Administration of China; at the same time, this company has been ranked as natural gas consumer by Guangdong Dapeng Natural Gas Company, and acquired the reply letter on the two Company's "Together Construction of Last Station of Gaobu Power Plant".

### (IV) Circular economy project

The Company actively research and seek after developing and implementing circular economy project in Nanshan Power Plant, on Jan.10 of current year, was awarded the "Cascade Recycling Utilization of Energy Sources" Unit by Shenzhen Government, become the first batch of demonstration project since Shenzhen started the circular economy demonstration project work, and is applying to become the 2<sup>nd</sup> batch of experimental unit of national circular economy.

The Mobile Heat Supply Project of Nanshan Power Plant (including Xindianli Company) has officially started on May 9 of current year, and already started to supply heat to heat consumers at present. Meanwhile, this company actively carries through market promotion, and carries on feasibility research work of large scale mobile heat supply for related consumers in whole city, draw implementation scheme and hand in to Shenzhen Municipal Government to be examined and approved.

2. Sludge drying project of Nanshan Power Plant (including Xindianli Company) passed two times expert examination and appraisal organized by Shenzhen Bureau of Development & Reform and Nanshan District Government, Shenzhen Bureau of Environmental Protection in succession, at present, it has reported to National Development & Reform Commission to apply on becoming national demonstration

project.

(V) Problems and difficulties existed in the operation

1. The price of fuel oil and natural gas on international market maintained high, which made the production and operation of the Company face great pressure. One hand, the Company continued to explore the domestic and overseas new energies and prepared to make cost control method and examination standard on purchasing, dealing and usage of oil products; at the same time, strengthened the bidding and purchasing works for merchandise on hand from Guangdong Dapeng LNG Co., Ltd. to try to reduce the fuel purchasing cost possibly.

2. Although the Company tried to improve the fund usage, the nation improved the loan rate third times in the first half year and had the possibility of improving the rate further which made the financial expense of the Company cannot be reduced difficultly. Faced with that, the Company will continue to speed up the fund velocity, adopt various bank financing method to reduce the financial expense and improve the fund usage ratio.

3. Shennandian (Zhongshan) Company, Shennandian (Dongguan) Company balance electrical charge revenue temporarily according to temporary electrovalence, their official electrovalence still need reply from State Development & Reform Commission, which influenced the operational performance of the Company. The Company would get hold of carry out the projects of Transforming Oil to Gas of Combustion Engine and Heat-electricity co-generation to promote obtaining reply of approval on formal electrovalence of the Company. At the same time, the conditions that supply cannot meet the demand in future electricity market of Guangdong Province, the government will continuously adopted fuel subsidy and the policy of “High Come, High Go”.

(VI) Statement of prime operations classified according to industries and products

Unit: RMB'0000

Main operations classified according to industries						
Classified according to industries or products	Operating revenue	Operating cost	Gross profit ratio (%)	Increase or decrease (%) of operating revenue over the last same period	Increase or decrease (%) of operating cost over the last same period	Increase or decrease (%) of gross profit ratio over the last same period
Producing and supply of power, steam, and heat water	141,710.05	146,368.25	-3.29	-9.59	-15.24	6.88
Other industries	4,751.27	5,261.87	-10.75	13.17	85.88	43.33
Main operations classified according to products						
Power production	139,322.35	144,013.51	-3.37	-7.96	-14.23	7.55
Steam producing	2,387.70	2,354.74	1.38	-55.57	-50.82	9.53
Engineering contract	60.00	346.98	-478.30	-79.25	-32.18	401.38

Others	4,691.27	4,914.89	-4.77	20.00	111.93	45.45
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Including: In the report period, the total related transaction amount which the listed Company sold products and provided labor forces to the controlling shareholders and its subsidiaries totaled RMB 0.00.

(VII) Statement of prime operations classified according to areas

Unit: RMB'0000

Areas	Income from operations	Increase/decrease in income from operations over the same period of last year (%)
Shenzhen	100,681.62	-3.85
Zhongshan	29,078.27	-7.67
Dongguan	16,701.43	-32.50

(VIII) Particulars on operation of joint stock companies

Unit: RMB'0000

Name		Anhui Tongling Shenzhen Energy Generation Co. Ltd	
Contributed income from investments of the period		0.00	Proportion in net profit of the listed company 0.00
Company	Scope of operation	Electricity producing and sales to the Grid	
	Net profit	-1,380.62	
Name		Shenzhen Energy Environment Protection Engineering Co. Ltd	
Contributed income from investments of the period		0.00	Proportion in net profit of the listed company 0.00
Company	Scope of operation	Investment in electricity producing by burning waste and other environment protection equipments	
	Net profit	2,494.20	

(IX) In the report period, the main operation and its structure of the Company did not have significant change compared with last period.

(X) In the report period, the gross profit was -3.53%, with up 5.52 percentage points over the last year of -9.25%, the main reasons were market price of fuel oil consumed by the power generation of the Company declined year-on-year and the production cost decreased.

(XI) In the report period, the profit structure of the Company did not have significant changes compared with last year.

(XII) Usage of the raised proceeds

1. 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

(1) In the first half year, in order to realize the transformation to clean energy fuel according to the policy spirit of Shenzhen Municipal Government on bettering the problem of environmental pollution of Nanshan Peninsula, the Company implemented the Project of Transforming Oil to Gas of Combustion Engine of Nanshan Power Plant (including Xindianli Company) with the total investment of RMB 40,000,000. Up to June, 3 sets of combined cycle installation have already been transformed successfully and they operates well. The transformation of the fourth set will be completed during the year. After the transformation, the actual power output of each set of combustion engine will increase up to about 3,000 kilowatt with sharp decrease of gas exhaust at the same time which improves the atmosphere environment. At present, the Company has entrusted Guangdong Dapeng LNG Co., Ltd. to solve the problem of natural gas' sources through spot purchase. Meanwhile, Shenzhen Municipal Government is studying and formulating the linkage subsidy system of gas price and electricity price.

(2) The inside one of Project of Transforming Oil to Gas of Combustion Engine in Which Shen Nandian (Zhongshan) Company planned to invest RMB 27,000,000 has been started in the first half year, and is expected to be accomplished at the end of September this year.

(3) Shen Nandian (Dongguan) Company planned to invest RMB 40,000,000 to implement the Project of Transforming Oil to Gas of Combustion Engine; at present, it has completed the prophase works such as approval and initiation, examination and approval, and report to the construction, and was fixed as a user of Guangdong Dapeng LNG Co., Ltd.

### (XIII) The operation plan of the Board of Directors for the latter half of the year

At the same time of accomplishing the routine production, operation and management, and try its best to carry the annual tasks sent down by the Board of Directors to full completion. The main points for the latter half of the year are as follows:

1. Actively advancing the early public appearance of Shenzhen fuel gas subsidy system, and ensuring that the subsidy capital of subsidiary power plants here and there is put in the right place timely.
2. Accomplishing the Phase 2 project of Project of Transforming Oil to Gas of Combustion Engine of Nanshan Power Plant (including Xindianli Company) as scheduled, going all out to finish the Transforming Oil to Gas of Shen Nandian (Zhongshan) Company and Shen Nandian (Dongguan) Company inside the plants within the year.
3. Actively promoting the recycling economy project of Nanshan Power Plant; advancing the implementation of thermoelectricity co-generation project of Shen Nandian (Zhongshan) Company and Shen Nandian (Dongguan) Company, and striving for the reply of approval on formal electrovalence from Development and Reform Commission.
4. Optimizing salary system of the Company, setting up the enterprise annuity system; timely setting up a long-term effective incentive mechanism for senior executives and

nuclear qualified personnel.

5. Widening the fund financing channel continuously, reducing the fund cost.
6. Making every effort to advance the liability reorganization, assets reinvigoration and operation transformation work of Zhongfa Electric Power Company, ensuring to obtain results of phases within the year.
7. Trying to accomplish the equity reconstruction and business new orientation of Shennandian Engineering Company, developing into construction market of overseas fuel set, and exploring the business transformation of Xiefu Company.
8. Promoting the information construction of the Company continuously, perfecting the safety of operation field, management system of quality standardization; continuously optimizing the mains business chain in inner system of the Company.
9. Fully liquidating and revising the various inner management system of the Company, compiling them into binding and sending down for execution; fully improving the standard management level of the Company.

## VI. Significant Events

### (I) Corporate governance

In the first half year of 2007, in accordance with the requirements of CSRC and Shenzhen Stock Exchange, the Company actively developed the special activities for strengthening the administration of the Company. The company made self-inspection on operations management in recent years and made reform plan on existed main problems, and further perfected the inner control system of the Company, drew up and revised six inner control systems such as Inner Control System; with the approval of the 5<sup>th</sup> meeting of 5<sup>th</sup> Board of Directors on July 23, and officially implemented. (For the details, please see the notice published on China Securities, Securities Times and Hong Kong Wen Wei Po as well as Juchao website <http://www.cninfo.com.cn/> dated July 26, 2007)

(II) In the report period, the Company had no material lawsuits and arbitrations.

### (III) Current liabilities and debts

Unit: RMB'0000

Related parties	The relationship with listed company	Supply funds to related parties by listed company		Supply funds to listed company by related parties	
		Occurred amount	Balance	Occurred amount	Balance
Shenzhen Petrochemical Oil Products Bonded Trade Co., Ltd.	Affiliate enterprise	-509.17	0	0	0
Shenzhen Moon Bay Oil Port Co., Ltd.	Shareholder indirectly controlled by Shenzhen	0	0	187.39	287.37

	Energy Group Co., Ltd				
Shenzhen Moon Bay Power Plant	Shareholder indirectly controlled by Shenzhen Energy Group Co., Ltd	0	0	60.41	102.4
Shenzhen Energy Group Co., Ltd.	Shareholder party	0	0	-0.57	119.91
Total		-509.17	0	247.23	509.68

## (IV) 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						77,600
Total balance of guarantee for controlling subsidiaries at the end of the report period(B)						104,800
Particulars about external guarantees of the Company (Including guarantees for controlling subsidiaries)						
Total amount of guarantee(A+B)						104,800
The proportion of the total amount of guarantee in the net assets of the Company						64.98%
Including:						
Total amount of guarantee for the shareholders, actual controllers and the relevant parties(C)						0
The debts guarantee amount directly or indirectly provided for the guarantee of which the assets-liability ratio exceeded 70%(D)						104,800
Proportion of total amount of guarantee in net assets of the Company exceeded 50%(E)						24,159
Total amount of the aforesaid guarantees*(C+D+E)						104,800

(V) In the report period, the Company had no occupied non-operating fund.

(VI) Matters on increase in capital of Shenzhen Energy Environmental Protection Co., Ltd.

Shenzhen Energy Environmental Engineering Co., Ltd. is an electricity production enterprise with garbage to generate electric power as its main operation founded

through liability reorganization and based on the original Energy Environmental Protection Shen Nandian Engineering Company in 2000. The Company invested the registered capital of RMB 29,000,000 in Shenzhen Energy Environmental Engineering Co., Ltd. and held 10% shares of it. In 2006, it realized the making up deficits and getting surpluses due to the fulfillment in the right place of the government policy on garbage disposal charges. On June 8, 2007, through the research of Shareholders' General Meeting of Shenzhen Energy Environmental Engineering Co., Ltd., it is decided to increase a registered capital of RMB 127,900,000. The Company increased a capital investment of RMB 12,790,000 according to its proportion of holding shares. After the increase in the investment, the registered capital of Shenzhen Energy Environmental Engineering Co., Ltd. rose to RMB 417,900,000. (Refer to relevant notice published on China Securities, Securities Times, Hong Kong Wen Wei Po and Juchao Website [www.cninfo.com.cn](http://www.cninfo.com.cn) dated Apr.24, 2007 for relevant circumstances.)

(VII) The matter concerned about the joint stock company Anhui Tongling Shenneng Power Generation Limited Liability Company's being consolidated

Anhui Tongling Shenneng Power Generation Limited Liability Company (hereinafter referred to Tongling Company) was registered and founded in 1996, with the registered capital of RMB 393 million and the Company's holding shares of 10%. On Dec.31, 2006, through the research of Shareholders' General Meeting of Tongling Company, it is decided to make an absorption and consolidation of Tongling Company and Tongling Wanneng Power Generation Co., Ltd. After the consolidation, the new company kept the name of Tongling Wanneng Power Generation Co., Ltd., and the shareholders and proportion of shares held were respectively 61.7% of Anhui Wenergy Company Limited, 26.2% of Shenzhen Energy Group Co., Ltd., 3.8% of Anhui Province Energy Group Company Limited, 3% of Anhui Province Liyuan Development Co., Ltd., 1.5% of Tongling Construction Investment Company and 3.8% of the Company. The Company did not increase or decrease its investment in this consolidation, with original equity altered from 10% to 3.8%. At present, relevant alteration registration procedures of industry and commerce has been completed. The installed capacity of present coal-firing generator set of consolidated company (e.g. Tongling Wanneng Power Generation Co., Ltd.) is 850,000 kilowatt. According to the future development plan of the Company, the Company will newly build supercritical coal-firing generator set of 2×100 ten thousand kilowatt; at present, supercritical coal-firing generator set of 1×100 ten thousand kilowatt and has received the ratification from National Development and Reform Commission for starting the premise working.

(VIII) Particulars about the progress of Zhongshan Project

According to the spirits of Notification on Opinions of Speeding up Closing Small Generation Set by Development and Reform Commission and Energy Office transferred by State Council(GF【2007】No.2), Notification on Requirements on Preparing Implementation Plan of Closing Small Generation Set from National Development and Reform Commission(FGBNY【2007】No.490) and the Notification on Issuing Implementation Plan of Closing Small Generation Set of Guangdong

Province(YFB【2007】No.28); Company purchased Zhongshan Power Generation Plant Co., Ltd. and Zhongshan Zhongfa Electric Power Co., Ltd. (hereinafter referred to as the Two Companies) with zero price debt taking manner last year; the aforesaid Two Companies have been listed as political closing down enterprise in 2007 by Guangdong province. At present, the Company is actively negotiating with Zhongshan Government and debt banks, overall promoting debt restructuring, assets stimulation and enterprise reformation work (related details please refer to relevant public notices published on China Securities, Securities Times, Wen Wei Po and Juchao Website:www.cninfo.com.cn dated Jul.26,2005 and Annual Report of 2006 published on the aforesaid media dated Mar.20, 2007).

(IX) 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.

(X) 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.

Unit: Share

No.	Name of the restricted shareholders	Amount of the restricted shares held	Date to be listed	Amount of the additional listed shares	Restricted condition
1	SHENZHEN GUANGJU ELECTRONIC INVESTMENT CO., LTD	91,402,336	March 29, 2008 March 29, 2009	27,398,300 64,004,036	Legal
2	HONG KONG NAM HOI (INTERNATIONAL) LIMITED	83,748,408	Oct.20,2007	83,748,408	Legal
3	SHENZHEN ENERGY (GROUP) CO., LTD.	31,789,091	March 29, 2008 March 29, 2009	27,398,300 4,390,791	Legal
4	STATE GRID SHENZHEN ENERGY DEVELOPMENT (GROUP) CO.,LTD.	22,643,883	March 29, 2008	22,643,883	Legal

## VII. Financial Report (un-audited)

2007 Semi-annual Financial Report (un-audited) (enclosed)

## VIII. Documents Available for Reference

- 8.1 Semi-annual Report of 2007 carried with the personnel signature of legal representative;
- 8.2 Accounting Statements carried with the signature and seals of the legal representative, General Manager and CFO;
- 8.3 All the originals of the Company's documents and public notices disclosed in Securities Times, China Securities and Hong Kong Wen Wei Po in the report period;
- 8.4 Articles of Association of the Company recently examined and approved by Shareholders' General Meeting;
- 8.5 Place for inspection: Secretariat of the Board of Director of the Company.

**Board of Directors of  
Shenzhen Nanshan Power Co., Ltd.**  
August 22, 2007

**Consolidated Balance Sheet**

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

	<b>Un-audited 2007 June 30</b>	<b>Audited 2006 Dec.31</b>
Asset		
Non-current asset		
Land use rights	56,543	70,045
Intangible assets	26,363	25,188
Property, machinery and equipment	2,779,181	2,910,064
Equities of affiliated companies		
Deferred tax-asset	10,324	10,243
Financial asset available for sales	61,705	61,705
	<b>2,934,116</b>	<b>3,077,245</b>
Current assets		
Inventories	324,922	379,643
Trade and other receivables	1,029,802	798,010
Cash and cash equivalents	172,670	623,514
	1,527,394	1,801,167
Total asset	<b>4,461,510</b>	<b>4,878,412</b>
Equity		
Capital and reserve attributable to equity holders of the Company		

Share capital	547,966	547,966
Other reserve	753,240	753,240
Reserved surplus	301,434	275,406
	<u>1,602,640</u>	<u>1,576,612</u>
Minority's equity	191,490	207,530
Total equity	<u>1,794,130</u>	<u>1,784,142</u>
Liabilities		
Non-current liabilities		
Loans from bank	214,201	321,467
Current liabilities		
Trade and other account payable	439,684	622,152
Liabilities of income tax in the report period	6,414	19,870
Loan from bank	2,007,081	2,130,781
	<u>2,453,179</u>	<u>2,772,803</u>
Total liabilities	<u>2,667,380</u>	<u>3,094,270</u>
Total equity and liabilities	<u><b>4,461,510</b></u>	<u><b>4,878,412</b></u>

#### Consolidated Profit and Loss Statement

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

	Un-audited	Un-audited
	2007	2006
	Jan. to Jun.	Jan. to Jun.
Sales	1,462,167	1,600,838
Other income-net amount	173,358	210,052
	<u>1,635,525</u>	<u>1,810,890</u>
Fuel cost	-1,274,181	-1,536,999
Construction cost	0	-5,161
Employment cost	-52,026	-48,253
Depreciation of fixed assets	-106,783	-104,503
Amortization of land use rights and intangible assets	-6,228	-5,300
Rent on operation purpose - equipment	-13,949	-14,082
Repair and maintenance expenses	-37,873	-28,547
Other operating expenses	-70,435	-41,140
	<u></u>	<u></u>

Operating profits	74,049	26,906
Financing cost	-58,844	-57,806
Profits of affiliated companies	0	-16,007
Profits before taxation	15,205	-46,907
Expense of income tax	-6,003	-8,960
Annual profit	9,202	-55,867
<b>Attributable to:</b>		
The equity owner of the Company	25,632	-39,860
Equity of minority shareholders	-16,430	-16,007
	9,202	-55,867
<b>Earning per share attributable to equity holder of the Company-basic and diluted(calculated based on RMB each share)</b>	0.047	-0.073

#### Consolidated Statement of Cash Flow

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

	<b>Un-audited</b>	<b>Un-audited</b>
	2007	2006
	Jan. to Jun.	Jan. to Jun.
Cash flow arising from operating activities		
Cash arising from operating activities	26,518	-409,649
Income tax paid	-19,741	
Net cash arising from operating activities	6,776	-409,649

Cash flow arising from investment		
Purchasing property, machinery, equipment and land use right	-156,008	-300,818
Amount of sales of property, machinery and equipment	209	1,830
Purchase of intangible asset		
Consolidated affiliated company		
Amount of income from sales of affiliated company		
Dividend received		
Interest received	2,846	1,689
Borrowing-loan of affiliated company		
Amount of loan repayment by affiliated company		
Net cash of investment	-152,953	-297,299

#### Cash flow from financing activities

Account from loan of bank	1,856,601	2,099,881
Repayment of loan of bank	-2,085,884	-1,210,164
Dividend paid	-74,576	-56,119
Capital invested by minority shareholders	0	31,308
Dividend paid to shareholders of the Company	0	-13,162
Net cash arising from financing activities	-303,859	851,744
Decrease/increase of cash	-450,036	144,796
Cash in the year-begin	622,736	307,527
Losses/gains of cash exchange	-30	
Cash in the year-end	172,670	452,323

#### SUPPLEMENTARY INFORMATION

##### Difference under CAS and IAS

Items	Net assets (RMB'000) (Ended Jun. 30, 2007)	Net Profit (RMB'000) (Jan. to Jun. 2007)
Calculation in accordance with CAS	1,612,820	25,632
Adjustment in accordance with IAS		
Adjustment based on influence of HK Financial Report Standards		

Reevaluation of financial assets available for sale	-10,180	0
Calculation in accordance with IAS	1,602,640	25,632