



深圳南山热电股份有限公司

SHENZHEN NANSHAN POWER CO., LTD.

Annual Report 2008

Public Notice No.: 2009-021

April 9, 2009

Important Notes

Board of Directors and the 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 no any fictitious statements, misleading statements, or 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.

PricewaterhouseCoopers Zhongtian Certified Public Accountants issued the unqualified Auditor's Report with paragraph of emphasized matters for the Company. The Board of Director and Supervisory Committee still have detailed explanations on the relevant matters, investors are suggested to read.

Vice Chairman Sun Yulin and Director He Yingyi could not attend the meeting due to business, and respectively authorized Independent Director Zhou Chengxin to attend the meeting and exert voting rights; Vice Chairman Li Li, Director Yu Chunling and Director Li Hongsheng could not attend the meeting due to business, and respectively authorized Director Huang Shaoji, Director Huang Fuhan and Vice Chairman Wang Jianbin to attend the meeting and exert voting rights. The Meeting of the Board of Directors discussed and approved text of Annual Report 2008.

Chairman of the Board Yang Haixian, Director General Manager Fu Bo, CFO Lu Xiaoping and Manager of Financial Management Dept. Huang Jian hereby confirm that the Financial Report enclosed in Annual Report 2008 is authentic and complete.

The Annual Report 2008 was prepared in both Chinese and English. Should there be any difference in interpretation of the two versions, the Chinese version shall prevail.

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I. Company Profile

1. Legal Name in Chinese: 深圳南山热电股份有限公司
Legal Name in English: SHENZHEN NANSHAN POWER CO., LTD.
2. Legal Representative: Yang Haixian
3. Secretary of the Board of Directors: Hu Qin
Tel : (86)755-26948888
Fax: (86)755-26003684
E-mail: investor@nspower.com.cn
Contract Address: 16/F-17/F, Hantang Building, OCT, Nanshan District, Shenzhen, China
4. Registered Address: No.18, Yueliangwan Avenue, Nanshan District, Shenzhen, China
Post Code: 518052
Office Address: 16/F-17/F, Hantang Building, OCT, Nanshan District, Shenzhen, China
Post Code: 518053
Web site of the Company: <http://www.nsr.com.cn>
E-mail: public@nspower.com.cn
5. Newspapers Designated for Disclosing Information of the Company:
Securities Times, China Securities Journal and Hong Kong Wen Wei Po
Internet Web Site Designated by China Securities Regulatory Commission for Publishing the Annual Report: <http://www.cninfo.com.cn>
Place Where the Annual Report is Prepared and Placed: Secretariat of the Board
6. 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
7. Other Relevant Information:
Initial Registration Date: April 6, 1990
Initial Registration Place: Nanshan Jiaozui, Nanshan District, Shenzhen
Registration Place after the Change: No.18 Yueliangwan Avenue, Nanshan District, Shenzhen
Registered number of the Corporate Business License for Enterprise Legal Person: 440301501125497
Registration Number of Tax.: YSW Zi No. 440305930100069 (14)
Organization Code Certificate: 61881512—1
Names and office addresses of Certified Public Accountants engaged:
PricewaterhouseCoopers Zhongtian Certified Public Accountants
Address: 11/F, PricewaterhouseCoopers Center, No.202, Hubin Road, Shanghai, China

8. Interpretations

The Company: Shenzhen Nanshan Power Co., Ltd.

Xiefu Company: Shenzhen Xiefu Oil Supply Co., Ltd., whose 50% shares are held by the Company.

New Power Company: Shenzhen New Power Industrial Co., Ltd. whose 100% shares are held by the Company directly and indirectly.

Singapore Company: Shennan Energy (Singapore) Co., Ltd. whose 100% shares are held by the Company.

Xingdesheng Company: namely HongKong Xingdesheng Co., Ltd..

Shennandian Engineering Company: Shenzhen Shennandian Gas Engines Engineering Technology Co., Ltd, whose 100% shares are held by the Company.

Shennandian (Zhongshan) Company: Shennandian (Zhongshan) Electric Power Co., Ltd., whose 80% shares are held by the Company.

Shennandian (Dongguan) Company: Shennandian (Dongguan) Weimei Electric Power Co., Ltd, whose 70% shares are held by the Company.

Shennandian Environment Protection Company: Shenzhen Shennandian Environment Protection Co., Ltd., whose 100% shares are held by the Company.

Tongling Wanneng Company: Anhui Province Tongling Wanneng Power Generation Co., Ltd., whose 3.8% shares are held by the Company.

Energy Environment Protection Company: Shenzhen Energy Environment Protection Engineering Co., Ltd., whose 10% shares are held by the Company.

Nanshan Power Plant: the secondary company of the Company, namely Nanshan Power Plant 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.

Zhongshan Power Plant: Zhongshan Power Plant Co., Ltd., whose 75% shares are held by the Company(changed its name into “Zhongshan Shenzhong Real Estate Investment Property Co., Ltd.” with the short form of “Shenzhong Property Company”.)

Zhongfa Power Company: Zhongshan Zhongfa Power Co., Ltd., whose 75% shares are held by the Company(changed its name into “Zhongshan Shenzhong Real Estate Development Co., Ltd.” with the short form of “Shenzhong Real Estate Company”.)

Jiangxi Xinchang Company: Jiangxi Zhongdiantou Xinchang Power Co., Ltd., whose 30% shares are held by the Company.

CSRC: China Securities Regulatory Commission.

Shenzhen Securities Regulatory Bureau: Shenzhen Securities Regulatory Bureau of CSRC.

Shenzhen Stock Exchange: Shenzhen Stock Exchange

Designated Newspapers: Securities Times, China Securities Journal and Hong Kong Wen Wei Po

RMB: Unless otherwise specified, the standard currency in the financial data or unit refers to Renminbi.

II. Summary of Accounting Highlight and Business Highlight

(I) Major accounting data as of the year 2008

Unit: RMB

Items	Amount
Operating profit	-1,699,692,821.50
Total profit	64,759,837.86
Net profit attributable to shareholders of the listed company	10,763,920.54
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	-57,432,714.45
Net cash flow arising from operating activities	331,500,520.47

Items of non-recurring gains and losses and the related amounts:

Unit: RMB

Items	Amount
Net profit	14,833,757.80
Less: Income from the disposal of noncurrent asset	43,432,334.52
Income from debts restructuring	46,697,732.93
Net amount of other non-operating income and expense	-2,514,031.86
Influences on income tax of noncurrent losses/gains	-3,318,663.02
Net (loss)/profit after deducting the non-recurring losses and gains	-69,463,614.77
Attributable to shareholders of the parent company	-57,432,714.45
Minority shareholders' equity	-12,030,900.32

(II) Impact on net profit and net assets after adjustment based on International Accounting Standards

In the report period, there were no differences on net profit and net asset between the Domestic and International Accounting Standards.

(III) Major accounting data and financial indexes over the past three years

1. Major accounting data over the past three years

Unit: RMB

Items	2008	2007		Increase/decrease this year compared with that last year (%)	2006	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Operating income	3,156,551,549.97	3,620,124,000.00	3,620,123,640.65	-12.81%	3,874,579,000.00	3,874,579,000.00
Total profit	64,759,837.86	94,963,000.00	164,760,068.92	-60.69%	54,312,000.00	54,312,000.00
Net profit attributable to shareholders of the listed company	10,763,920.54	118,086,000.00	170,434,785.35	-93.68%	63,133,000.00	63,133,000.00
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	-57,432,714.45	15,201,000.00	15,201,000.00	-477.82%	55,753,000.00	55,753,000.00
Net cash flow arising from operating activities	331,500,520.47	202,670,000.00	202,671,517.27	63.57%	-131,194,000.00	-131,194,000.00

Items	At the end of 2008	At the end of 2007		Increase/decrease at the end of this year compared with that at the end of last year (%)	At the end of 2006	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Total assets	4,985,939,525.71	5,552,914,000.00	5,552,914,994.20	-10.21%	4,771,758,000.00	4,771,758,000.00
Equities attributable to shareholders of the Company	1,773,172,227.76	1,725,019,000.00	1,777,366,070.14	-0.24%	1,586,824,000.00	1,586,824,000.00

[Note] Net profit attributable to owners of the parent company in 2007 was increasingly adjusted to RMB 170,434,800 from RMB 118,086,000, with the reason was: in accordance with relevant regulations of Accounting Standards, Shenzhong Real Estate Company and Shenzhong Property Company realized income from debts restructurings in year 2008 amounting to RMB 69,795,800 (including the amount attributable to parent company of RMB 52,347,100) which were made retroactive adjustments.

2. Major financial indexes over the past three years

Items	2008	2007		Increase/decrease this year compared with that last year (%)	2006	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Basic earnings per share (RMB)	0.02	0.22	0.28	-92.86%	0.12	0.12
Diluted earnings per share (RMB)	0.02	0.22	0.28	-92.86%	0.12	0.12
Basic earnings per share after deducting non-recurring gains and losses (RMB)	-0.10	0.03	0.02	-600.00%	0.10	0.10
Fully diluted return on equity (%)	0.61%	6.85%	9.59%	-8.98%	3.98%	3.98%
Weighted average return on equity (%)	0.01%	0.07%	0.10%	-0.09%	0.04%	0.04%
Fully diluted return on equity after deducting non-recurring gains and losses (%)	-3.24%	0.88%	0.86%	-4.10%	3.51%	3.51%
Weighted average return on equity after deducting non-recurring gains and losses (%)	-0.03%	0.01%	0.01%	-0.04%	0.04%	0.04%
Net cash flow per share arising from operating activities (RMB)	0.55	0.37	0.37	48.65%	-0.24	-0.24
Items	At the end of 2008	At the end of 2007		Increase/decrease at the end of this year compared with that at the end of last year (%)	At the end of 2006	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Net asset per share attributable to shareholders of listed company	2.94	3.15	3.24	-9.26%	2.90	2.90

(RMB)

4. Supplementary for profit statement in the report period

Profit in the report period	Return on equity (%)		Earnings per share(RMB)	
	Fully diluted	Weighted average	Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the company	0.0061	0.0061	0.02	0.02
Net profit attributable to common shareholders of the company after deducting the noncurrent losses and gains	-0.0324	-0.0323	-0.10	-0.10

III. Changes in Share Capital & Particulars about Shareholders

(I) Changes in share capital

1. Statement of changes in shares (Ended Dec. 31, 2008)

Unit: Share

Content	Before the Changes		Increase/Decrease in the Change (+, -)		After the Change	
	Amount	Proportion (%)	Bonus shares	Other	Amount	Proportion (%)
I. Restricted shares	229,595,530	41.90	+22,959,552	-147,169,649	105,385,433	17.48
1. State-owned shares						
2. State-owned legal person's shares	145,835,310	26.61	+14,583,531	-55,046,401	105,372,440	17.48
3. Other domestic shares	11,812	0.002	+1,181		12,993	0.002
Including: Domestic legal person's shares						
Domestic natural person's shares	11,812	0.002	+1,181		12,993	0.002
4. Foreign shares	83,748,408	15.28	+8,374,840	-92,123,248	0	
Including: Foreign legal person's shares	83,748,408	15.28	+8,374,840	-92,123,248	0	
Foreign natural person's shares						
II. Unrestricted shares	318,370,468	58.10	+31,837,046	+147,169,649	497,377,163	82.52
1. RMB Ordinary shares	162,251,197	29.61	+16,225,119	+55,046,401	233,522,717	38.74
2. Domestically listed foreign shares	156,119,271	28.49	+15,611,927	+92,123,248	263,854,446	43.77
3. Overseas listed foreign shares						
4. Others						
III. Total shares	547,965,998	100	54,796,598	0	602,762,596	100

Note】(1) In the report period, the Company carried out 2007 Profit Distribution Plan in which 1 bonus share for each 10 shares was distributed to the whole shareholders.(For details, please see the Notice published on June 26, 2008 with the Notice No.: 2008-022)

(2) A shares with restricted conditions held by relevant nontradable shareholders of the Company in former A-stock market (Shenzhen Guangju Electronic Investment Co., Ltd. and State Grid Shenzhen Energy Development Group Co., Ltd.) after Shshare Merger Reform have been released restriction partly on August 4, 2008. (For details, please see the Notice published on July 31, 2008 with the Notice No.: 2008-026)

(3) Amount of 83,748,408 non-listed foreign-funded shares of the Company originally held by Hong Kong Nam Hoi (International) Limited were increased to 92,123,248 shares after implementing 2007 Profit Distribution Plan and listed for trading on September 5, 2008 with converting into tradable B-shares. (For details, please see the Notice published on September 4, 2008 with the Notice No.: 2008-036)

(4) The shares after the changes of Other Domestic Shares in restricted shares were A-shares with restricted condition held by Deputy General Manager of the Company Zhang Jie at the end of report period.

2. Statement on changes of restricted shares

Unit: Share

Name of the restricted shareholders	Restricted shares in	Restricted shares	Restricted shares	Restricted shares in	Restricted condition	Date for releasing the

	year-begin	released in this year	increased in this year	year-end		restriction
SHENZHEN GUANGJU ELECTRONIC INVESTMENT CO., LTD.	91,402,336	30,138,130	0	70,404,440	Commitment of Share Merger Reform	Aug. 4, 2008
HONG KONG NAM HOI (INTERNATIONAL) LIMITED	83,748,408	92,123,248	0	0	Statutory conditions	Sep. 5, 2008
SHENZHEN ENERGY GROUP CO., LTD.	31,789,091	0	3,178,909	34,968,000	Commitment of Share Merger Reform	
STATE GRID SHENZHEN ENERGY DEVELOPMENT GROUP CO., LTD.	22,643,883	24,908,271	0	0	Commitment of Share Merger Reform	
ZHANG JIE	11,812	0	1,181	12,993	Statutory conditions	
Total	229,595,530	147,169,649	3,180,090	105,385,433		

Note】 In the report period, the Company carried out 2007 Profit Distribution Plan in which 1 bonus share for each 10 shares was distributed to the whole shareholders, and thus, the restricted shares of the Company accordingly increased. (For details, please see the Notice published on June 26, 2008 with the Notice No.: 2008-022)

(II) Share issuance and listing

1. The Company issued neither any shares nor derived securities over the past three years ended the report period.
2. In the report period, the total shares of the Company changed caused by bonus shares, the aforementioned Statement of Changes in Shares is available for references.
3. There were no inner employees' shares in the Company at present.

(III) Particulars about the shareholders and actual controller of the Company

1. Ended by the report period, the Company had totally 34,853 shareholders, of them, 20,992 shareholders of A-share with an increase of 661 over last year, and 13,861 shareholders of B-share with a decrease of 308 over last year.

2. Particulars about the shares held by the shareholders (Ended as Dec.31, 2008)

(Unit: Share)

Total amount of shareholders	34,853					
Particulars about the shares held by the top ten shareholders						
Full Name of shareholder	Nature of shareholders	Proportion of shares held	Total amount of shares held	Amount of the restricted shares held	Amount of shares pledged or frozen	
SHENZHEN GUANGJU ELECTRONIC INVESTMENT CO., LTD	State-owned legal person's share	21.68%	130,680,700	70,404,440	0	
HONG KONG NAM HOI (INTERNATIONAL) LIMITED	Foreign legal person's share	15.28%	92,123,248	0	0	

BNP P P/PAND INVESTMENT CO., LTD.	Foreign legal person's share	11.08%	66,811,194	0	0
SHENZHEN ENERGY GROUP CO., LTD.	State-owned legal person's share	10.80%	65,106,130	34,968,000	0
STATE GRID SHENZHEN ENERGY DEVELOPMENT GROUP CO., LTD.	State-owned legal person's share	9.13%	55,046,401	0	0
MORGAN STANLEY & CO. INTERNATIONAL PLC	Foreign legal person's share	3.00%	18,128,286	0	Unknown
YANG SHI MIN	Natural person's share	0.61%	3,691,210	0	Unknown
XU XIAN DA	Natural person's share	0.31%	1,843,780	0	Unknown
NAITO SECURITIES CO., LTD.	Foreign legal person's share	0.28%	1,683,032	0	Unknown
TOYO SECURITIES ASIA LIMITED-A/C CLIENT.	Foreign legal person's share	0.27%	1,649,075	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
HONG KONG NAM HOI (INTERNATIONAL) LIMITED	92,123,248	Domestically listed foreign share
BNP P P/PAND INVESTMENT CO., LTD.	66,811,194	Domestically listed foreign share
SHENZHEN GUANGJU ELECTRONIC INVESTMENT CO., LTD	60,276,260	RMB ordinary share
STATE GRID SHENZHEN ENERGY DEVELOPMENT GROUP CO., LTD.	55,046,401	RMB ordinary share
SHENZHEN ENERGY GROUP CO., LTD.	30,138,130	RMB ordinary share
MORGAN STANLEY & CO. INTERNATIONAL PLC	18,128,286	RMB ordinary share
YANG SHI MIN	3,691,210	Domestically listed foreign share/ RMB ordinary share
XU XIAN DA	1,843,780	Domestically listed foreign share/ RMB ordinary share
NAITO SECURITIES CO., LTD.	1,683,032	Domestically listed foreign share
TOYO SECURITIES ASIA LIMITED-A/C CLIENT.	1,649,075	Domestically listed foreign share
Explanation on associated relationship among the top ten shareholders or consistent action	1. Shenzhen Energy Group Co., Ltd. holds 100% equities of Hong Kong Nam Hoi (International) Limited; 2. Among other social public shareholders, the Company did not know whether there were associated relationships or belonging to consistent actors.	

3. Particulars about the controlling shareholder and actual controller

The Company has no controlling shareholder and actual controller; there was no change in the report period.

4. Particulars about the first largest shareholder of the Company

Shenzhen Energy Group Co., Ltd. directly and indirectly held 157,229,378 shares of the Company which accounted for 26.08% of the total shares of the Company and is the first largest shareholder of the Company.

Legal representative is Gao Zimin; date of foundation: July 15, 1985, registered capital: RMB 955,555,556; enterprise type: company with limited liability; business scope: development, production and purchase and sale of conventionality energy (including electricity, heat, coal, oil and gas) and new energy; design, construction, management and operation of various energy project; facility and its fittings, equipments, aluminum, timber and cement and other raw materials demanded by energy project; operation of import and export business (transacted according to SMGSZ Zi No. 147 document); operating personnel training, consultation prepared for energy projects and other relevant service business (specific projects subject to approval by the authority); technology development, transfer and service of environments protection; investing and operating transportation business (highway, littoral and oceanic) of fuel, raw material and equipment demanded by energy projects, management of property (operated by property management qualification certificate), lease of owned property.

Property right and controlling relationship among the first largest shareholder, main shareholders of the Company and the Company is as follows:

Paraphrase on the names of the followings diagram:

The Company: Shenzhen Nanshan Power Co., Ltd.

Energy Group: Shenzhen Energy Group Co., Ltd.

Hong Kong: Shenzhen Energy (H.K.) Limited

Nam Hoi : Hong Kong Nam Hoi (International) Limited

Guangju Electronic: Shenzhen Guangju Electronic Investment Co., Ltd.

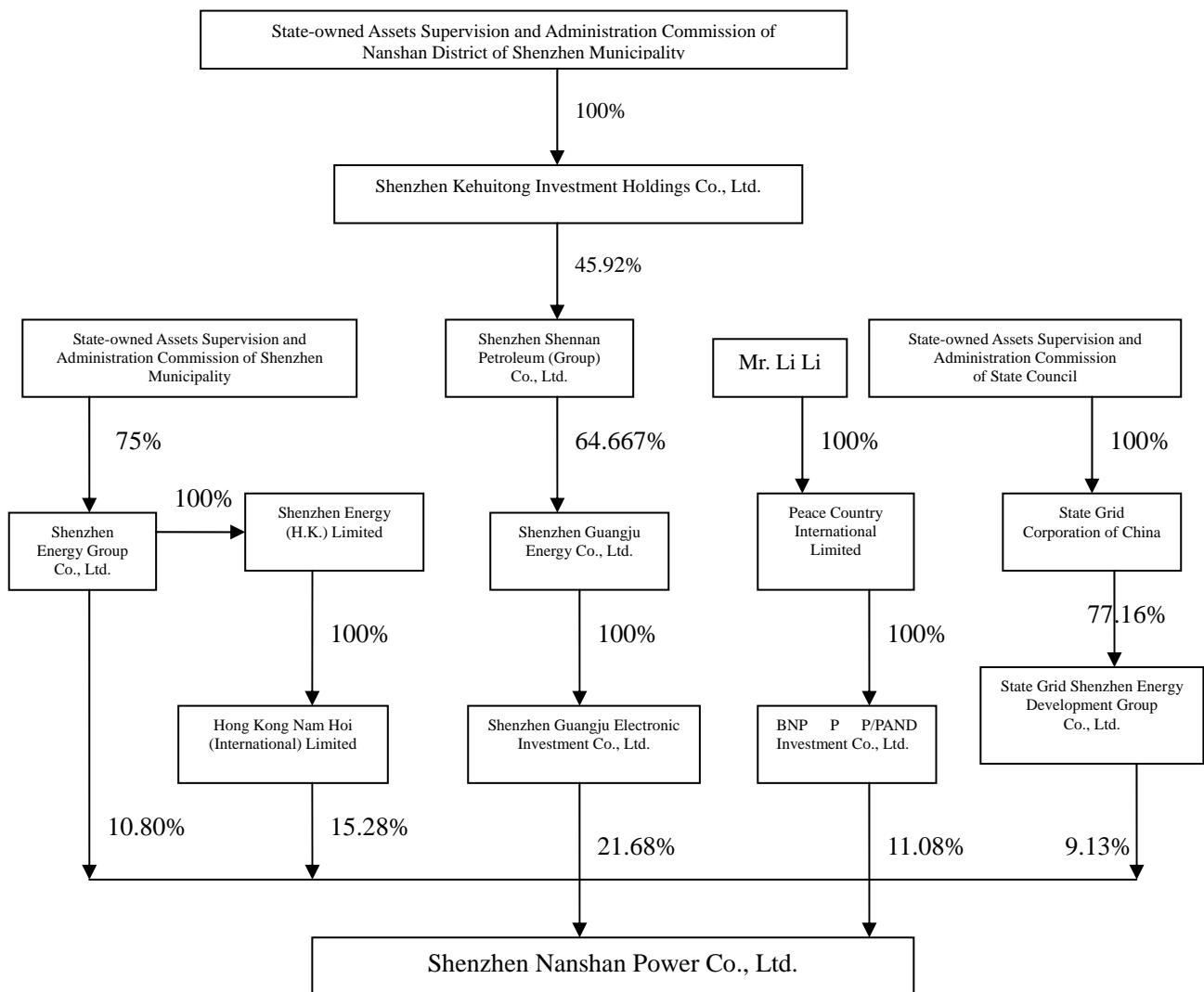
Hong Kong BNP P P/PAND: BNP P P/PAND Investment Co., Ltd.

State Grid Energy: State Grid Shenzhen Energy Development Group Co., Ltd.

Guangju Energy: Shenzhen Guangju Energy Co., Ltd.

Shennan Group: Shenzhen Shennan Petroleum (Group) Co., Ltd.

Kehuitong: Shenzhen Kehuitong Investment Holdings Co., Ltd.



In the report period, there was no change in the first largest shareholder of the Company.

5. Brief introduction of legal person shareholders holding over 10% of total shares of the Company

- (1) Shenzhen Guangju Electronic Investment Co., Ltd. holds 21.68% of the Company's total shares; legal representative: Li Hongsheng; date of foundation: May 31, 1989; registered capital: RMB 11.11 million; enterprise type: company with limited liability; business scope: initiating industrial enterprises and investment of electric power (specific projects subject to approval by the authority).
- (2) Hong Kong Nam Hoi (International) Limited holds 15.28% of the Company's total shares; date of establishment: May 15, 1985; business scope: investment.
- (3) BNP P P/PAND Investment Co., Ltd. holds 11.08% of the Company's total shares; legal representatives: Li Li; date of establishment: August 27, 1980; business scope: property and financial market investment, etc.

IV. Particulars about the Directors, Supervisors, Senior Executives and Employees

(I) Basic information

1. Present members of the Directors

Name	Title	Sex	Age	Begin date for office term	End date for office term	Shares held at year-begin	Shares held at year-end	Reason for change	Total remuneration drawn from the Company in the report period before tax (RMB'0000)	Drawing remuneration from shareholders' units or other related units or not
Yang Haixian	Chairman	Male	52	2008.9	2009.10	0	0		0	Yes
Wang Jianbin	Vice Chairman	Male	45	2006.10	2009.10	0	0		0	Yes
Sun Yulin	Vice Chairman	Male	57	2006.10	2009.10	0	0		0	Yes
Li Li	Vice Chairman	Male	65	2006.10	2009.10	0	0		0	Yes
Fu Bo	Director & General Manager	Male	46	2006.10	2009.10	0	0		65.7	No
Yu Chunling	Director	Female	43	2006.10	2009.10	0	0		0	Yes
He Yingyi	Director	Male	52	2006.10	2009.10	0	0		0	Yes
Huang Fuhan	Director	Male	54	2006.10	2009.10	0	0		0	Yes
Huang Shaoji	Director	Male	45	2006.10	2009.10	0	0		0	Yes
Li Hongsheng	Director	Male	46	2009.1	2009.10	0	0		0	Yes
Huang Sujian	Independent Director	Male	53	2006.10	2009.10	0	0		15.71	No
Zhou Chengxin	Independent Director	Male	53	2006.10	2009.10	0	0		15.71	No
Xu Jing'an	Independent Director	Male	67	2006.10	2009.10	0	0		15.71	No
Yu Xiufeng	Independent Director	Male	44	2006.10	2009.10	0	0		15.71	No
Wu Xiaolei	Independent Director	Female	44	2006.10	2009.10	0	0		7.24	No
Total						0	0		135.78	

[Note]According to relevant regulations of Management of the Board on Outlay, every independent Director of the Company could get RMB 100,000 per year (after taxation) for allowance.

The Company had not sent allowance to Independent Directors Huang Sujian, Zhou Chengxin, Xu Jing'an and Yu Xiufeng in 2006, so it started to reissue the allowance for 2006 in April of 2007. In 2007, the Company issued allowance RMB 154,700 (before taxation and the part of 2006 was also included) for each person of the aforesaid Independent Directors. After this payment, the Company was expected to reissue RMB 72,000 (after taxation) for each person of the aforesaid 4 Independent Directors in 2008 for the allowance of 2007.

Wu Xiaolei took post of independent Director of the Company on Oct 23rd of 2006, so allowance for her was issued since April of 2007. In 2007, the Company issued allowance RMB 142,800 (before taxation and the part of 2006 was also included) to Wu Xiaolei. After this payment, the Company was expected to reissue RMB 818 (after taxation) for Wu Xiaolei in 2008 for the allowance of 2007.

In the report period, the Company paid annual allowance of RMB 60,000 (after taxation) to each person of the five Independent Directors for 2008, and left RMB 40,000 (after taxation) for each one to pay in 2009. In the report period, Independent Directors Huang Sujian, Zhou Chengxin, Xu Jing'an, Yu Xiufeng and Wu Xiaolei actually drew allowance (after taxation) of RMB 132,000, RMB 132,000, RMB 132,000, RMB 132,000, and RMB 60,800 from the Company.

2. Present members of the Supervisors

Names	Titles	Sex	Age	Beginning date of office term	Terminating date of office term	Shares held at the year-begin	Shares held at the year-end	Reason of change	Total remuneration drew from the Company in the report period before tax(RMB'0000)	Draw the remuneration from other shareholder units or associates or not
Zhu Tianfa	Chief Supervisor	Male	59	2006.10	2009.10	0	0		0	Yes
Zhou Qun	Supervisor	Male	44	2006.10	2009.10	0	0		0	Yes
Li Yongsheng	Supervisor	Male	36	2006.10	2009.10	0	0		0	Yes
Chen Lihong	Supervisor	Female	45	2006.10	2009.10	0	0		0	Yes
Zhang Yanmin	Supervisor	Male	49	2006.10	2009.10	0	0		0	Yes
Wang Wei	Employee Supervisor	Male	47	2006.10	2009.10	0	0		33.5	No
Li Chao	Employee Supervisor	Male	37	2006.10	2009.10	0	0		30.4	No
Yi Yaoping	Employee Supervisor	Male	40	2006.10	2009.10	0	0		33.9	No
Total						0	0		97.8	

3. Present members of the Senior Executives

Names	Titles	Sex	Age	Beginning date of office term	Terminating date of office term	Shares held at the year-begin	Shares held at the year-end	Reason of change	Total remuneration drew from the Company in the report period before tax(RMB'0000)	Draw the remuneration from other shareholder units or associates or not
Fu Bo	Director & GM	Male	46	2006.10	2009.10	0	0		65.7	No
Lin Qing	Deputy GM	Female	44	2006.12	2009.12	0	0		52	No
Ji Ming	Deputy GM	Male	52	2006.12	2009.12	0	0		52	No
Zhang Jie	Deputy GM	Female	40	2006.12	2009.12	15,750	17,325	Note	52	No
Zhu Wei	Deputy GM	Male	51	2006.12	2009.12	0	0		52	No
Wang Rendong	General Engineer	Male	47	2006.12	2009.12	0	0		52	No
Lu Xiaoping	CFO	Male	46	2006.12	2009.12	0	0		52	No
Hu Qin	Secretary of the Board	Female	41	2006.12	2009.12	0	0		39.2	No
Total						15,750	17,325		416.9	

[Note] The shares of the Company held by Deputy GM Zhang Jie were purchased-in as Deputy General Manager of the Company from the secondary market, of which 4,332 shares has conformed to the conditions of releasing restriction, and 12,993 shares belonged to legal restricted shares. In the report period, increases in holding shares were caused by that the Company carried out 2007 Profit Distribution Plan (1 bonus share was sent for each 10 share).

4. Particulars about holding the post of present Directors and Supervisors in Shareholding Company

Name	Name of Shareholding Company	Title	Office term
Yang Haixian	Shenzhen Energy Group Co., Ltd.	Member of Party Committee, Director	Sep. 2008 till now
Wang Jianbin	Shenzhen Guangju Energy Co., Ltd.	Chairman of the Board	Feb. 1999 till now
Sun Yulin	State Grid Shenzhen Energy Development Group Co., Ltd.	Party Branch Secretary & Deputy General Manager	Dec. 1999 till now
Li Li	BNP P P/PAND Investment Co., Ltd.	President of the Board of Directors	1992 till now
Yu Chunling	Shenzhen Energy Group Co., Ltd.	Head of Pumped Storage Preparatory Office	Sep. 2006 till now
He Yingyi	State Grid Shenzhen Energy Development Group Co., Ltd.	Deputy General Manager	2005 till now
Huang Fuhan	Shenzhen Energy Group Co., Ltd.	Deputy General Manager	May 2006 till now
Huang Shaoji	Kalexpcb Industry International (Group) Co., Ltd	Financial Director	2000 till now
Li Hongsheng	Shenzhen Guangju Electronic Investment Co., Ltd.	Chairman of the Board	2007 till now
Zhu Tianfa	Shenzhen Energy Group Co., Ltd.	Chief Accountant	Nov. 2001 till now
Zhou Qun	Shenzhen Energy Group Co., Ltd.	General Manager of Huizhou Shenneng Investment Holding Co., Ltd.	2006 till now
Li Yongsheng	BNP P P/PAND Investment Co., Ltd.	Manager	1994 till now
Chen Lihong	Shenzhen Guangju Energy Co., Ltd.	Deputy General Manager	Jan. 2005 till now
Zhang Yanmin	State Grid Shenzhen Energy Development Group Co., Ltd.	Deputy Chief Accountant& Finance and Internal Audit Manager	2005 till now

5. Major work experiences of present Directors, Supervisors and Senior Executives and particulars about holding the post or concurrent posts in other units out of Shareholding Company

(1) Directors

Mr. Yang Haixian, Chairman, Senior Economist, Senior Political Workers, Master of Engineering Business Administration. He ever was the Cadre with the level of Deputy Regiment in PLA; after transferring to civilian work, he acted as the Vice Chief of Economic Working Department Office of Shenzhen Municipal Government, Chief and Deputy Director General of Office for Work Committee in Shenzhen Units of Shenzhen Municipal Government; Assistant General Manager and Member of Party Committee of Shenzhen Energy General Company; Director and Chairman of Shenzhen Energy Investment Co., Ltd;

now, he is the Member of Party Committee and Director of Shenzhen Energy Group Co., Ltd. and Shenzhen Energy Corporation; Chairman of Shenzhen Mawan Power Company; Convenor of Board of Shenzhen Westward Power Co., Ltd.; Chairman of Singapore Company; Director of Shenzhen Energy Environment Protection Engineering Co., Ltd.; Deputies to the Shenzhen 4th People's Congress and Commissioner of Economics Work Committee of Standing Committee of Shenzhen People's Congress.

Mr. Wang Jianbin, Vice Chairman of the Board, Master Degree of MBA. He worked in Shenzhen Shennan Petroleum (Group) Co., Ltd. since 1989, and successively took the posts of Manager of oil product, Assistant General Manager, Deputy General Manager, Director and Vice Chairman of the Board. He now acts as Chairman of the Board of Shenzhen Shennan Petroleum (Group) Co., Ltd. and Chairman of the Board of Shenzhen Guangju Energy Co., Ltd.

Mr. Sun Yulin, Director, Senior Engineer. From 1985 to 1999, he successively took the posts of Secretary of Minister of General Office of Ministry of Electricity and Water Conservation, Deputy Division Chief, Secretary of Party Leadership Group of CEC, Deputy General Manager, General Manager and Senior Engineer of CEC Power Industrial Company. He now acts as Deputy General Manager and Member of Party Leadership Group of Shenzhen State Power Science and Technology Development Co., Ltd. and Deputy Director of the State Power Network Corporation Economy Development Liaison Office in Shenzhen.

Mr. Li Li, Director, Vice-Chairman, now is the Chairman of Hong Kong Kalexpcb Industry International (Group) Co., Ltd., Chairman of the Board of BNP P P/PAND Investment Co., Ltd. now. He now is a member of Shenzhen of CPPCC and Honor Citizen of Shenzhen, Zhongshan and Guangzhou City.

Mr. Fu Bo, Director General Manager, MBA, graduated from Xi'an Air Force Engineering University with major of Aeroengine. From 1984 to 1993, he took the post of Lector of Air Machinery Engineering Department of Xi'an Air Force Engineering University. From Aug. 1993, he successively took the posts of Secretary of General Manager, Deputy Director, Director, and Secretary to the Board of Directors and Deputy General Manager of the Company; since Jan. 2005, he took the post of Director General Manager of the Company, now concurrently holds the position of Chairman of the Board of Shennandian (Zhongshan), Shennandian (Dongguan) and Director of Singapore Company.

Ms. Yu Chunling, Director, Senior Engineer, on-job Master of Economics of Beijing University, graduated from Wuhan University of Hydraulic & Electrical Engineering with major of power station structure engineering. She successively took the posts of Technician of Engineering Department of Guangdong Nuclear Power Joint Venture Co., Ltd., Engineer of Civil Contract, Project Manager of Shenzhen Energy Investment Co., Ltd., Deputy Business Controller, Business Controller and Head of Fuel Trade Department of Office General, Head of Planning and Developing Department and concurrently Party Branch Secretary of Shenzhen Energy Group Co., Ltd. Now she acts as Head of Pumped Storage Preparatory Office and concurrently Party Branch Secretary of Shenzhen Energy Group Co., Ltd.

Mr. He Yingyi, Director, Economist, Bachelor degree of law, graduated from Hebei University with major of Economic Management. He ever worked in the Power Station of

the No.53 Train of Electrical Business Bureau of Ministry of Water and Electricity, Zhejiang Zhenhai Power Plant and Zhejiang Beilun Power Plant, and successively took the posts of Director of Branch Plant, Deputy Factory Head in charge of business. Since 2000, he acts as Manager of Market Dept. of Shenzhen State Power Science & Technology Development Co., Ltd.(Now the company has its new name State Grid Energy Development Group Co., Ltd.). Now he acts as Deputy General Manager of State Grid Energy Development Group Co., Ltd. and concurrently takes Chairman and General Manager of Shenzhen State Power Science&Trading Group Co., Ltd.

Mr. Huang Fuhu, Director, Senior Engineer, Master of Engineering; graduated from Xi'an Thermal Power Research Institute with major of Thermal Energy and Power Engineering. He ever took the post of Deputy Director of Automatization Office of Xi'an Thermal power Research Institute. Since 1995, he successively held the post of Vice-chief Engineer, Deputy Factory Head, Factory Head of Mawan Power Plant of Shenzhen Mawan Power Co., Ltd; Deputy Manager and Director of Maintenance Department of Shenzhen Energy Power Branch Company, Head of Moonbay Gas Turbine Power Plant, General Manager of Shenzhen Nanshan Power Co., Ltd; Manager, Vice-chairman, Deputy Secretary of Party Branch of Guangshen Shajiao B Power Station Co., Ltd ; Director of Preparatory Office of East Power Plant, Party Branch Secretary, Manager and concurrently Party Branch Secretary of Shenzhen Energy Group Co., Ltd; Assistant General Manager, Chief Engineer and Deputy General Manager of Shenzhen Energy Group Co., Ltd. Now, he acts as the Deputy General Manager of Shenzhen Energy Group Co., Ltd.

Mr. Huang Shaoji, Director, Senior Member of The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants, also Qualified Chartered Secretary; has the qualifications of ACIS and ACS; and has the 20-years experiences in finance management. Since 2000, he was the Finance Director of Kalexpcb Industry International (Group) Co., Ltd, of which the stocks were listed in Hong Kong Exchanges and Clearing Limited.

Mr. Li Hongsheng, Director, Engineering Master of Tianjin Universti. He ever was the Deputy General Manager of COSCO (H.K.) Property Ltd; Deputy General Manager of COSCO (H.K.) Industry&Trade Holdings Ltd.; Director of Shenzhen Shennan Petroleum (Group) Co., Ltd.; Director&CFO of Shenzhen Guangju Energy Co., Ltd; Director and Standing Deputy General Manager of Shenzhen Guangju Energy Co., Ltd. Now, he acts as the Director and General Manager of Shenzhen Guangju Energy Co., Ltd.; Director of Shenzhen Guangju Electronic Investment Co., Ltd. and Director of Shenzhen Shennan Petroleum (Group) Co., Ltd.

Mr. Huang Sujian, Independent Director, graduated from Graduate School of the Chinese Academy of Social Sciences with Doctor Degree, Researcher and Doctor Tutor. Since 1988, he has been acting as a Researcher in Institute of Industry Economy of the Chinese Academy of Social Sciences. Now, he now is the Deputy Director, Researcher in Institute of Industry Economy of the Chinese Academy of Social Sciences; Director of Institute of Management and Science of the Chinese Academy of Social Sciences; Doctor Tutor in Graduate School of the Chinese Academy of Social Sciences, Deputy President and President of an Executive Council of China Enterprise Management Association; and concurrently acts as Independent Director of Wolong Electric Group Co., Ltd., and Director of Zhejiang Jianfeng Group Co., Ltd.

Mr. Zhou Chengxin, Independent Director, Juris, graduated from of Law College of Wuhan University, visiting scholar of U.S.A Michigan University. He ever took the post of Lector and Associate Professor in Law College of Wuhan University, Deputy Director, Deputy Researcher of Law and Researcher of Institute of Shenzhen Legal System. Now, he acts the Director, Researcher of Law and Researcher of Institute of Shenzhen Legal System; Deputy of Shenzhen 4th People's Congress and Commissioner of Committee for Legal Affairs; Expert of Shenzhen Expert Consultative Committee; Intercressor of China International Economic and Trade Arbitration Commission and social post of Intercressor of Shenzhen, Zhuhai, Shanghai, Nanjing Arbitration Commission; concurrently Lawyer of Guangdong Zhong'an Law Firm; Independent Director of several companies including Zhonghang Sanxin Co., Ltd.

Mr. Xu Jing'an, Independent Director, Researcher, graduated from Department of Journalism of Fudan University. He successively took the posts of Section Chief of Research Office of the State Development Planning Commission, Division Chief of the State Commission for Economic Restructuring, Deputy Director of China Society of Economic Reform, Director of Shenzhen Municipal Commission for Economic Restructuring and Vice-chairman of Shenzhen Stock Exchange. He now acts as Chairman of the Board of Shenzhen Xu Jing An Investment Advisor Company, President of Institute of Shenzhen New Century Civilization. He once acted as part-time professor of China Renmin University and Shenzhen University.

Mr. Yu Xiufeng, Independent Director, Doctor of Law, and graduated from Law School of Jilin University. He ever studied abroad in WASEDA University with Law Department. Now he acts as Director of Deheng Law Office Shenzhen Branch, the Post-doctorate of Application Economics of Jilin University, Intercressor of Shenzhen Arbitration Commission, Intercressor of China International Economic and Trade Arbitration Commission, Deputy of Shenzhen 4th People's Congress, Commissary of Shenzhen 4th People's Congress and Committee for Legal Affairs, Director and Spokesman of Shenzhen Lawyers Association, Vice-chairman of Shenzhen Chamber of International Investment & Financing, Honorary President of Hong Kong Small and Medium Enterprises General Association, Part-time Researcher of Nanjing University, part-time Master Tutor of Law School of Peking University. He is concurrently Independent Director of Shenzhen Han's Laser Technology Co., Ltd.

Ms. Wu Xiaolei, Independent Director, Doctor of Economics, International Certified Management Consultant. She successively studied in the Xinjiang University, South Western University of Finance and Economics and Nankai University and respectively obtained the degrees of BA, MBA and Doctor of Economics. She entered the Capital market since 1991, and took management positions of senior level in several famous listed companies and large-scale enterprise group. In year 2005, with the accreditation from China Merchants Bank, she acted as Director and Executive Vice President of CMB International Capital Corporation Limited. Now, she is the Deputy General Manager of Investment Banking Department of China Merchants Bank General Bank and concurrently Independent Director and Management Consultant of several companies, Vice-chairman of Shenzhen Association of Management Consultants and Shenzhen Woman Entrepreneurs Association and Director of China Reform Council.

(2) Members of Supervisors

Mr. Zhu Tianfa, Chairman of the Supervisory Committee, CPA, graduated from Dongbei

University of Finance and Economics. He successively took the posts of Head of Financial Department and Director of Shenzhen Special Economic Zone Power Development Company, Director Accountant, Assistant Head, Deputy Head, Head and Deputy Chief Accountant and Chief Accountant of Shenzhen Energy Group Co., Ltd.; General Manager and Party Branch Secretary of Shenzhen Westward Power Co., Ltd. Now he acts as Chief Accountant of Shenzhen Energy Group Co., Ltd.

Mr. Zhou Qun, Supervisor, Economist, graduated from East China Geological Institute with Bachelor degree. He ever worked in Shenzhen Municipal Geological Bureau, Shenzhen Nanshan District Investment Management Company, Shenzhen Municipal State-owned Assets Office and Shenzhen Investment Holdings Corporation, and successively took the posts of Assistant Engineer, Director of General Office, Deputy Division Chief, and Deputy Secretary of Secretariat of the Board. From 2001, he held the post of Secretary of the Board, Assistant President and concurrently took post of Director of General Office of Shenzhen Energy Group Co., Ltd; Director of Preparatory Office of Shenzhen Pumped Storage Power Station. Now, he acts the Party Member of Shenzhen Energy Group Co., Ltd, Executive Director, and General Manager of Huizhou Shenzhen Energy Investment Holding Co., Ltd of Shenzhen Energy Co., Ltd; and Chairman of Huizhou Gas Co. Ltd.

Mr. Li Yongsheng, Supervisor, Bachelor of York University of Candada. He erve took the post of General Manager of Purchasing Dept. of Hong Kong Kalexpcb Industry International (Group) Co., Ltd. He now acts as Manager of BNP P P/PAND INVESTMENT CO., LTD., Director of Guangdong Ellington Electronics Technology Co., Ltd.

Ms. Chen Lihong, Supervisor, Junior College, Accountant, since 1998, she worked in Shenzhen Shennan Petroleum (Group) Co., Ltd. From Feb. 1999, she worked in Shenzhen Guangju Energy Co., Ltd, successively took the posts of Finance Manger, Assistant Manager. Now, she acts the Deputy General Manager of Shenzhen Guangju Energy Co., Ltd.

Mr. Zhang Yanmin, Supervisor, University Graduate, Senior Accountant. He successively worked in Jining Power Plant, Shandong Electric Power Corporation, Yingda International Trust & Investment Co., Ltd and Shandong Luneng Investment Co., Ltd and successively took the posts of Section Chief of Finance Department, Director of Financial Settlement Center, Vice Chief Accountant, Chief Accountant, Deputy General Manager, etc. Now, he acts the Chief Accountant, concurrently take the post of Manager of Planning and Financial Department of State Grid Shenzhen Energy Development Group Co., Ltd; and the Section Chief of Shenzhen Economics Development Liaison Office of State Grid Corporation of China.

Mr. Wang Wei, Employee Supervisor, Junior College, graduated from Shanghai Electric Power Institute, he ever worked in Shanghai Nanshi Power Plant appointed as Operation Head. In May 1991, he was transferred to the Company and once took position of Operation Head and Section Chief of Operation Department, Section Chief of Maintenance Department. From Jan. 2004 till now, he acts the Director General Manager and Party Secretary of Shennandian (Zhongshan) Company.

Mr. Li Chao, the Employee Supervisor, Management Master, Senior Accountant, graduated from Shanxi University of Finance and Economics with Department of Finance; later studied in Macau University of Science and Technology with the Department of Business Administration. From July 1994 to Feb. 1996, he worked in Shenzhen Dahua Certified

Public Accountants Co., Ltd for auditing; from Feb. 1996 to May 1997, he acted Financial Manager of Compaq Computer Technology (China) Co., Ltd; from May 1997 to Feb. 2001, he acted Financial Manager of Hong Kong Zhonglian Power Finance Co., Ltd; from Feb. 2001, he entered the Company, ever acted Division Chief Assistant of Enterprise Development Department; from May 2005, he acted Division Chief of Enterprise Development Department of the Company. Now, he takes concurrently the postion of Director of Zhongshan Zhongfa Power Co., Ltd and Jiangxi Xinchang Power Co., Ltd.

Mr. Yi Yaoping, Employee Supervisor, University Graduate, Engineer; graduated from Wuhan Huazhong University of Science and Technology with Department of Electrical Engineering. From 1991 to 1998, he took the post of Operation Head of Shenzhen Mawan Poweer Co., Ltd Moonbay Gas Turbine Power Plant; from July 1998, he was transferred to the Company, ever took the positions of Deputy Secretary of Production Management Department, Section Chief of Operation Department, Vice-chief Engineer, etc. Now, he acts Vice-president of labor Union of the Company, Factory Director and Party Secretary of Nanshan Power Plant. Now, he takes concurrently the postion of Director of New Power Power Co., Ltd and Jiangxi Xinchang Power Co., Ltd.

(3) Senior Executives

Mr. Fu Bo, Director General Manager. For details, please refer to the aforsaid resume of Director.

Ms. Lin Qing, Deputy General Manager, Senior Engineer, Master degree, graduated from Electricity Department of Hunan University with major of Electric Power Engineering. From 1985, she worked as a teacher in Changsha Teachers' College of Water and Electricity. Since 1990, she worked in Engineering Department of Guangdong Daya Bay Nuclear Power Station. Since Dec. 1991, she took the positions of Secretary of General Office and Business Director of General Manager Office of Shenzhen Energy Head Co., Ltd; Office Director of Shenzhen Western Power Co., Ltd; Head of Party and Crowd Department, Chairman of the labor union, Director of General Office, Secretary of Party Branch of General Office, Director of the labor union, Member of Party Committee, Assistant General Manager and of Shenzhen Energy Group Co., Ltd.. She took the post of Deputy General Manager of the Company since Oct. 2003. Now she concurrently took the posts of Chairman of Xiefu Company and Director of Tongling Waneng Company.

Mr. Ji Ming, Deputy General Manager, Engineer, Master Degree of Management, graduated from Changchun Institute of Optics and Fine Mechanics and Fudan University. From 1994 to 1999, he successively took the posts of Manager of Investment Department of Shenzhen Shennan Petroleum (Group) Co., Ltd. From 1999, he acted as Deputy General Manager of Shenzhen Guangju Energy Co., Ltd. and General Manager of Shenzhen Guangju Electronic Investment Co., Ltd. Since Dec. 12, he acts the Deputy General Manager of the Company. Now, he is concurrently Chairman of Zhongshan Zhongfa Power Co., Ltd. Shenzhen Energy Envionment Protection Engineering Co., Ltd.; Chairman of Shennandian (Zhongshan) Company and Shennandian Engineering Company; and Director of Singapore Company.

Ms. Zhang Jie, Deputy General Manager, Master of Psychology of Peking University, SPHR of USA PDP, graduated from Foreign Language Department with major of Britain and American Literature of Zhengzhou University, later she studied in Psychology Department with major of Applied Psychology of Peking University. She ever did

translation works in Henan Earthquake Bureau. Since Oct. 1990, she worked in Finance Department and General Office of the Company; since 1993, she took the post of Secretary, General Office Director, Assistant General Manager, Employee Supervisor, etc of the Company; since Dec. 2006, she took the post of Deputy General Manager of the Company. Now, she takes concurrently the Director of Shennandian (Zhongshan) Company, Shennandian (Dongguan) Company and Singapore Company.

Mr. Zhu Wei, Deputy General Manager, Engineer, graduated from Guangdong Electric Power School. He ever worked in Guangdong Xinfengjiang Power Plant with the positions of Operation Monitor, Head, etc; he ever obtained degree of junior college for further study in Nanjing Electric Power Institute. He successively took the posts of Deputy Head of development, Head of Supplying Dept. and Assistant of General Manager of the Company since 1990; during this period, he got on-job postgraduate, since August 2003, he acted as Deputy General Manager of the Company; now he concurrently acts as Chairman of the New Power Company and Supervisor General of Jiangxi Xinchang Company. .

Mr. Wang Rendong, Chief Engineer, graduated from Huazhong University of Science and Technology with the department of Thermal Energy and Power, later he got the Master Degree of Economic Management from Huazhong University of Science and Technology. He ever worked in Planning Department of Power Planning and Designing Institute, National Hydraulic and Electric Engineering of Beijing; in June 1988, he was transferred to Shenzhen Huadian South Hydropower Development Co., Ltd. He successively took the posts of Head of Development Dept., Head of Engineering Dept. and Deputy Chief Engineer, Assistant General Manager and Employee Supervisor of the Company since 1990. Since Dec. 2006, he acted Deputy General Manager of the Company; now he acts as Chairman and concurrently Director General Manager of Shennandian Engineering Company and Director of Shennandian (Dongguan) Company and Singapore Company.

Mr. Lu Xiaoping, CFO, Senior Accountant, Master of Zhongnan University of Finance & Economics. He ever worked in Chashi People's Government of Hengnan County of Hunan Province, Hunan Hengyang Fuel Injection Equipment Co., Ltd and Shenzhen Pengji Industry Development Co., Ltd; from 1995 to 1998, he acted as Deputy Manager of Planning and Finance Department of Shenzhen Zhongshen International Cooperation Co., Ltd. He successively took the posts of Accountant and Director of Auditing Dept of Shenzhen Energy Group Co., Ltd. since Dec. 1998. He took the post of CFO of the Company. Now, he concurrently acts as the Director of Zhongshan Zhongfa Power Co., Ltd., and Supervisor of Tongling Wanneng Company from Aug. 2003.

Ms. Hu Qin, Secretary to the Board, Engineer, Economist, graduated from the Thermal Power Engineering Department of Wuhan University of Hydraulic and Electrical Engineering with the major of Applied Chemistry, later she learned the Master Courses in Finance of Nankai University. Since 1988, she worked as Grade Instructor in Thermal Power Engineering Department of Wuhan University of Hydraulic and Electrical Engineering (now, names "Wuhan University"). She successively worked in the Engineering Department, Operations Department, and General Office and Investment Department of the Company. From March 2005, she acts as the Secretary to the Board of Directors of the Company, and concurrently acts as Director of Secretariat of the Board of the Company. Now, she concurrently takes the posts of Director of New Power Company and Supervisor of Energy Environmental Protection Company.

6. Annual Remuneration

According to relevant regulations of Articles of Association of the Company, remuneration of Director and Supervisor depends on Shareholders' General Meeting; remuneration of Senior Executives depends on Board of Director. In the report period, Senior Executives of the Company all drew their remunerations from the Company.

In the report period, allowances for Independent Directors of the Company could be found in "IV. Particulars about the Directors, Supervisors, Senior Executives and Employees (I) Basic information 1. Present members of the Directors"; the Company took the relevant fees such as traffic cost, boarding cost, researching cost and studying cost occurred due to work.

Director General Manager Fu Bo, Employee Supervisors Wang Wei, Li Chao and Yi Yaoping drew their remunerations from the Company. Except them, members of the Board including Yang Haixian, Wang Jianbin, Sun Yulin, Li Li, Yu Chunling, Zhong Chengli(has been left his position), He Yingyi, Huang Fuhan, Huang Shaoji, as well as members of Supervisory Committee including Zhu Tianfa, Zhou Qun, Li Yongsheng, Chen Lihong and Zhang Yanmin all drew the remunerations from the shareholder companies.

The Company took the relevant fees such as traffic cost, boarding cost, researching cost, studying cost and meeting occurred due to the obligation performances by Directors, Supervisors.

In the report period, the total remuneration before tax of present Director, Supervisor and Senior Executives was RMB 5,847,800.

7. In the report period, Chairman of the Company Mr. Wei Wende did not take the posts of Directors of the Board of the Company due to retirement. On Sep. 22, 2008, the 1st Extraordinary Shareholders' General Meeting 2008 examined and approved the Proposal on Changing Director in which Director Yang Haixian was elected as the Chairman of the Company. There were no other Directors, Supervisors and Senior Executives leaving his/her posts or engaging in the report period.

On Jan, 5, 2009, the Extraordinary Meeting of the 5th Board of the Company examined and approved the Proposal on Changing Director in which Mr. Zhong Chengli did not take the post of Director of the 5th Board of Directors of the Company due to retirement; on Jan. 21, 2009, the 1st Extraordinary Shareholders' General Meeting 2009 examined and approved the Proposal on Changing Director in which Mr. Li Hongsheng was elected as the Director of the Company.

(II) Employees

Up to the end of Dec. 31, 2008, the Company had totally 367 employees registered in the book (excluding shareholding subsidiaries), little decrease compared with that of the year 2007. Of them, 92 persons are personnel engaged in equipment operation, 70 are personnel engaged in equipment overhauling, 17 are personnel engaged in material supply, 22 are financial personnel and 50 are administrative and managerial personnel; education degree: 109 persons hold college degree, 104 hold bachelor degree and 35 hold masters degree.

As the Company has implemented Shenzhen Social Insurance System, the Company did not have to pay any expenses to the retired staff.

V. Administrative Structure

(I) Administration of the Company

1. Basic information

Since listed in Stock Exchange, strictly according to Company Law, Security Law, Administration Standard of Listed Companies and other standard documents on listed company administration issued by CSRC, the Company constantly perfected and consummated administrative structure of legal persons to standardize the operation of the Company. The actual situation of administrative structure of the Company's legal persons basically accorded with the regulations of standard documents on listed company administration issued by CSRC.

2. Performance of the special campaigns of administration in the report period

In the report period, pursuant to the requirements of Shenzhen Securities Regulatory Bureau Notice on Further Promoting Special Campaign for Corporate Governance(SZJGSZi [2008]62), based on the principle of seeking truth from the facts, the Company made deep self-evaluation on the implementation and rectification effects of Rectification Report on Strengthening Special Campaign for the Corporate Governance published on China Securities Journal, Securities Times and Hong Kong Wen Wei Po and Juchao Website (www.cninfo.com.cn) dated on Oct. 27, 2007 and issued Explanations on Rectification of Special Campaign for the Corporate Governance in Stock Exchange dated July 19, 2008.

At the same time, in accordance with the regulations on Circular on Further Regulating the Use of Proceeds of Listed Companies and Shenzhen Stock Exchange, Provisions for the Administration of Proceeds of Listed Companies, the Company revised and perfected Provisions for the Administration of Proceeds of Listed Companies which was passed in the 12th meeting of the 5th Session of the Board of the Company.

3. Rectification Notice by Shenzhen Securities Regulatory Bureau and Rectifications

On Oct. 17, 2008, Shenzhen Securities Regulatory Bureau issued Notice on Urging Shenzhen Nanshan Power Co., Ltd. to Make Rectification in Limited Term(ZJJGSZi [2008] 117) in which stated that the Option Contract singned on March 12, 2008 between the Company and J.Aron&Company (Singapore) Pte., which is a wholly-owned subsidiary of Sachs Group Inc., was not performed the decision-making procedure according to regualtions, not timely performed the information disclosure obligation according to regulations, and involved in breaking against the Compulsory Regulation of national laws and codes, and rectification in limited term were required to make.(for details, please see (VII) Material Contract and it Implementation of the Company(5) Significant Disputed Matters of the Company in the Report Period)

In light of that, the Company actively carried out the rectification in term of the requirements of Shenzhen Securities Regulatory Bureau, the stock trading was suspended since Oct. 17, 2008 and resumed on Oct. 27, 2008 based on the progesess, and successively published Notice on Significant Matters and Notice on Progress of Significant Matters in which the basic status of the matters and the relevant measures the Company adopted were disclosed.(for details, please see the notice dated on Oct. 21, 2008 and Oct. 27, 2008 with the Notice No.: 2008—043 and 2008—050)

At the same time, the shareholders, Board of Directors of the Company attached great importance to the matters, the Board of Director urgently established Specific Work Co-ordination Group jointly constituted by the Member of the Board and operation team, evaluated from many aspects and research to the solutions with the engaged relevant professtional persons.

4. Nonstandard administration of the Company in the report period

In the report period, according to the requirements of Notice Concerning Strengthening Supervisory and Management of Providing Unopened Information to Majority Shareholders and Actual Controllers in Listed Companies, Complementary Notice Concerning Strengthening Supervisory and Management of Providing Unopened Information to Majority Shareholders and Actual Controllers in Listed Companies, the Company offered literary commitment of disclosing nonstandard administration and reporting unopened information insiders' list, and at the same time, the majority shareholder Power Group Co. Ltd. signed Commitment Letter of Intensifying Unopened Information Management to promote the Company and relevant obligors in order to strictly control insiders' range in the process of delivering information and guarantee the reasonable usage of unopened information.

Particulars about delivering unopened information to Shenzhen Energy Group Co. Ltd.:

- (1) Daily generation of the Company was directly delivered to Shenzhen Energy Group Co. Ltd. by production technology department of the Company;
- (2) According to the regulations of Notice Concerning Regulating the Work Report of Enterprise Supervisor issued by Shenzhen Energy Group Co. Ltd. SN [2006] 28, reported and delivered Report of Supervisor's Significant Issues on 15th day each month, which included investment of the Company, disposal of assets, guarantee status, and relevant information of funds changes, bidding, lawsuit, personnel appointment and removal, and financial data. The report was put in to Supervisor by Board Secretariat after checked by persons in charge of relevant functional department and signed by General Manager;
- (3) Reported and delivered monthly production and monthly security report of the Company on 15th day each month, and reported to production operation department of Shenzhen Energy Group Co. Ltd. after approving by person in charge of production technology department and charge leaders of the Company.
- (4) According to Notice Concerning Regulating Decision-Making of Priority Right Representatives of Group issued by Shenzhen Energy Group Co. Ltd. (SN [2006] 36), reported and delivered meeting documents which will be examined in Board Meeting to Shenzhen Energy Group before holding Board of Directors' meeting, and put in to Chairman of Board after revising by Board Secretariat in accord with the discussion opinions of office of General Manager. In the report period, the Company held 8 Board of Directors' meetings totally.

Unopened information reported to Shenzhen Energy Group Co. Ltd. by the Company did not influence the independence of the Company.

Particulars about information reporting and insiders list had all reported to Shenzhen Stock Security Regulatory Office, and reported Particulars about Offering Unopened Information to Majority Shareholders and Actual Controllers to Shenzhen Stock Security Regulatory Office before the 10th day each month.

(II) Performance of Independent Directors

In the report period, all the Independent Directors of the Company could perform their duties as Independent Directors earnestly, diligently and responsibly; made careful examinations on significant related transaction or other significant matters happened to the Company which needed the opinions issued from the Independent Directors, and made written Opinion Letter of Independent Directors; did not bring forward objections on all proposals in Board Meeting during the report year. In the report period, Independent Directors emergently brought forward their written opinions and suggestions on Matters of

Oil Transaction for the matters concerned in Confirmation signed between the Company and J.Aron&Company (Singapore) Pte.

In addition, based on protecting the whole shareholders' interests and compliance operation of the Company, Independent Directors would actively help the Company to analyze and consult by using their own professional knowledges, put forward solved suggestion, recommend experienced professional institution to the Company such as Law Firm, watch keenly on the progress of the matters, actively perform the obligations of honesty and diligence. Part Independent Directors participated in the special discussion meeting on the matters by the internal of the Company for many times, went to Beijing at their own expense just for introducing relevant professional experts to give constructive suggestions for the Company, and participated in the negotiation and discussion between the Company and J.Aron&Company (Singapore) Pte, tried to minimize the extent of disadvantageous influences on the Company by the greatest degree.

The Company totally held 7 onsite Board Meetings in the report year. Paticulars about Independent Directors' presenting the Board Meeting in the report period:.

Name of independent Directors	Times are supposed to be attendance	Presence in person (Time)	Entrusted presence (Time)	Absence (Time)
Huang Sujian	7	5	2	0
Zhou Chengxin	7	6	1	0
Xu Jing'an	7	5	2	0
Yu Xiufeng	7	7	0	0
Wu Xiaolei	7	6	1	0

(III) Particulars about the separations among the Company and the largest shareholder in Business, Assets, Personnel, Organization and Finance in the report period.

The first largest shareholder of the Company exerted the investor's rights according to the laws through the shareholders' general meeting. The Company is separated from the first largest shareholder in terms of Business, Assets, Personnel, Organization and Finance; the Company possessed the whole business and independent operating capability.

1. Business: The business of the Company is completely independent from the first largest shareholder. Although the first largest shareholder and its subsidiaries operate in the same or similar business, the Company is totally separated in the management and operation of business.

2. Assets: The Company's assets are independent and complete with clear ownership. In the report period, the first largest shareholder neither occupies nor dominates the assets of the Company, nor interferes the asset management of the Company.

3. Personnel: The Company is absolutely independent from the first largest shareholder. The Executives, Chief Financial Officer and the Secretary of Board of Director don't take any position in the unit of the first largest shareholder.

4. Organization: The Board of Directors, the Supervisory Committee and other intra-company departments operate independently. There exists no subordinate relations between the Company/its various functional departments and the first largest shareholder /its functional departments; the first largest shareholder /its functional departments neither gives any orders or plans about the operation, nor interferes the independence of the Company/its various functional departments in any form.

5. Finance: According to the relevant requirements of laws and rules, the Company establishes sound financial management system and accounting management system, and

accounts independently. The first largest shareholder isn't involved in the financial and accounting activities of the Company.

(IV) The Achievements Evaluation and Encouragement Mechanism for Senior Executives of the Company

In the report period, Board of Directors of the Company still adopted the Achievements Evaluation and Encouragement Mechanism for Senior Executives based on the operation performances and production safety.

(V) Particulars about the Self-evaluation of Internal Control of the Company

For details, please read the Report on Self-Evaluation of Internal Control disclosed in Juchao Website, the conclusions were as followings:

The Board of Directors of the Company: the Company has established internal control system in which there were no material faults and omissions in aspects of integrality, compliance and validity. But due to the constant changes and adjustments on inherent limitation, internal control environment, macro environment, policies, laws and regulations of internal control; those factors possibly resulted in inapplicability or deviation on the original control activities. Thus, the Company would timely complement or perfect the internal control system. The Company would further arrange and make improvement in year 2009, intensify to establish risk prevention mechanism and risk of warn mechanism, supervise and evaluate the implementations to provide reasonable guarantees for the authenticity and integrity of the financial report and the realizations of strategy and operation goals of the Company.

VI. Brief of the Shareholders' General Meeting

In the report period, the Company held the Shareholders' General Meeting 2007, the First Extraordinary Shareholders' General Meeting 2008 and the Second Extraordinary Shareholders' General Meeting 2008. The meetings were summarized as follows:

(I) Shareholders' General Meeting 2007

On May 8, 2008, the Company held Shareholders' General Meeting 2007 and the resolutions of the meeting had been published on designated newspapers by the Company dated May 9, 2008 as well as the website appointed by CSRC.

(II) The First Extraordinary Shareholders' General Meeting 2008

On Sep. 22, 2008, the Company held the First Extraordinary Shareholders' General Meeting 2008 and the resolutions of the meeting had been published on designated newspapers by the Company dated Sep. 23, 2008 as well as the website appointed by CSRC.

(III) The Second Extraordinary Shareholders' General Meeting 2008

On Nov. 30, 2008, the Company held the Second Extraordinary Shareholders' General Meeting 2008 and the resolutions of the meeting had been published on designated newspapers by the Company dated Dec. 2, 2008 as well as the website appointed by CSRC.

The designated newspapers for information disclosure of the Company are: China Securities Journal, Securities Times and Hong Kong Wen Wei Po; the website appointed by CSRC is: <http://www.cninfo.com.cn>.

VII. Report of the Board of Directors

(I) Review of the Company's operation in the report period

1. Scope of the main business and its operation

Scope of the Company's business covers electricity and heat supply for production and operation, and relevant technical consultant and service for power plant (station). It mainly takes gas-steam combined-cycle power plants and coal-fired power unit for power generation. At present, the generator sets of the Company, including the ones which are operated now and those which are in construction; mainly locate in Shenzhen, Zhongshan, and Dongguan which are the center areas for electricity burthen in Pearl River Delta, and Nanchang in Jiangxi province. Till Dec 31st of 2008, the total installed capacity reached at 1.44 million kw and 1.26 million kw for the attributable installed capacity.

GDP of Guangdong province still kept a rapid growth in 2008. However, due to the distinct impact brought by the global financial crisis, economic growth for Guangdong province had fell down, while still in the region of hypo-rapid growth. According to relevant statistics, totally 350.4 billion kw·h power was used across the entire province, 3.26% up compared to that of the same period of last year, which was still less than 13%-the growth rate predicted at year begin of 2008. The total power supplied for Guangdong province in 2008 amounted to 323.5 billion kw·h, 3.27% up compared to that of the same period of last year, including 277.1 billion kw·h power from unified attempering and 27.39 billion kw·h thermal power from non-unified attempering, which respectively received an increase of 6.38% and a decrease of 25.6% compared to those of the same period of last year. The total power supplied for Shenzhen in 2008 amounted to 56.559 billion kw·h, 4.51% up compared to that of the same period of last year, including 47.796 billion kw·h power from unified attempering and 8.763 billion kw·h thermal power from non-unified attempering (regional power plants), which respectively received an increase of 10.02% and a decrease of 17.92% compared to those of the same period of last year.

In 2008, the market environment was full of changes. For the first 3 quarters, unceasing rise of fuel price in international market brought heavy burden to the Company in carrying out production and operation. Since came into the 4th quarter, as the explosion of the global financial crisis, power demand of Guangdong province which was mainly featured with export-oriented economy had dropped drastically since the economy growth slowed down. Besides, power quantity generated by the power plants belonging to the Company was greatly influenced, since the West increased power deliver to the East and the policy of energy-saving attemper was implemented. In front of the unprecedeted difficulties and challenges, with strong support from its shareholders and solidification of its employees, the Company advanced safety production, kept efficient generation, tried the best to reduce cost for purchasing fuel and such materials, actively strived for subsidy policy for power generation and completely promoted construction for cycle-economic projects with firmly holding the two working centers as Efficiency and Development. On May 28th of 2008, approval was officially acquired for Zhongshan Project from relevant authorized department. Meanwhile, aiming to solving the shortages existed in operation management, the Company made a prompt and complete reform, to further improve and standardize management level. During the report period, the integrated power accumulatively generated amounted to 4.967 billion kw·h, with a decrease of 6.81% over the same period of last year, including, 2.921 billion kw·h (including 0.75 billion kw·h generated by nutural gas) were generated by Nanshan Power Plant (New Power Company included), with a decrease of 12.43% over the last year, 3.219 billion kw·h power was for access grid, taking 36.73% of the total electricity to access grid-8.763 billion kw·h generated by the local power plants of Shenzhen. 0.929 billion kw·h were generated by Shennandian (Zhongshan) Company, with a decrease of

11.56% over the same period of last year, 1.117 billion kw·h were generated by Shennandian (Dongguan) Company, with an increase of 18.39% over the same period of last year. The total heat supplied for external by the project of heat-and-electricity combined supply of the Company reached at 121,300 tons.in the whole year, with a decrease of 44.22% over the same period of last year.

Till Dec 31st of 2008, the consolidated assets of the Company amounted to RMB 4,985,939,500, with a decrease of 10.21% over the year-begin; the shareholders'equity of the Company amounted to RMB1,935,881,800, among which RMB 1,773,172,200 was the shareholders'equity attributable to parent company with a decrease of 0.01% over the same period of last year. In 2008, the Company realized the operation income of RMB 3,156,551,500 ,with a decrease of 12.81% over the last year; deducting the depreciation reserve RMB 16,373,600 withdrew for equity investment in Anhui Tongling Shenneng Power Co., Ltd. and depreciation reserve RMB 35,307,800 withdrew for land of Shenzhong Real Estate Company and Shenzhong Property Company, the Company realized total profit of RMB 64,759,800, with a decrease of 60.69 % over the last year; the net profit attributable to parent company amounted to RMB 10,763,900, with a decrease of 93.68% over the last year; the earnings per share reached at RMB 0.02, with a deincrease of 93.68 % over the last year.

2. Constitution of operation income and operation profit for the report period

Unit: RMB'0000

Classified according to industries or products	Operation income	Operation cost	Gross profit ratio (%)
Production of electric power	291,186.22	428,266.74	-47.08%
Production of heat power	3,093.60	3,904.17	-26.20%
Contract for project	1,957.68	606.84	69.00%
Others	19,417.66	18,654.01	-3.93%

Unit: RMB'0000

Classified according to area	Operations income	Operation cost	Gross profit ratio (%)
Shenzhen	200,130.42	280,054.77	-39.94%
Zhongshan	50,699.42	79,889.85	-57.58%
Dongguan	64,825.32	91,487.15	-41.13%

3. Main suppliers and customers

The core business of the Company is the production of electric power. The main raw materials for power generation are fuel oil, natural gas and spare parts needed for equipments maintenance, etc. In 2008, the purchasing amount from the top five suppliers amounted to RMB 2,164,929,800, taking 57% of annual purchasing amount. The total electric power sold in Shenzhen amounted to RMB 1,756,614,800, 100% sold to Shenzhen Power Supply Bureau of Guangdong Power Grid Corporation; the total electric power sold in Zhongshan amounted to RMB 506,306,700, 100% sold to Guangdong Power Grid Corporation; the total electric power sold in Dongguan amounted to RMB 648,253,200, 100% sold to Guangdong Power Grid Corporation.

4. Financial condition of the Company

Unit: RMB

Items	Dec 31 st of 2008		Dec 31 st of 2007		Percentage point increased of the proportion taking in the total assets
	Amount	Proportion taking in the total assets%	Amount	Proportion taking in the total assets%	
Total assets	4,985,939,525.71		5,552,914,994.20		
Monetary assets	429,507,715.29	8.61%	419,172,277.42	7.55%	Increased 1.06 percentage points
Accounts receivable	339,893,125.56	6.82%	619,343,874.04	11.15%	Decreased 4.33 percentage points
Accounts paid in advance	67,011,796.04	1.34%	34,341,736.26	0.62%	Increased 0.72 percentage points
Other accounts receivable	16,177,663.50	0.32%	33,723,086.77	0.61%	Decreased 0.29 percentage points
Inventory	1,292,492,515.40	25.92%	367,972,246.88	6.63%	Increased 19.29 percentage points
Long-term equity investment	154,568,943.00	3.10%	113,085,400.00	2.04%	Increased 1.06 percentage points
Fixed assets	2,501,462,089.16	50.17%	2,855,996,393.01	51.43%	Decreased 1.26 percentage points
Construction in process	69,221,381.57	1.39%	21,163,313.95	0.38%	Increased 1.01 percentage points
Intangible assets	84,312,023.87	1.69%	1,067,353,833.05	19.22%	Decreased 17.53 percentage points
Short-term loans	2,461,843,918.77	49.38%	2,478,363,943.58	44.63%	Increased 4.75 percentage points
Notes payable	69,049,391.35	1.38%	254,090,028.83	4.58%	Decreased 3.20 percentage points
Accounts payable	104,706,998.24	2.10%	165,090,933.39	2.97%	Decreased 0.87 percentage points
Tax payable	-339,865,158.06	-6.82%	-176,591,635.82	-3.18%	Decreased 3.64 percentage points
Other accounts payable	304,241,543.35	6.10%	505,199,148.05	9.10%	Decreased 3.00 percentage points
Long-term loans	281,000,000.00	5.64%	176,000,000.00	3.17%	Increased 2.47 percentage points

Note: Main reasons for changes over the same period of last year:

- ①Monetary asset increased over the year begin, mainly due to that prophase provision capital was increased for sludge drying project of Shennandian Environment Protection Company;
- ②Account receivable decreased over the year begins, mainly due to that account receivable from Power Supply Bureau decreased;
- ③Accounts paid in advance increased over the year begin, mainly due to that account paid in advance to suppliers for goods increased;
- ④Other accounts receivable decreased over the year begins, mainly due to that part arrearage was taken back;
- ⑤Inventory increased over the year begin, mainly due to that according to calculation standard for property enterprise, former Zhongshan Company transferred its intangible assets-land use right to inventory since this year;
- ⑥Long-term equity investments increased over the year begin, mainly due to increasing investment in Jiangxi Zhongdiantou Xinchang Power Co., Ltd.;
- ⑦Fixed assets decreased over the year begin, mainly due to that former Zhongshan Company had disposed 20 diesel engine sets and Nanshan Power Company had disposed

machine sets #5, #6, and #8;

⑧Intangible assets decreased over the year begin, mainly due to that former Zhongshan Company transferred its intangible assets-land use right to inventory;

⑨Short-term loans almost kept the same as that of year-begin;

⑩Notes payable decreased over the year begin, mainly due to that part matured bank acceptances were discharged;

(11)Account payable decreased over the year begins, mainly due to that account payable to suppliers at year end had decreased;

(12)Balance of tax payable for this year was negative, mainly due to that the unceasing rise of cost for raw materials for this year brought a serious converse between power price and cost, which directly made the purchase tax of VAT payable was larger than sales tax;

(13)Other accounts payable decreased over the year begins, mainly due to that former Zhongshan Company returned arrearage to Zhongshan Power Development Company through executing debt reform;

(14)Long-term loans increased over the year begins, mainly due to that part short-term loans were transferred to long-term loans this year.

(2) In the report period, particulars about the changes in operating expense, administrative expense, financial expense and income tax.

Unit: RMB

Items	2008	2007	Increase/decrease (%)
Operating expense	2,179,835.99	2,164,971.23	0.69%
Administrative expense	99,372,070.91	103,409,869.70	-3.90%
Financial expense	156,740,252.87	126,981,388.97	23.44%
Asset impairment loss	74,648,595.18	4,644,522.42	1,507.24%
Investment income	-	-	
Non-operating income	1,769,137,635.18	579,135,554.90	205.48%
Non-operating expenditure	4,684,975.82	3,120,623.02	50.13%
Income tax	49,926,080.06	-2,583,811.86	-2032.26%

Note: Main reasons for changes over the same period of last year:

①Operating expense increased a little over the last year;

②Administrative expense decreased over the last year, mainly due to that special expense decreased;

③Financial expense increased over the last year, mainly due to that loaning scale expanded and basic interest rate of bank was raised;

④Asset impairment loss increased over the last year, mainly due to that impairment reserve was withdrawn for land of former Zhongshan Company and equity investment in Anhui Tongling Shenneng Power Co., Ltd.;

⑤There was no income occurred from investment;

⑥Non-operating income increased over the last year, mainly due to that subsidy for fuel increased;

⑦Non-operating expenditure increased over the last year, mainly due to that loss arising from asset disposal increased;

⑧Income tax increased over the last year, mainly due to that income tax expense which should be recorded increased.

(3) Change in the financial data of cash flow of the Company during the report period

Unit: RMB

Items	2008		2007		Percentage point increased or decreased in structure comparison
	Amount	Structure comparison (%)	Amount	Structure comparison (%)	
Cash inflow from operating activities	6,118,361,886.30	52.77%	4,553,336,855.19	53.42%	Decreased 0.65 percentage points
Including: Cash from selling commodities or offering labor	4,351,127,948.22	71.12%	4,191,049,609.63	92.04%	Decreased 20.92 percentage points
Cash outflow from operating activities	5,786,861,365.83	50.28%	4,350,665,337.92	49.09%	Increased 1.19 percentage points
Including: Cash paid for purchasing commodities and accepting labor force	5,553,766,896.67	95.97%	4,008,007,418.60	92.12%	Increased 3.85 percentage points
Net cash flows arising from operating activities	331,500,520.47	384.31%	202,671,517.27	-59.78%	Increased 444.09 percentage points
Net cash flows arising from investing activities	-316,576.24	-0.37%	-152,016,073.98	44.84%	Decreased 45.21 percentage points
Net cash flows arising from financing activities	-244,924,593.60	-283.94%	-389,677,352.33	114.94%	Decreased 398.88 percentage points

Note: Main reasons for changes over the same period of last year:

- ① Net cash flows arising from operating activities increased over the last year, mainly due to that operational account receivable decreased;
- ② Net cash flows arising from investing activities increased over the last year, mainly due to that cash was taken back through disposing the machine sets of former Zhongshan Company and Nanshan Power Company;
- ③ Net cash flows arising from financing activities increased over the last year, mainly due to that other cash paid relevant to financing activities decreased.

5. Operation and achievement of main share controlling companies and share-participating companies

(1) New Power Company: The main business scope was technological development and power generation of afterheat utilization with its registration capital of RMB 113,850,000, and the Company holds 100% shares. Ended as December 31, 2008, the total assets of the company amounted to RMB 754,680,300, with a decrease of 20.82% over the year-begin; the net assets amounted to RMB 12,119,600, with a decrease of 95.89% over the year-begin. In 2008, the income from main operation the company realized amounted to RMB 800,697,900, with a decrease of 4.46% over the last year.

(2) Shennandian (Zhongshan) Company: The main business scope was power generation by combustion engine and afterheat, power supply and heat supply (excluded the heating pipe networks) with its registration capital of RMB 396.8 million, and the Company holds 80% shares. Ended as December 31, 2008, the total assets of the company amounted to RMB 1,178,984,400, with a decrease of 10.71% over the year-begin; the net assets amounted to RMB 28,098,700, with a decrease of 65.74% over the year-begin. In 2008, the income from

main operation the company realized amounted to RMB 506,994,200, with a decrease of 29.02% over the last year; and a loss of RMB 53,925,500 occurred, with an increase of 41.07% over the last year, the reason for increase in losses were long-term loss caused over-height assets-liabilities ratio, which then directly caused over-heavy burden for financial expense, and besides, also due to the unceasingly great rising in oil price.

(3)Shennandian (Dongguan) Company: The main business scope was power generation by combustion engine and afterheat, power supply etc. The registered capital was USD 35.04 million, and the Company holds 70% shares. Ended as Dec 31st of 2008, the total asset of the company amounted to RMB 1,050,654,300; RMB 288,635,600 for net assets. In 2008, the company realized main operation income of RMB 648,253,200 and net profit of RMB 38,164,400.

(4)Shennandian Engineering Company: The main business scope was technological advisory service on construction project of gas-steam combined cycle power plant (station), contracting the maintenance and repair on running equipment of gas-steam combined cycle power plant (station), with its registration capital of RMB 10 million. The Company holds 100% shares. Ended as Dec 31st of 2008, the total asset of the company amounted to RMB 131,163,500, with an increase of 15.20% over the year-begin; RMB 118,112,300 for net assets, with an increase of 24.53% over the year-begin. In 2008, the company realized main operation income of RMB 32,372,500, with an increase of 29.18% over the last year and net profit of RMB 23,263,100, with an increase of 147.12% over the last year.

(5) Xiefu Company: The main business scope was purchase and sales of diesel oil, heavy oil, and lubricating oil, with its registered capital of RMB 53.3 million, and the Company holds 50% shares. Ended as Dec 31st of 2008, the total assets of the company amounted to RMB 648,239,500, with an increase of 20.31% over the year-begin; RMB 67,951,200 for net assets, with an increase of 15.88% over the year-begin. In 2008, the company realized main operation income of RMB 1,773,435,400, with a decrease of 6.96% over the last year and net profit of RMB 9,311,500, with an increase of 15.06% over the last year, which was mainly due to the increase of oil business.

(6)Shennandian Environment Protection Company: The main business scope was operation of cycle-economic project-sludge drying, with the registered capital of RMB 79 million, and the Company holds 100% shares. The company was founded on Apr 5th of 2008, mainly investing in constructing sludge drying project, a kind of cycle economic project. Until year end of 2008, the entire designing work for the project had been finished, and main equipments and part assistant equipments had been purchased, with the aim to running into operation in the later half year of 2009.

(II)Prospect on works for 2009

1. According to analysis and judgment on the economic tendency of Guangdong province under the financial crisis, we believed that: the year 2009 would be very tough for the Company; Seeking for Survival and Passing Obstacles would be ensured as the primary risk for this year. Though: power supply for the whole province was basically balanced and power was rich, the attemper policy aiming to saving energy promoted in full round would seriously influence power quantity generated by the various power plants belonging to the Company; official implementation of fuel tax policy and day-by-day improved demand for environment protection, would further compress the Company's profit-making space; besides, the subsidy for power generated by combustion engine, issued by the various grade governments of Guangdong province in order to guarantee power grid safety, was in serious shortage. Meanwhile, the Company also faced with some chances. Firstly, some national policies stimulating economy resuscitation would be released continuously, which may bring a gradual ascend in power quantity used by the whole province. Secondly, People's Bank of

China adjusted down benchmark interest rate for loaning and required reserve ratio for many times, which could effectively reduce difficulty and cost for financing. Thirdly, the Company committed itself to developing cycle economy project, to offer long-term survival ability for the inventory power assets. Fourthly, the national energy policy provided support for industry transit of the Company.

Therefore, in front of the grim economy, the Company would grasp opportunity promptly, and actively respond to the challenge by completely taking use of the original resources. We must: with firm confidence and unanimous solidification; grasped the right time and the best opportunity; closely cling to the two centers as Efficiency and Development; oriented with policy and market; steadily developed leading business; advanced survival and competition ability of inventory assets by developing cycle economy; optimized power source structure; realized industry structure adjustment with unceasingly improved standardized management as basis, and with developing potential and broadening sources of income and reducing expenditure as measures, finally to build long-term sustainable development. The Company insists on operation in law, standardizes operation, makes scientific governance, seeks for chances in hard situation, tries to realize maximized interest for shareholders, and creates win-win results for its shareholders, enterprises and employees.

In aspect of operation: performs well in safety management on various production and operation; ensures safe, economic and high efficient running for fund chain, supply chain and production taches; takes close eyes on relevant national policy and dynamics for power market, continues to strengthen communication with the principal departments of the government, actively strives for power generated and favorable subsidy policy for power price; tries the best to promote construction of cycle economy project, ensures to accomplish relevant works according to requirement from government and ensured value-remaining and value-adding for inventory power assets; completely activates various assets, optimizes asset structure and raises proportion of circulating assets; accomplishes approval procedures for projects of Zhongshan and Dongguan Companies and manages to realize independent normal operation of the two companies.

In aspect of development: continues to assist Zhongdiantou Company with construction and operation of Jiangxi Xinchang Power Company; consolidates strategic cooperation partnership with Zhongdiantou Group and such famous enterprises, and actively participates excellent projects such as nuclear power which accorded with orientation of national energy source policy, owns prospect for sustainable development and comparatively great profit-making space; actively broadens internal and external service market of combustion engine, seeks for new point to increase profit; does well in prophase programming and operation for development of Zhongshan Real Estate and activates land assets.

In aspect of management: further improves internal control system, continues to carry out risk smooth and execution construction and significant special works, etc, constructs risk supervision & control system in various departments and underlying enterprises; taking use of information platform, the Company optimizes main business chain and management procedure step by step, improves standardized management, improves working performance, and strengthens market feedback speed and respondence ability; further details overall management on performance, integrates human resources in the system and does well in cadre team construction, construction in support and personnel reserve for new projects.

2. To accomplish election for new term of the Board and the Supervisory Committee of the Company, and for new operation team which ensure a steady transit for decision-making and management work of the Company.

3. Capital demand and application plan

Power industry was a capital-intensive industry, and the daily capital demand of the Company was mainly solved through self-owned capital or financing from bank loans. If acquiring projects with good prospect in future, the Company would choose a suitable financing method to solve capital demand according to the actual condition.

(III)Investment of the Company

1. Investment with raised proceeds

During the report period, the Company had neither raised proceeds, nor had the situation that proceeds raised before the report period lasted to use in the report period.

2. Investment with non-raised proceeds

(1) Oil-to-gas Project of Dongguan Gaobu Power Plant

Oil-to-gas project of Dongguan Gaobu Power Plant was officially set off at year end of 2007. In October of 2008, two machine sets had been equipped with condition to generate power by using natural gas. In the report period, investment of RMB 30.62 million had been input for this project.

(2)Sludge Drying Project

The total investment was RMB 190 million. Sino-foreign equity joint venture-Shenzhen Shennandian Environment Protection Co., Ltd. was established at year begins of 2008 by Shenzhen Nanshan Power Co., Ltd. and Xingdesheng Company, to be in charge of construction and management for the project. Capital of RMB 46.34 million had been input during the report period.

Through public bidding invitation, the Company reached purchase contract for purchasing main equipment and technical contract with Germany HUBER Company. Due to the distinct effect in saving energy and reducing emission, this project was successively listed as the Significant Construction Project of Shenzhen, Significant Project for Governing Water Pollution, and Significant Project for Governing Pollution and Maintaining Clean for year 2008 and 2009; on Sep 28th of 2008, construction for the project officially started off. Till now, construction for stake foundation and deep-base hole maintenance had been accomplished. In the report period, investment of RMB 21.06 million had been input for this project.

(3)Demonstration Project of Cold and Heat Power Phase I

The total investment was RMB 30 million. In the report period, bidding invitation and tender for purchasing equipment of two refrigeration machines for the demonstration project had been accomplished, signed equipment purchase contract with Sichuan Xiwang Shenlan Air Conditioner Manufacturing Co., Ltd., and would be delivered for use at year begin of 2009. Cold and heat power project of the Company had been confirmed as the affiliated project for Second Pipeline of West-to-East Gas Transmission Project conducted by China National Petroleum Corporation. In the report period, investment of RMB 4.17 million had been input for this project.

(4)Jiangxi Xinchang Project

Jiangxi Xinchang Company was in charge of investing and constructing the project. This project was dividend for two phases, the phase I (2×660,000 kw supercritical coal-fired units) with registered capital of RMB 1 billion and total investment of RMB 5 billion. On Jan 2nd of 2008, foundation ceremony was held for this project; on Jun 25th, the project finally obtained official examination and approval from the State Development and Reform Commission; according to the plan, the first machine unit was put into operation at year end of 2009. Until Dec 31st of 2008, investment of RMB 63,857,100 had been input for this project.

(IV)Special explanation issued by the Board on Non-standard Auditor's Report issued by the CPAs.

In 2008, because of the option contract signed by the Company and J. Aron & Company (Singapore) Pte., the auditors issued unqualified Auditor's Report with paragraph of emphasized matters(details could be found in (VII) Significant contracts of the Company and its implementation (5) Significant Disputes of the Company in the report period).

Based on the law opinions on the aforesaid issue issued by independent qualified lawyer, the Board held that: 1. Relevant Confirmation Letter and transaction had been terminated by the two parties involved in the transaction; 2. There were many uncertainties in progress of this proceeding, now it was unable to estimate the possible solving methods and results at present; 3. Considering it was not possibly to make reasonable and reliable estimations on the final results at present yet, the Company was not expected to confirm projected liability in the 2008 financial statement.

Matters concerned in the non-standard unqualified opinions have no obvious breakings against the regulations of the Accounting Standards, Accounting System and relevant rules on information disclosure.

The Company has established special leader group and work group and engaged legal consultant to deal with the issue actively; the Company would actively follow the treatment of the issue and truthfully protect the shareholders' interests. The Board of the Company would perform its duty to check the aforesaid position and relevant accounting disposal according to relevant progress of the issue.

(V)Daily working of the Board

1. Particulars about the meetings

During the report period, the Board of Directors totally held 9 meetings, and successively organized and held the 2007 Shareholders' General Meeting, the 1st Extraordinary Shareholders' Meeting for 2008, the 2nd Extraordinary Shareholders' Meeting for 2008, and 7 Meetings of Special Committees of the Board. Here came the details:

(1)The Extraordinary Meeting of the 5th Board of Directors (voting by telecommunication) was held on Mar 18th of 2008, and proposal on Authorization for Operation Group on Signing Sale Contract for #5 #6 #8 Machine Units of Nanshan Power Company was examined and approved in this meeting.

(2)The 10th Meeting of the 5th Board of Directors was held on Apr 15th of 2008. Resolution of the meeting had been published on the appointed newspapers dated Apr 17th of 2008, and also disclosed in the internet website appointed by CSRC.

(3)The 11th Meeting of the 5th Board of Directors was held on Apr 24th of 2008. Resolution of the meeting had been published on the appointed newspapers dated Apr 26th of 2008, and also disclosed in the internet website appointed by CSRC.

(4)The Extraordinary Meeting of the 5th Board of Directors (voting by telecommunication) was held on Jul 16th of 2008. Resolution of the meeting had been published on the appointed newspapers dated Jul 19th of 2008, and also disclosed in the internet website appointed by CSRC.

(5)The 12th Meeting of the 5th Board of Directors was held on Aug 19th of 2008. Resolution of the meeting had been published on the appointed newspapers dated Aug 21st of 2008, and also disclosed in the internet website appointed by CSRC.

(6)The 13th Meeting of the 5th Board of Directors (Extraordinary Meeting) was held on Sep 4th of 2008. Resolution of the meeting had been published on the appointed newspapers dated Sep 5th of 2008, and also disclosed in the internet website appointed by CSRC.

(7)The 14th Meeting of the 5th Board of Directors was held on Sep 22nd of 2008. Resolution of the meeting had been published on the appointed newspapers dated Sep 23rd of 2008, and

also disclosed in the internet website appointed by CSRC.

(8)The 15th Meeting of the 5th Board of Directors was held on Oct 20th of 2008. Resolution of the meeting had been published on the appointed newspapers dated Oct 22nd of 2008, and also disclosed in the internet website appointed by CSRC.

(9)The 16th Meeting of the 5th Board of Directors was held on Nov 14th of 2008. Resolution of the meeting had been published on the appointed newspapers dated Nov 15th of 2008, and also disclosed in the internet website appointed by CSRC.

2. Implementation of resolutions reached in Shareholders' Meeting

During the report period, the Board of Directors of the Company carried out the following works according to the relevant resolutions reached in Shareholders' Meeting: ①Assisted the shareholders of the Company with restricted shares proceeding in the Share Merger Reform; ② Accomplished Profit Distribution for 2007; ③ Accomplished procedures for transferring non-listed foreign shares to listed circulating B shares for its foreign shareholder---Hong Kong Nam Hoi (International) Limited.; ④Successively made payment to the Foreign Audit Organization for 2007 and engaged the Domestic and Foreign Audit Organizations for 2008; ⑤Transacted procedures for reported-to-authority-for-file for emending Articles of Association. Every resolution reached in Shareholders' Meeting was effectively executed.

Meanwhile, the Board of Directors played an active role in investigation and research for the significant investment projects, and made investment decision promptly and accurately, which offered a possibility for the Company to successfully carry out daily operation, production and management.

3. Summary report on duty performance of the Audit Committee

In the report period, according to demands of relevant supervision organs, Implementation Rules for the Audit Committee and Working Procedure for Annual Report by the Audit Committee, and with professional knowledge and experience of its members, the Audit Committee of the Board of the Company earnestly performed its obligations, assisted the Board to carry out works, and made careful audit on the audit reports of the report period and engagement for CPAs, etc. Here comes the summary of the Committee's works:

(1)In the report period, the Audit Committee totally held 4 meetings:

①The 3rd meeting of the 5th Audit Committee of the Board of the Company was held on Jan 24th of 2008. In this meeting, relevant documents about Preparing Well the 2007 Annual Report of Listed Company by Supervision Department was studied, Working Procedure for Annual Report by the Audit Committee was made, and proposal relevant to the financial accounting statements (not audited) prepared by the Company was agreed, besides, the audit plan for 2007 was confirmed.

②The 4th meeting of the 5th Audit Committee of the Board of the Company was held on Mar 10th of 2008. In this meeting, opinions relevant to some significant proceedings presented by the certified public accountants during the audit was heard; and the Audit Committee supervised and urged the certified public accountants to finish annual audit according to the audit working plan, on the basis that sufficient audit information about relevant proceedings was obtained by the accountants.

③The 5th meeting of the 5th Audit Committee of the Board of the Company was held on Apr 15th of 2008. In this meeting, the Audit Report of the Company for 2007 and Summary Report on Duty Performance of the Audit Committee were examined and approved, and it was agreed for the Board to reengage Pricewaterhouse Cooper CPAs Co., Ltd. as the audit institution for the Company for 2008.

④ The 6th meeting of the 5th Audit Committee of the Board of the Company was held on Dec 11th of 2008. In this meeting, the schedule for auditing 2008 annual financial statements of the Company made by Princewaterhouse Cooper CPAs Co., Ltd.-the audit institution for the Company for 2008 was approved.

(2) Audit financial data of the Company, supervise and urge audit work, and ensure standardization for information disclosure

In the report period, the Audit Committee respectively issued audit opinions on annual financial accounting statements for two times, according to the notice of Doing Well Annual Report of Listed Companies and Relevant Works promulgated by CSRC.

Before the certified public accountants entered for annual audit, the Audit Committee checked the financial accounting statements prepared by the Company, and agreed to carry out annual finance audit on the basis of these financial statements.

After the certified public accountants entered for annual audit, the Audit Committee strengthened communication with the accountants, communicated with the principal person by telephone for many times, held subject meeting hearing progress of annual audit presented by the certified public accountants to know details about progress of the audit and questions the accountants cared, and exchanged opinions on relevant questions, meanwhile, urged the CPAs to carry out the audit according to the general audit working plan so as to ensure annual audit and information disclosure could be accomplished as scheduled. Since the CPAs issued the initial audit opinion, the Committee checked financial statement and agreed to prepare annual financial report and summary on the basis of the financial statement.

(3) Proposal on reengagement or change of audit institution

According to demand of audit business, whereas Princewaterhouse Cooper Certified Public Accountants was familiar with the operation of the Company, the Audit Committee proposed to the Board of Directors on April 15, 2008 that engaged Princewaterhouse Cooper Certified Public Accountants as the audit institution of the Company for 2008 with the term of one year.

(4) Since starting the annual audit work of 2008, the Audit Committee actively confirmed relevant arrange of audit work with accountant, checked and approved financial statement, offered opinions, supervised accountant to arrange audit work as audit plan to ensure successful accomplishment of audit work, and made resolution of the problems such as engagement of CPAs.

4. Summary report on duty performance of the Remuneration and Examination Committee
In 2008, the Remuneration and Examination Committee of the 5th Board of Directors totally held 1 meeting, and details was as follows:

On April 9, 2008, the Remuneration and Examination Committee held the 2nd meeting, which discussed and approved Proposal on Examination of Operation Goal and Withdrawal of Remuneration for 2008, Proposal on Submitting to Approve the Company's Annual Pension Plan and Performance Report of the Remuneration and Examination Committee, and heard the Implementation Report of Remuneration Withdrawal and Examination, Reward and Punishment of Operation Profit Goal in 2007. It was thought that:

(1) The remuneration plan for 2008 followed the principles of tight combination of employees' income and shareholders' income, association of incentive and restriction, fully embodied the posture and determination of together enjoying benefit and taking risk of the management level and shareholders, and simultaneously paid attention to the influence of

external factors such as adjustment of labor market and national policies, and combined the actual status of the industry and self management and development demand of the Company.

(2)The enterprise annual pension plan of the Company accorded with relevant national policies, which was favorable for strengthening the cohesiveness of enterprise, lifting employees' sense of belonging and mobilizing employees' initiative and enthusiasm to ensure long-term stable sustainable development of the Company.

After examination, the Remuneration and Examination Committee thought that, the remuneration of directors, supervisors and senior executives disclosed in Annual Report 2008 was paid as the remuneration withdrawal principle and standard decided by the Board of Directors in 2008, and actual amount did not exceed the amount approved by the Board of Directors.

5. Profit distribution and converting capital reserve to capital stock preplan for 2008

Audited by Price Waterhouse Coopers CPAs Co., Ltd., the net profit attributable to shareholders of listed company for 2008 was RMB10, 763,920.54.

Till Dec 31st of 2008, the accumulative statutory surplus reserve of the Company had reached over 50% of capital stock. According to relevant regulations of Company Law of the People's Republic of China and Articles of Association, when the accumulative statutory surplus reserve reaching over 50% of capital stock, it was not necessary to withdraw any more. For that, the Company didn't make accrual for surplus reserve in 2008.

Taking the operation status into consideration, in order to improve its future profit-making ability, the Company transferred its undistributed profit ended as Dec. 31, 2008 of RMB 473,871,306.65 to the next report year, for making up the current capital needed for daily operation of the Company.

In 2008, the Company had neither taken profit distribution, nor converting capital reserve to capital stock preplan.

Particulars about the cash bonus of the Company in previous three years

Unit: RMB

	Amount of cash bonus (tax included)	Net profit attributable to owners of parent company in consolidated statement	Ratio of net profit attributable to owners of parent company in consolidated statement
Year 2007	16,438,979.94	170,434,785.35	9.65%
Year 2006	0.00	63,133,000.00	0.00%
Year 2005	0.00	29,920,000.00	0.00%

6. Information disclosure

In the report period, according to demand from relevant supervision departments and laws and regulations, the Board of Directors disclosed various periodic and extraordinary public notices, totaling to 59 ones, promptly and accurately.

VIII. Report of the Supervisory Committee

(I) Work of the Supervisory Committee

According to relevant laws and regulations of the state and the Articles of the Association, the Supervisory Committee seriously fulfilled its duties. In the report period, the Supervisory Committee held 8 meetings, and attended all meetings of the Board of Directors with the details as follows:

1. On April 15, 2008, the Company held the 9th meeting of the 5th Supervisory Committee, and the resolutions of the meeting were published in newspapers designated by the Company and international network designated by CSRC dated on April 17, 2008.
2. On April 24, 2008, the Company held the 10th meeting of the 5th Supervisory Committee, and the resolutions of the meeting were published in newspapers designated by the Company and international network designated by CSRC dated on April 26, 2008.
3. On July 16, 2008, the Company held the 11th meeting of the 5th Supervisory Committee.
4. On August 19, 2008, the Company held the 12th meeting of the 5th Supervisory Committee.
5. On September 4, 2008, the Company held the 13th meeting of the 5th Supervisory Committee.
6. On October 20, 2008, the Company held the 14th meeting of the 5th Supervisory Committee, and the resolutions of the meeting were published in newspapers designated by the Company and international network designated by CSRC dated on October 22, 2008.
7. On November 14, 2008, the Company held the 15th meeting of the 5th Supervisory Committee.
8. On December 12, 2008, the Company held the 16th meeting of the 5th Supervisory Committee.

(II) The Supervisory Committee's independent opinions on the following events

1. The Company's operation according to laws

In the report period, through supervisal of the Board of Directors and Senior Executives, the Supervisory Committee considered that the Company could develop all productive and operative business according to the relevant laws and regulations of Company Law, Security Law, Listing Rules of Shenzhen Stock Exchange and Articles of Association. The Company basically established and perfected legal person governance structure, made relatively perfect internal control and management system. Directors and senior executors of the Company all abided by regulations of relevant laws, regulations of the Articles of the Association of the Company and decisions made by shareholders' meeting and board of Director's meeting in executing the duties of the Company; and were loyal to their positions, worked diligently to explore and develop. There was no behavior against laws, regulations and Article of Association in Directors and senior executors' executing the duties of the Company as well as no behavior of hurting interest of shareholders and the Company.

The Supervisory Committee held the 16th meeting of the 5th Supervisory Committee on December 11, 2008, especially listened to the special report of 5 daily operation work including Report of Contract Signed in Daily Operation of the Company. The Supervisory Committee thought that: the operation group of the Company had done much work in recent years, under the condition of bad external operation environment, they tightly grasped two working emphasis of Efficiency and Development, fully exerted the positivity and creativity of all cadre and employees, through increase income and decrease expenditure to explore internal potential, actively strived for external support to promote government subsidy mechanism for power price, and realized the income aim in that time; meanwhile, actively promoted management innovation, fulfilling development strategy and cycling economy project, and turned from onefold peak shaving power generation to comprehensive

exploration and utilization of energy to realize existing assets; sought to join big projects of coal-electricity and nuclear electricity to ensure long-term sustainable development of the Company. The Supervisory Committee Fully affirmed the achievements of the Company. Meanwhile, they pointed that the Company had deficiency in decision-making of significant operation, and decision-making procedure and risk control needed further optimization and improvement. The oil option contract event which happened in 2008 received criticism of Shenzhen Securities Regulatory Bureau and was required to correct, which gave us an alarm. The Supervisory Committee paid much attention to that and proposed their opinions and suggestions in order to deal with the issue.

2. Inspecting the Company's finance

In the report period, the Supervisory Committee audited the regular report, accounting statement and relevant financial information, and especially reported Report of Capital Intercourse and External Guarantee in Daily Production and Operation in the 16th meeting of the 5th Supervisory Committee. The Supervisory Committee thought that:

- (1) The Company could implement budget management in 2008, and continue to strengthen finance supervisal to underling enterprise.
- (2) The finance and accounting system were complete, financial calculation was standard, and accounting disposal strictly followed Accounting Standard for Enterprises and relevant regulations of the state.

3. Use of raised proceeds

The actual project put in with the latest raised proceeds of the Company accorded with the project committed.

4. Transactions of purchase and sale of assets of the Company

(1) Transferred 100% equities of Xingdesheng Company which was the wholly-owned overseas subsidiary held by Singapore Company to Shenyne Investment Group Co., Ltd.(hereinafter refer to as Shenyne Investment Company)

Whereas the equity structures of New Power Company, Shennandian Engineering Company, Shennandian Environment Protection Company, Shennandian (Zhongshan) Company and Shennandian (Dongguan) Company which were invested by the Company at present was single, which was not good for the future development of the enterprise, meanwhile there was some operation risk.

In order to optimize the equity structure of the aforesaid enterprises to reduce operation risk, the Company introduced strategic investors to realize string union and improve comprehensive competition and anti-risk ability of the Company and invested enterprises. After discussed and negotiated with Shenyne (Group) Co., Ltd.(hereinafter refers to be Shenyne Group) for a long time, the Company achieved an agreement with Shenyne Group on strategy cooperation and equity transferring that the Company transferred 100% equities of Xingdesheng Company held by Singapore Company, overseas wholly-owned subsidiary, to Shenyne Investment Company.

The 16th meeting of the 5th Board of Directors discussed and agreed that Singapore Company transferred 100% equities of Xingdesheng Company to Shenyne Investment Company with the price of no less than RMB 345,240,300 (the price was 1.85 times of the audited net assets of Xingdesheng Company ended September 30, 2008), and signed Equity Transfer Agreement of Singapore Company.

(2)Debt restructuring development of Zhongshan Power Plant and Zhongfa Power Company and liabilities taking-in of Cinder Assets Management Corporation

Whereas the external debt restructuring work of Zhongshan Power Plant and Zhongfa Power Company had come to the end, the bank loan restructuring was basically completed, only left the issues of guarantee provided by the part generators of Zhongfa Power Company for liabilities of Cinda Assets Management Corporation. In order to successfully realize debt restructuring work, the 16th meeting of the 5th Board of Directors discussed and agreed that Zhongshan Power Plant took in the liabilities of RMB 48 million of Cinda Assets Management Corporation with the price of less than RMB 10 million according to the primary intent achieved with Cinder Assets Management Corporation.

The Supervisory Committee thought that, the purchase and sales of assets happened in the report period were not related transaction; the decision-making procedure abided by laws; price of transaction had fair and reasonable evidence; inside transaction or behaviors hurting interests of other shareholders or causing assets loss of the Company were not found; and settled a good base for the future development of the Company.

5. Related transactions

The Supervisory Committee considered that, in the report period, related transactions of the Company was in ordinary operation scope, decision-making procedure was legal, and did not hurt interests of other shareholders.

6. Self-evaluation opinions on internal control system of the Company

(I) According to related regulations by CSRC and Shenzhen Stock Exchange, abiding by internal basic principle of control system and based on self actual conditons, the Company basically established every procedure of internal control system, thus ensured normal operation. However, there were deficiencies in decision-making of significant operation, and decision-making procedure and risk control needed further optimization and improvement.

7. Opinions of the Board of Directors on Non-standard Auditor's Report issued by CPAs

PricewaterhouseCoopers Zhongtian Certified Public Accountants offered unqualified opinions with paragraph of emphasized matters for the Financial Report of the Company 2008. The Board of Directors made special explanation for that. The Supervisory Committee thought that, the special explanation made by the Board of Directors was objective and true.

IX. Significant events

(I) In the report year, the Company had no significant lawsuits or arbitrations.

(II) In the report year, the Company had no bankruptcy and related reorganization issues.

(III) The Company had no equity of other listed companies, share participating commercial bank, Security Company, insurance company, trust companies, futures companies and other financial enterprises.

(IV) Purchasing, asset selling, absorbing and consolidating issues

1. Transferring machine sets #5, #6 and #8 in Nanshan Power Plant

In order to respond to the summon of policy Large Prevails First and Energy-saving and Emission-reducing, machine sets #5, #6 and #8 in Nanshan Power Plant have been stopped for operation in December of 2006, according to Transmit Notice from Energy Sources Bureau of State Development and Reform Committee on Handing in Stop Scheme for Thermal Power Units (YFGN No.147(2005)) collectively released by Guangdong Development and Reform Committee and Economic and Trade Committee, together with Report on Implementation of Handing in Stop Scheme for Thermal Power Units of Shenzhen (SFG No.320(2006)) released by Shenzhen Development and Reform Bureau. To revitalize the inventory assets, approved in the 24th meeting of the 4th Board on August 19, 2006, the Company entrusted Shenzhen Shennandian Gas Turbine Engineering Technology Co., Ltd (hereafter referred to as Shennandian Engineering Company), an exclusively-owned subsidiary of the Company, to be in charge of the disposal of machine sets #5, #6 and #8 in Nanshan Power Plant. On January 22, 2008, the Company engaged Shenzhen Pengxin Asset Estimation Land Real Estate Estimation Co., Ltd to offer estimation for the aforesaid machine sets. The basis day for this estimation was December 31, 2007 and the estimated value amounted to RMB 32,016,795. In March of 2008, with approval from the temporary meeting of the 5th Board, the Company, together with Shennandian Engineering Company (sales agency of the Company) as well as Shenzhen Shenyne United Trade Co., Ltd. signed Business Contract on 5/6/8# Gas Turbine Units of Shenzhen Nanshan Power Co., Ltd. , in which it was agreed that gas turbine units #5 and #6, waste heat boilers of #5 and #6 and main change of gas turbine unit #5(the estimated value was RMB 28,573,856) were sold to Shenzhen Shenyne United Trade Co., Ltd. by price of RMB 40 million. In April 15, 2008, the Company, together with Shennandian Engineering Company (sales agency of the Company) as well as Luoyang Chanhe Bowei Drive Machine Factory signed Business Contract, in which it was agreed that #8 steam machine and its auxiliary equipment (the estimated value was RMB 3,442,939) were sold to Luoyang Chanhe Bowei Drive Machine Factory by price of RMB 3.44 million. The income from transferring the two aforesaid equipments concerned in contract totaled to RMB 43.44 million, which was RMB 11.43 million higher than the estimated value, so the increase rate was 35.71%. At present, machine sets have been already dismantled at the end of June and relevant work for relocation will be completed in early fifteen days of July. Amount from transferring the two aforesaid equipments has been totally taken back. (For details, please see the notice dated August 21, 2008 with the Notice No.: 2008-030)

2. Liability restructuring, assets revitalization and enterprise transition of Zhongfa Power Company and Zhongshan Power Plant

In the report period, according to the resolution of the 2nd Extraordinary General Shareholders' Meeting 2007, Zhongfa Power Company and Zhongshan Power Plant

respectively signed a set of Liability Restructuring Agreements with Bank of China Zhongshan Branch, Bank of Communications Zhongshan Branch, Industrial and Commercial Bank Zhongshan Branch, China Construction Bank Zhongshan Bank to implement liability restructuring work, for which, the Company and shareholder of cooperation party of Zhongfa Power Company and Zhongshan Power Plant - Zhongshan Xingzhong Group Co., Ltd. provided loan of RMB 727 million according to equity proportion. The liability restructuring work of the aforesaid former three banks had completed in 2008, and respectively received restructuring income of RMB 122,420,000, RMB 11,795,600 and 46,690,000, which was totally RMB 180,905,600. On January 8, 2008, June 30, 2008 and December 31, 2008, the aforesaid former three banks respectively sent Notice of Loan Settlement to Zhongfa Power Company and Zhongshan Power Plant. On March 19, 2009, the loan and interests of China Construction Bank Zhongshan Branch was settled. The restructuring income in 2008 was RMB 46,690,000.

On March 19, 2009, Zhongshan Branch of China Construction Bank delivered Notice of Settlement on the Principal of Loan to Zhongfa Power Company. Up to then, the work on debts restructurings passed in the 2nd Extraordinary Shareholders' General Meeting 2007 of the Company has been accomplished fully.

The power generation business of Zhongshan Power Company and Zhongshan Power Plant was approved by Zhongshan Government and had formally ended. 20 diesel generation sets of Zhongfa Power Company had been disposed according to the resolution of the 2nd Extraordinary General Shareholders' Meeting 2007. ((For details, please see the notice dated October 31, 2008 with notice number of No. 2008-052.)

At present, Zhongshan Power Company and Zhongshan Power Plant completed debts restructuring work. Whereas the change of business scope, the enterprise name respectively changed as Shenzhong Real Estate Co., Ltd. and Shenzhong Property Co., Ltd., and gained new business licenses. At present, the name change procedure of relevant assets including self-owned land and real estate of Zhongshan Power Company and Zhongshan Power Plant was in progress. ((For details, please see the notice dated April 4, 2009 with notice number of No. 2009-012.)

3. The wholly-owned overseas subsidiary company Singapore Company transferring 100% equities of Xingdesheng Company

In order to optimize the equity structure of the aforesaid enterprises to reduce operation risk, the Company introduced strategic investors to realize strong union and improve comprehensive competition and anti-risk ability of the Company and invested enterprises. After the Company discussed and negotiated with Shenyang Group for a long time, the wholly-owned subsidiary company Singapore Company signed Equity Transfer Agreement with Shenyang Investment Company on December 5, 2008, in which 100% equities of Xingdesheng Company held by Singapore Company were transferred. After the equity transfer, the Company kept the position of controlling shareholders and largest shareholders on invested companies, and meanwhile the share holding property respectively dropped 25% to 40%. The transferring price was the evaluated fair price of RMB 345,240,300 on evaluation reference date – September 30, 2008 (the price was 1.85 times of the audited net assets of Xingdesheng Company till September 30, 2008). In the report period, the procedure on transferring ownership has not been accomplished. ((For details, please see the notice dated Nov. 15, 2008 with notice number of No.2008-055.)

(V) Implementation of equity incentive plan

In the report period, equity incentive plan was not implemented.

(VI) Significant related transactions

1. Related transactions about routine operation

In the report period, routine related transactions of the Company are as follows:

Related parties	Related transaction type	Description of related transaction	Occurred transaction amount in 2008	Unit: RMB'0000	Proportion of the same type transaction
Shenzhen Moon Bay Oil Port Co., Ltd	Leasing	Warf leasing	1,041		100%
Shenzhen Mawan Power Co., Ltd.	Leasing	Leasing of pipe laying	131		100%

2. Related transactions of asset purchasing and selling:

In the report period, the Company had no related transactions about assets and share equity transfer.

3. Related transactions occurred of investment together by the Company and related parties:

In the report period, the Company had no related transactions caused by together external investment with related parties.

4. There existed current credits and liabilities and guarantees between the related parties (including subsidiaries not brought into consolidated scope) and the Company.

(1) Current liabilities and debts

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
Xiefu Company	Subsidiary	64,551,637.95	64,551,637.95	132,802,005.37	179,443,391.47
Shennandian (Zhongshan) Company	Subsidiary	192,982,494.15	262,561,472.79		
Shenzhong Real Estate Co., Ltd.	Subsidiary	97,619,970.51	571,166,967.61		
Shenzhong Property Co., Ltd.	Subsidiary	-517,000.00	0.00		
Shennandian Engineering Co., Ltd.	Subsidiary	-2,133,366.22	0.00	20,775,929.37	20,775,929.37
Shennandian (Dongguan) Company	Subsidiary	186,742,076.25	186,742,076.25		
New Power Company	Subsidiary			-211,408,578.52	155,071,903.17
Shennandian Environment Protection Company	Subsidiary	1,584,984.42	1,584,984.42		
Shenzhen Energy Group Co., Ltd.	Shareholder			-678,491.73	511,607.53
Singapore Company	Subsidiary			1,884,620.04	1,884,620.04
Total		540,830,797.06	1,086,607,139.02	-56,624,515.47	357,687,451.58

(2) Guarantee offered by the Company to related parties

Guaranteed party	The relationship with listed company	Guarantee amount (Dec.31,2008)
Shennandian (Zhongshan) Company	Holding subsidiary	45,000.00

Shennandian Company	(Dongguan)	Holding subsidiary	45,100.00
Xiefu Company		Holding subsidiary	43,809.52
New Power Company		Holding subsidiary	12,200.00
Shennandian Environment Protection Company		Holding subsidiary	9,500.00
Total			155,609.52

Independent Directors' explanation on external guarantee and their opinions:

According to related regulations of Notice Concerning Some Issues on Regulating the Funds between Listed Companies and Associated Parties and Listed Companies' Provision of Guaranty to Other Parties (No. 56 [2003] Promulgated by CSRC), Notice on Strengthening Funds Possession and Irregular or Inappropriate Provision of Guaranty Information Disclosure (No. 338 [2004] Promulgated by Shenzhen Securities Regulatory Bureau) and Notice on Regulating the External Guaranties Provided by Listed Companies (No. 120 [2005] promulgated by CSRC), through knowing of the Company and checking of information, we made special explanation on external guarantee of this period and issued opinions:

Until December 31, 2008, the Company's external guarantee balance was RMB 1,556,095,200 (it was guarantee for bank loan supplied by the controlling subsidiary of the Company). The Company and its subsidiaries had no other guarantee to shareholders and other related parties and any illegal units or individual, and the Company fully carried its information disclosure responsibility of external guarantee.

5. Other significant related transactions

There had no other significant related transactions of the Company.

(VII) Significant contracts of the Company and its implementation

1. In the report period, the Company had custody, contract or lease matters.

In according to the Operation Contract on Asset Custody of Gas-Steam Combined Cycle Heat Power Generation Set; the Company continued to be entrusted to take management on the power generation asset owned by wholly-funded New Power Company. In the report period, the Company received the labor expense for asset custody of RMB 34,950,000. Except that, there were no significant custody, contract or lease matters.

2. Significant guarantee

In the report period, external guarantee of the Company took legal approval procedure, and details are as follows:

Unit: RMB'0000

Particulars about the external guarantee of the Company (Barring the guarantee for the controlling subsidiaries)						
Name of the Company guaranteed	Date of happening (date of signing agreement)	Amount of guarantee	Guarantee type	Guarantee term	Complete Implementation or not	Guarantee for related party (yes or no)
Total amount of guarantee in the report period						105,126.95
Total balance of guarantee at the end of the report period						155,609.52

Guarantee of the Company for the controlling subsidiaries	
Total amount of guarantee for controlling subsidiaries in the report period	105,126.95
Total balance of guarantee for controlling subsidiaries at the end of the report period	155,609.52
Particulars about the external guarantee of the Company (Including the guarantee for the controlling subsidiaries)	
Total amount of guarantee	155,609.52
The proportion of the total amount of guarantee in the net assets of the Company	87.76%
Including:	
Amount of guarantee for shareholders, actual controller and its related parties	
The debts guarantee amount provided for the guarantee of which the assets-liability ratio exceeded 70% directly or indirectly	146,109.52
Proportion of total amount of guarantee in net assets of the Company exceeded 50%	66,950.91
Total amount of the aforesaid three guarantees	213,060.43

3. In the report period, the Company didn't entrust others to manage cash assets.

4. In the report period, other significant contracts of the Company

On February 2, 2008, the controlling subsidiary company – Zhongfa Power Company whose 75% equities was held by the Company signed Contract of Selling Power Generation Equipment and Assistant Equipment with the union constituted by China National Electric Wire & Cable Imp. & Exp. Co., Ltd. and Beijing Zhonglan Huawei Trade Co., Ltd., which agreed that Zhongfa Power Company sold self-owned power generation equipment and assistant equipment to the union, with the price of RMB 123,220,000.

5. Significant dispute in the report period

On March 12, 2008, the Company signed two Confirmation Letters of No. 165723977102.11 and No. 165723968102.11 with J. Aron & Company (Singapore) Pte. (Hereinafter refer to as J. Aaron Company). The Confirmation Letter of No. 165723977102.11 agreed that: it was constituted of three Option Contracts with the validity period from March 3, 2008 to December 30, 2008. When the floating price (the arithmetic average of close settlement price of light crude oil futures contract in The New York Mercantile Exchange, Inc. in every decided term) was higher than USD 63.5 per barrel, the Company could gained income of USD 0.3 million every month (USD 1.5 per barrel \times 0.2 million barrels); when the floating price was lower than USD 63.5 per barrel and higher than USD 62 per barrel, the Company could gained income every month of (the floating price –USD 62 per barrel) \times 0.2 million barrels; when the floating price was lower than USD 62 per barrel, the Company should paid equal USD to J. Aaron Company every month of (USD 62 per barrel –the floating price) \times 0.4 million barrels. The Confirmation Letter of No. 165723968102.11 agreed that: it was also constituted of three Option Contracts with the validity period from January 1, 2009 to October 31, 2010, and J. Aaron Company had the option to implement it or not before 18:00 on December 30, 2008. When the floating price was higher than USD 66.5 per barrel, the Company could gained income USD 0.34 million every month (USD 1.7 per barrel \times 0.2 million barrels); when the floating price was lower than USD 66.5 per barrel and higher than USD 64.8 per barrel, the Company could gained income every month of (the floating price –USD 64.8 per barrel) \times 0.2 million barrels; when the floating price was lower than USD 64.5 per barrel, the Company should paid equal USD to J. Aaron Company every month of (USD 64.5 per barrel –the floating price) \times 0.4

million barrels. The ISDA main agreement and its attachment had not been signed due to differences in some items.

From April to October of 2008, J. Aaron Company paid USD 2.1 million to Xingdesheng Company.

On November 6, 2008, J.Aron Company sent Letter the Company, in which thought that, the Notice on October 21, 2008 and the declaration in the talk on October 29, 2008 showed that the Company intended not to fulfill the trade, which violated the contract, and it declared to terminate the trade. The Company replied the letter on Nov. 10, 2008 and made clear that, the Company never expressed any intention not to fulfill the trade, and thought that, J. Aaron Company unilaterally terminated the contract and refused to pay the account to the Company which should be paid in October agreed in the First Confirmation Letter, which violated the contract, and the Company declared to terminate the trade. Both the two parties had different reasons to terminate the confirmation letter and trade, but the facts that the confirmation letter and trade were terminated were true with no difference. After terminating the trade, J. Aaron Company sent letter to require the Company to compensate the loss caused by terminating trade, and simultaneously sent another letter to show that they hoped to resolve the dispute in business way. The Company replied the letter that it did not accept the compensation requirement proposed by J. Aaron Company, and simultaneously sent another letter to agree to have a peace talk. Later, both the two parties had several negotiations and approaches but did not reach an agreement. There was no exclusion that if they had no agreement, both the two parties would resolve the dispute by judicial approach.

(VIII) Implementation of commitment of the Company

1. The original non-circulating shareholders of the Company didn't make any commitment except statutory commitments in Share Merger Reform.
2. In the report period, the Company or shareholders who held over 5 % (including 5%) of the total shares haven't had any commitments that happened or happened before but lasted to the report period which could significantly influence the operational and financial results.

(IX) The Company's engagement of Certified Public Accountants and payment of remunerations in the report period

The 2007 Annual General Shareholders' Meeting discussed and approved to reengage PricewaterhouseCoopers Zhongtian Certified Public Accountants to be the annual audit organization for the Company in 2008. Since the Company listing in 1994, it has been the annual audit organization of the Company.

According to the discussion of the 17th meeting of the 5th Board of Directors, the Company agreed to pay RMB 1.1 million as the audit remuneration for 2008 and all the business trip expenses for the auditing were also born by the Company. The event should be handed in to the 2008 Annual General Shareholders' Meeting to discuss.

(X) The Company, Directors, Supervisors, Senior Executives, shareholders of the Company, actual controllers and purchasers had no issues related to authorized departments' investigation, forced measures taken by judicial department, being sent to judicial department or investing criminal responsibility.

(XI) In the report period, there had no significant events listed in the Law of P.R.China on Securities.

(XII) The received research and interview from investors of the Company

In the report period, the investors' management was mainly in the way of interactive platform of investors' management and daily telephone inquiry, which totally received 4 times of investigation and interview of Domestic and Foreign Shareholders and Investors.

Reception date	Reception place	Way of reception	Object received	Discussion issue and offered information
February 25, 2008	The Company	Spot investigation	Analyst from Dagong International Credit Estimation Corporation	General status of the Company
March 11, 2008	The Company	Spot investigation	Researcher from Morgan Stanley Asia Co., Ltd.	General status of the Company
March 17, 2008	The Company	Spot investigation	Researchers from Zhong Hai Fund Management Co., Ltd. and First-trust Fund Management Co., Ltd.	General status of the Company
August 4, 2008	The Company	Spot investigation	UBS Securities	General status of the Company

X. Financial Report

PricewaterhouseCoopers Zhongtian Certified Public Accountants audited the financial reports of the Company and issued unqualified Auditor's Opinions with paragraph of emphasized matters. (Attached)

XI. Documents Available for Reference

- (I) Accounting statements carried with the personal signatures and seals of Legal Representative, Person in Charge of Accounting Works and Person in Charge of Accounting Organization;
- (II) Original of Auditors' Report carried with the seals of Certified Public Accountants as well as personal signatures and seals of certified public accountants;
- (III) All original of the Company's documents and original manuscripts of public notices ever disclosed in Securities Times, China Securities Journal, and Hong Kong Wen Wei Po in the report period.
- (V) Annual Report disclosed in overseas newspapers

**Legal Representative: Yang Haixian
Shenzhen Nanshan Power Co., Ltd.**
April 9, 2009

Shenzhen Nanshan Power Co., Ltd. (hereinafter referred to as "NSRD" or "the Company")

Annual Financial Statements & Audit Report 2008

14268/VVC

Shenzhen Nanshan Power Co., Ltd.

Annual Financial Statements & Audit Report 2008

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Audit Report

PricewaterhouseCoopers
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PricewaterhouseCoopers Zhong Tian Shen Zi (2009) No.10042
(Page 1 of 2)

To all shareholders of Shenzhen Nanshan Power Co., Ltd:

We have audited the accompanying financial statements of Shenzhen Nanshan Power Co., Ltd. (also called as “Nanshan Company” or “Nanshan” or “Company”), including consolidated balance sheet of the Company on December 31, 2008, Consolidated annual profit statement 2008, consolidated statement of cash flow 2008, consolidated statement of the changes of the Company’s shareholders’ equity, and notes to financial statements.

I. Management’ responsibility for the financial statements

Management of Nanshan Power Group is responsible for the preparation of these financial statements in accordance with requirements of Accounting Standards for Business Enterprises. This responsibility includes:

- (1) Designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- (2) Selecting and applying appropriate accounting policies; and
- (3) Making accounting estimates that are reasonable in the circumstances.

II. Auditor’s responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with Auditing Standards for CPAs of China. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Document No.,10042 in 2009 of PricewaterhouseCoopers
(Page 2 of 2 pages)

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Audit opinion

In our opinion, the above financial statements of the Company give a true and fair view of the financial position of the Company as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

IV. Emphasized matters

We reminder that users of this financial statements shall pay attention to that the Company has not reached agreement with another trading party about the liabilities and indemnification of a trade terminated, and without exclusion of final settlement by a lawsuit. For the final results of the matter can not be estimated reliably and reasonably at present, no any liability is recognized for such matter in the financial statements of the Company. The content of this paragraph has no impact on the audit opinion expressed.

PricewaterhouseCoopers

China CPA:

Yao Wenping

Shanghai City, China
Apr 7, 2009

China CPA

Kong Yu

Shenzhen Nanshan Power Co., Ltd

Consolidated and the Company's balance sheet on Dec 31, 2008
 (All amounts listed in RMB if not noted otherwise)

Assets	Note	Dec 31, 2007			
		Dec 31, 2008	Consolidated	Dec 31, 2008	Dec 31, 2007
		Consolidated	(recounted)	The Company	The Company
(Note 5)					
Current assets					
Cash	8(1)	429,507,715.29	419,172,277.42	29,272,846.21	125,774,088.96
Notes Receivable		2,626,222.50	-	-	-
Account Receivable	8(2), 15(1)	339,893,125.56	619,343,874.04	114,758,696.74	233,251,114.73
Advance to suppliers	8(3)	67,011,796.04	34,341,736.26	5,391,749.58	3,351,590.52
Payable interest		-	1,516,098.00	-	-
Dividends Receivable		-	-	597,875,904.41	530,318,800.17
Other receivables	8(2),15(1)	16,177,663.50	33,723,086.77	1,092,405,738.66	549,172,003.36
Inventories	8(4)	<u>1,292,492,515.40</u>	<u>367,972,246.88</u>	<u>200,016,725.06</u>	<u>261,965,186.95</u>
Total current assets		<u>2,147,709,038.29</u>	<u>1,476,069,319.37</u>	<u>2,039,721,660.66</u>	<u>1,703,832,784.69</u>
Non-current assets					
Long-term equity					
investment	8(5), 15(2)	154,568,943.00	113,085,400.00	645,091,792.76	557,268,249.76
Real estate investment	8(6)	8,810,232.45	-	-	-
Fixed assets	8(7)	2,501,462,089.16	2,855,996,393.01	398,151,919.32	475,783,642.18
Construction in process	8(8)	69,221,381.57	21,163,313.95	15,247,657.72	10,618,886.75
Disposal of fixed assets		-	1,177.00	-	1,177.00
Intangible assets	8(9)	84,312,023.87	1,067,353,833.05	3,809,711.87	5,914,355.05
Long-term deferred expenses	8(10)	829,221.81	2,761,389.75	397,996.28	1,927,846.34
Deferred income tax assets	8(20)	<u>19,026,595.56</u>	<u>16,484,168.07</u>	<u>14,756,122.84</u>	<u>12,719,713.16</u>
Total non-current assets		<u>2,838,230,487.42</u>	<u>4,076,845,674.83</u>	<u>1,077,455,200.79</u>	<u>1,064,233,870.24</u>
Total assets		<u>4,985,939,525.71</u>	<u>5,552,914,994.20</u>	<u>3,117,176,861.45</u>	<u>2,768,066,654.93</u>

Shenzhen Nanshan Power Co., Ltd

Consolidated and the Company's balance sheet on Dec 31, 2008 (continued)
 (All amounts listed in RMB if not noted otherwise)

Liabilities and shareholders' equity	Note	Dec 31, 2007			
		Dec 31, 2008	Consolidated (recounted)	Dec 31, 2008 The Company	Dec 31, 2007 The Company
Current liabilities					
Short-term loans	8(11)	2,461,843,918.77	2,478,363,943.58	1,145,922,040.00	975,020,300.00
Notes Payable	8(12)	69,049,391.35	254,090,028.83	21,918,219.70	-
Accounts Payable	8(13)	104,706,998.24	165,090,933.39	175,244,357.18	49,284,986.09
Accounts advanced from customers	8(14)	2,198,638.40	688,175.33	-	-
Accrued payroll	8(15)	31,921,195.28	68,411,239.09	17,785,432.49	47,239,392.51
Taxes payable	8(16)	(339,865,158.06)	(176,591,635.82)	(286,213,117.57)	(163,923,475.77)
Interests payable		34,361,227.33	39,648,230.03	2,171,300.00	1,684,498.74
Dividends payable	8(17)	-	9,155.55	-	9,155.55
Other payables	8(18)	304,241,543.35	505,199,148.05	196,718,008.59	375,032,443.96
Long-term liabilities maturing within one year	8(19)	<u>100,000,000.00</u>	<u>106,000,000.00</u>	<u>-</u>	<u>-</u>
Total current liabilities		<u>2,768,457,754.66</u>	<u>3,440,909,218.03</u>	<u>1,273,546,240.39</u>	<u>1,284,347,301.08</u>
Non-current liabilities					
Long-term loan	8(19)	281,000,000.00	176,000,000.00	110,000,000.00	-
Deferred incomes		<u>600,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-current liabilities		<u>281,600,000.00</u>	<u>176,000,000.00</u>	<u>110,000,000.00</u>	<u>-</u>
Total liability		<u>3,050,057,754.66</u>	<u>3,616,909,218.03</u>	<u>1,383,546,240.39</u>	<u>1,284,347,301.08</u>
Shareholders' equity					
Registered capital	1, 8(21)	602,762,596.00	547,965,998.00	602,762,596.00	547,965,998.00
Capital reserve	8(22)	363,629,927.51	363,629,927.51	288,769,132.47	288,769,132.47
Surplus reserve	8(23)	332,908,397.60	332,908,397.60	332,908,397.60	332,908,397.60
Undistributed profits	8(24)	473,871,306.65	534,342,963.11	509,190,494.99	314,075,825.78
difference caused by foreign currency translation		<u>-</u>	<u>(1,481,216.08)</u>	<u>-</u>	<u>-</u>
Total shareholders' equity attributed to the parent company		<u>1,773,172,227.76</u>	<u>1,777,366,070.14</u>	<u>1,733,630,621.06</u>	<u>1,483,719,353.85</u>
Minority equity	8(25)	<u>162,709,543.29</u>	<u>158,639,706.03</u>	<u>-</u>	<u>-</u>
Total shareholders' equity		<u>1,935,881,771.05</u>	<u>1,936,005,776.17</u>	<u>1,733,630,621.06</u>	<u>1,483,719,353.85</u>
Total of liabilities and shareholders' equity		<u>4,985,939,525.71</u>	<u>5,552,914,994.20</u>	<u>3,117,176,861.45</u>	<u>2,768,066,654.93</u>

The annexed notes are the integral components of these financial statements.

Legal representative
department

the person in charge of accounting

leader of accounting

Shenzhen Nanshan Power Co., Ltd

Annual consolidated and the parent company's income statement 2008
(All amounts listed in RMB if not noted otherwise)

Item	Note	Dec 31, 2007			
		Dec 31, 2008	Consolidated	Dec 31, 2008	Dec 31, 2007
		Consolidated	(recounted)	The Company	The Company
			(Note 5)		
I. incomes from operation	8(26), 15(3)	3,156,551,549.97	3,620,123,640.65	1,022,780,834.06	1,236,904,984.34
Less: cost of operation	8(26), 15(3)	(4,514,317,627.52)	(3,788,089,002.59)	(1,679,909,896.08)	(1,634,164,752.46)
Sales tax and additions	8(27)	(8,985,989.00)	(6,088,748.70)	(4,843,603.12)	(1,797,465.95)
Sales expenses		(2,179,835.99)	(2,164,971.23)	-	-
Overhead expenses		(99,372,070.91)	(103,409,869.70)	(32,021,293.97)	(32,585,230.18)
Financial expenses – net					
value	8(28)	(156,740,252.87)	(126,981,388.97)	(26,895,276.39)	771,841.09
Asset impairment loss	8(29)	(74,648,595.18)	(4,644,522.42)	(16,373,600.00)	(2,470,039.76)
Plus: investment income	15(4)	-	-	67,557,104.24	137,845,168.29
II. operating loss		(1,699,692,821.50)	(411,254,862.96)	(669,705,731.26)	(295,495,494.63)
Plus: non-operating incomes	8(30)	1,769,137,635.18	579,135,554.90	981,498,720.70	417,957,865.64
Less: non-operating expenses	8(30)	(4,684,975.82)	(3,120,623.02)	(198,650.00)	(100,000.00)
Including: loss for disposal					
of non-current assets		(2,301,262.67)	-	(88,650.00)	-
III. Total profit		64,759,837.86	164,760,068.92	311,594,339.44	122,362,371.01
Less: income tax	8(31)	(49,926,080.06)	2,583,811.86	(45,244,093.23)	3,585,925.64
IV. Net profit		14,833,757.80	167,343,880.78	266,350,246.21	125,948,296.65
Net profit attributable to parent					
company's shareholders		10,763,920.54	170,434,785.35	266,350,246.21	125,948,296.65
Profit/loss of minority		4,069,837.26	(3,090,904.57)	-	-
V. Earnings per share					
Basic earnings per share	8(32)	0.02	0.28	-	-
Diluted earnings per share	8(32)	0.02	0.28	-	-

The annexed notes are the integral components of these financial statements.

Legal representative the person in charge of accounting leader of accounting department

Shenzhen Nanshan Power Co., Ltd

Annual consolidated and the Company's statement of cash flow
(All amounts listed in RMB if not noted otherwise)

Item	Note	Dec 31, 2007			
		Dec 31, 2008	Consolidated	Dec 31, 2008	Dec 31, 2007
		Consolidated	(recounted)	The Company	The Company
I. Cash flows from operating activities					
Cash received from sales of goods or rendering services		4,351,127,948.22	4,191,049,609.63	1,442,119,045.62	1,709,661,891.10
Other cash received relating to operating activities		1,767,233,938.08	362,287,245.56	1,068,736,593.75	373,100,374.48
Subtotal of cash inflows from operating activities		6,118,361,886.30	4,553,336,855.19	2,510,855,639.37	2,082,762,265.58
Cash paid for goods and services		(5,553,766,896.67)	(4,008,007,418.60)	(2,036,602,034.32)	(2,064,024,401.14)
Cash paid to and on behalf of employees		(116,197,337.72)	(149,902,999.60)	(69,564,681.63)	(89,100,305.00)
Payments of all types of taxes		(61,170,832.23)	(152,887,013.07)	(4,151,508.03)	(19,071,065.96)
Other cash paid related to operating activities	8(33)	(55,726,299.21)	(39,867,906.65)	(14,257,770.56)	(12,589,730.63)
Subtotal of cash outflows for operating activities		(5,786,861,365.83)	(4,350,665,337.92)	(2,124,575,994.54)	(2,184,785,502.73)
Net cash flow from operating activities	8(33)	331,500,520.47	202,671,517.27	386,279,644.83	(102,023,237.15)
II. Cash flows from investment activities					
Cash received from returns on investments		-	-	-	19,742,279.46
Cash received from disposal of fixed assets, intangible assets & other long-term assets		174,958,946.44	2,354,639.67	42,067,235.30	208,000.00
Cash received from other investment activities		-	484,085.03	-	61,046,132.41
Cash inflow from investment activities		174,958,946.44	2,838,724.70	42,067,235.30	80,996,411.87
Cash paid to acquire fixed assets, intangible assets & other long-term assets		(117,418,379.68)	(81,394,876.68)	(27,290,559.84)	(26,813,221.02)
Cash paid to acquire investment		(57,857,143.00)	(73,459,922.00)	(104,197,143.00)	(41,200,000.00)
Cash paid for other activities related to investment		-	-	(541,233,178.86)	(489,831,425.20)
Subtotal of cash outflow for investment activities		(175,275,522.68)	(154,854,798.68)	(672,720,881.70)	(557,844,646.22)
Net cash flow from investment activities		(316,576.24)	(152,016,073.98)	(630,653,646.40)	(476,848,234.35)
III. Cash flows from financing activities					
Cash received from borrowings		5,301,342,522.43	3,827,905,160.07	2,317,938,480.00	1,572,515,110.00
Cash received from other financial activities		-	139,652,108.65	-	-
Subtotal of cash inflow from financial activities		5,301,342,522.43	3,967,557,268.72	2,317,938,480.00	1,572,515,110.00
Cash repayment of amounts borrowed		(5,252,475,835.36)	(4,063,209,859.43)	(2,037,036,740.00)	(1,176,856,670.00)
Cash payment for interest expenses and distribution of dividends or profit		(293,791,280.67)	(160,942,025.62)	(133,028,981.18)	(38,064,030.54)
Cash payment for other activities related		-	(133,082,736.00)	-	-

to financial activities				
Subtotal of cash outflow from financial activities		(5,546,267,116.03)	(4,357,234,621.05)	(2,170,065,721.18)
Net cash flow from financial activities		(244,924,593.60)	(389,677,352.33)	147,872,758.82
				357,594,409.46
IV. Impact of foreign exchange rate change on cash and cash equivalents			1,597,717.50	
V. net increment (decrement) of cash and cash equivalents	8(33)	86,259,350.63	(337,424,191.54)	(96,501,242.75)
Plus: the balance of cash and cash equivalents at the beginning of the year	8(33)	286,089,572.89	623,513,764.43	125,774,088.96
V. the balance of cash and cash equivalents at the end of the year	8(33)	372,348,923.52	286,089,572.89	29,272,846.21
				125,774,088.96

The annexed notes are the integral components of these financial statements.

Legal representative the person in charge of accounting leader of accounting
department

Shenzhen Nanshan Power Co., Ltd

Annual consolidated statement of changes of shareholders' equity 2008
(All amounts listed in RMB if not noted otherwise)

Item	Note	Equity attributable to the parent company's shareholders						Total of shareholders' equity
		Capital	Capital reserve	Surplus reserve	Undistributed profit	difference caused by foreign currency		
						Profit	translation	Minority equity
Balance on Dec 31, 2006		547,965,998.00	343,721,133.93	420,873,634.68	275,942,940.64	(1,682,395.70)	34,657,671.20	1,621,478,982.75
First adoption of Corporate Accounting Rules	-		1,398,000.00	(100,560,000)	100,560,000.00	(1,398,000.00)	172,898,000.00	172,898,000.00
Balance on Jan 1, 2007		547,965,998.00	345,119,133.93	320,313,634.68	376,502,940.64	(3,080,395.70)	207,555,671.20	1,794,376,982.75
Changes in 2007								
Net profit		-	-	-	170,434,785.39	-	(3,090,904.61)	167,343,880.78
Profit directly recognized in shareholders' equity								
- purchasing subsidiary	-	-	-	-	-	-	29,685,733.02	29,685,733.02
- purchasing minority equity	-	18,510,793.58	-	-	-	-	(75,510,793.58)	(57,000,000.00)
- difference caused by foreign currency translation	-	-	-	-	-	1,599,179.62	-	1,599,179.62
Profit distribution								
- Provision for surplus reserve 8(23)		-	-	12,594,762.92	(12,594,762.92)	-	-	-
Balance on Dec 31, 2007		547,965,998.00	363,629,927.51	332,908,397.60	534,342,963.11	(1,481,216.08)	158,639,706.03	1,936,005,776.17
Balance on Jan 1, 2008		547,965,998.00	363,629,927.51	332,908,397.60	481,996,330.36	(1,481,216.08)	141,190,828.45	1,886,210,265.84
Identifiable fair value adjustment of net assets for corporate merger acquired in 2007	5	-	-	-	52,346,632.75	-	17,448,877.58	69,795,510.33
Balance on Jan 1, 2008 (recalculated)		547,965,998.00	363,629,927.51	332,908,397.60	534,342,963.11	(1,481,216.08)	158,639,706.03	1,936,005,776.17
Changes in 2008								
Net profit		-	-	-	10,763,920.54	-	4,069,837.26	14,833,757.80
Profit directly recognized in shareholders' equity								
- difference caused by foreign currency translation	-	-	-	-	-	1,481,216.08	-	1,481,216.08
Profit distribution								
- Provision for surplus reserve 8(23)		-	-	-	-	-	-	-
- Distribution to shareholders 8(24)		54,796,598.00	-	-	(71,235,577.00)	-	-	(16,438,979.00)
Balance on Dec 31, 2008		602,762,596.00	363,629,927.51	332,908,397.60	473,871,306.65	-	162,709,543.29	1,935,881,771.05

The annexed notes are the integral components of these financial statements.

Legal representative the person in charge of accounting leader of accounting
department

Shenzhen Nanshan Power Co., Ltd

Annual statement of changes of the Company's shareholders' equity 2008
(All amounts listed in RMB if not noted otherwise)

Item	Note	Capital	Capital reserve	Surplus reserve	Undistributed profit	difference caused by foreign currency translation
Balance on Jan 1, 2007		547,965,988.00	287,371,132.47	352,773,634.68	497,291,292.05	1,685,402,057.20
First adoption of Corporate Accounting						
Rules		-	1,398,000.00	(32,460,000.00)	(296,569,000.00)	(327,631,000.00)
		<u>547,965,998.00</u>	<u>288,769,132.47</u>	<u>320,313,634.68</u>	<u>200,722,292.05</u>	<u>1,357,771,057.20</u>
					125,948,296.65	125,948,296.65
	8(23)	-	-	12,594,762.92	(12,594,762.92)	-
Balance on Dec 31, 2007		<u>547,965,998.00</u>	<u>288,769,132.47</u>	<u>332,908,397.60</u>	<u>314,075,825.78</u>	<u>1,483,719,353.85</u>
Balance on Jan 1, 2008		547,965,998.00	288,769,132.47	332,908,397.60	314,075,825.78	1,483,719,353.85
Changes in 2008						
Net profit		-	-	-	266,350,246.21	266,350,246.21
Profit distribution						
- Provision for surplus reserve	8(23)	-	-	-	-	-
- distribution to shareholders	8(24)	<u>54,796,598.00</u>	-	-	(71,235,577.00)	(16,438,979.00)
Balance on Dec 31, 2008		<u>602,762,596.00</u>	<u>288,769,132.47</u>	<u>332,908,397.60</u>	<u>509,190,494.99</u>	<u>1,733,630,621.06</u>

The annexed notes are the integral components of these financial statements.

Legal representative
department

the person in charge of accounting

leader

of accounting

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

— Company Profile

Shenzhen Nanshan Power Co., Ltd (hereinafter called as “Company”) was reorganized to be a joint-stock enterprise from a foreign investment enterprise in 1993, upon the approval of General Office of Shenzhen Municipal Government with Document Shen Fu Ban Fu No.897 in 1993. When transformed, the Company’s total capital was 103,000,000 Yuan with paper value per share 1 Yuan. In 1994, after approved by Document Shen Zhu Ban Fu No. 179 in 1993 issued by Shenzhen Securities Regulatory Office, the Company offered 40,000,000 RMB common shares and 37,000,000 foreign exchange shares listed in China respectively to domestic and overseas investors, which were listed in Shenzhen Securities Exchange respectively on Jul 1, 1994 and Nov 28, 1994. After the offering, the Company’s total capital increased to 180,000,000 Yuan. After several later dividend distributions and stock allotments, the Company’s capital increased to 547,965,998 Yuan on Dec 31, 2007.

On Jul 3, 2008, the Company implemented its bonus and dividend distribution plan, taking 547,965,998 shares totally on Dec 31, 2007 as the base, allotted 1 share and cash 0.30 Yuan per 10 shares, and then the Company’s capital increased by 54,796,598 Yuan. After the above capital change, the Company’s total capital was 602,762,596 Yuan.

In accordance with the Document Guo Zi Chan Quan No. 230 in 2006, “Reply on Related Problems of Shareholder Structure Reform of Shenzhen Nanshan Power Co., Ltd”, the Company started shareholder structure reform since Mar 20, 2006. All non-tradable shareholders of the Company paid 2.3474 consideration shares and cash 4.1522 Yuan consideration per 10 shares to RMB common share holders registered on the registration change date (Feb 17, 2006) as stipulated in the shareholder structure reform plan, totally 15,222,000 legal person shares and 26,925,000 Yuan. Since Mar 28, 2006, all shares of the Company acquire the trading rights in Shenzhen Securities Exchange, and in accordance with stipulated restriction conditions, 92,123,248 foreign legal person shares (83,748,408 shares before the allotment) held by former non-tradable share holders have been tradable on Sep 5, 2008, and 55,046,401 of 160,418,841 state-owned legal person shares (145,835,310 shares before the allotment) with restriction conditions have been tradable on Aug 4, 2008, and all other shares have not been tradable on Dec 31, 2008.

The Company registered address is No. 18, Yueliangwan Street, Nanshan District, Shenzhen City, Guangdong Province, the People’s Republic of China

The Company and its subsidiaries (hereinafter jointly called as “Group”) mainly operate domestic production of power and heat, power plant construction, fuel trade and other related businesses.

In Dec 2008 and Jan 2009, the Company’s subsidiaries, Zhongshan Zhongfa Power Co., Ltd (Zhongfa Power) and Zhongshan Power Plant Co., Ltd (Zhongshan Power Plant) acquired renewed business licenses, and changed their business scopes from power production to be real estate development and management, sales and lease of self-owned commercial houses and real estate investment, meanwhile, Zhongfa Power and Zhongshan Power Plant respectively renamed to be Zhongshan Shenzhong Real Estate Development Co., Ltd (Shenzhong Development) and Zhongshan Shenzhong Real Estate Investment Co., Ltd (Shenzhong Investment).

These financial statements are issued upon the approval of the Company’s Board of Directors on Apr 7,

Shenzhen Nanshan Power Co., Ltd

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

2009.

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

二 Background for Compilation of Financial Statement

These financial statements were prepared in accordance with the Accounting Standards for Business Enterprises – Basic Rules and 38 detailed accounting rules issued by Ministry of Finance on Feb 15, 2006, and application guidelines for accounting standards, explanations on accounting standards for business enterprises and other related regulations later promulgated by Ministry of Finance, all of these documents are called as Accounting Standards totally.

On Dec 31, 2008, the Group's current liabilities were 620,748,716.37 higher than current assets. The main reason of net current liabilities is the Group's some capital expenditures, mainly including machinery supported with short-term loan. In the past the Group's each reborrowing upon the loan maturity was approved by the related bank. On Dec 31, 2008, there was still about 2,034,730,000 Yuan within the line of bank credit not used by the Group, which may meet the needs of its liabilities and capital expenditures. At the same time, despite that by Dec 31, 2008 the Group and a third party mutually raised indemnification and liabilities for the termination of a trade, and on the approval date of these statements the Group and the third party have not reached an agreement on such matters, but based on the above matters (Note 12), the Company's directors consider there is not any possibility of important cash outflow of the Group on such matter in the year 2009. Based on the above matters and conditions, the Company's directors do not there will be any problem on the Company's sustainable operation. Therefore the Company's directors compiled these annual financial statements on the basis of sustainable operation.

三 Declaration of Compliance with the Accounting Standards for business enterprise

The annual financial statements 2008 of the Company give a true and fair view of the financial position of the Company as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

四 Key accounting policies and estimates

(1) Accounting year

The accounting year is from January 1 to December 31 in the Gregorian calendar.

(2) Standard currency for account entry

The standard currency is RMB.

(3) Measurement attribute

Except for fair value, cashable net value and current value and other measurement attributes noted otherwise, the measurement attribute is historical cost.

(4) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions shall be reckoned into account with RMB exchanged by foreign currency at the spot rate on the trade date.

Shenzhen Nanshan Power Co., Ltd

Note to financial statements

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(All amounts listed in RMB if not noted otherwise)

On the balance sheet date, the foreign currency items shall be exchanged to be RMB at the spot rate on the balance sheet date, and the difference caused by exchange shall be directly recognized as current profit/loss, except that the foreign currency translation difference, caused by the foreign currency loan specially for purchasing or constructing the assets meeting capitalization conditions, shall be treated in the principle of capitalization. The non-monetary foreign currency items measured by historical costs shall be exchanged on the balance sheet date at the spot rate of the trade date.

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

4. Important accounting policies and estimates (continued)

(4) Foreign currency translation (continued)

(b) Exchange of foreign currency financial statements

All items of assets and liabilities operated overseas shall be translated to be in RMB according to the spot rate on the balance sheet date. Except for the item “undistributed profit” in shareholders’ equity, other items shall be translated at the spot rates when the items happened. The items of incomes and expenses for overseas operation in income statement shall be translated at the spot rates when the items happened. The foreign currency translation differences of the above translations shall be separately listed in shareholders’ equity.

Foreign cash flows and cash flows of overseas subsidiaries shall be translated at the spot rates on the cash flow dates. The cash changes for foreign currency exchange rate shall be separately listed in cash flow statement.

(5) Cash and cash equivalents

The cash listed in cash flow statement means the cash in hand and the deposit available for payment at any time, and cash equivalents mean the investments with short holding term, high liquidity, easily converted to be known cash and low value change risk.

(6) Financial assets

On initial confirmation, the financial assets are divided into: financial assets measured by fair value and of which the changes are recognized to be current profit/loss, receivables, tradable financial assets and held-to-maturity investments. The classification of financial assets is depended on the Group’s holding intention and capability on financial assets. The Group has not any held-to-maturity investment in the year.

(a) Financial assets measured by fair value and of which the changes are recognized to be current profit/loss

Financial assets measured by fair value and of which the changes are recognized to be current profit/loss include the financial assets with holding intentions to be sold in short terms, and the assets are listed as tradable financial assets in balance sheet.

(b) Receivables

Receivables mean the non-derivative financial assets without quotation but with fixed or confirmable recovering amount, and including receivable accounts and other receivables (Note 4 (7)).

(c) Tradable financial assets

Tradable financial assets include the tradable non-derivative financial assets classified on initial confirmation and the financial assets not classified to be other financial assets. The financial assets

Shenzhen Nanshan Power Co., Ltd

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

tradable within 12 months after the balance sheet date shall be listed as other current assets in balance sheet.

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

4. Important accounting policies and estimates (continued)

(6) Financial assets (continued)

(d) Confirmation and measurement

Where the Group becomes a party of a financial instrument contract, the fair value of the financial assets shall be recognized in balance sheet. For the financial assets measured by fair value and of which the changes are recognized to be current profit/loss, it shall be reckoned in current profit/loss when related transaction cost acquired; the related transaction costs of other financial assets shall be reckoned in initial confirmation amounts. When the contracted rights on a cash flow of a financial asset have been terminated or almost all risks and rewards on the ownership of the financial assets have been transferred, the financial assets shall be confirmed finally.

Financial assets measured by fair value and of which the changes are recognized to be current profit/loss and tradable financial assets shall be after-measured by fair value, however the equity instrument investment, without quotation in the active market and of which fair value can not be measured reliably, shall be measured by its cost; receivables and held-to-maturity shall be measured by the post-amortization cost according to actual interest rate method.

The fair value change of financial assets measured by fair value and of which the changes are recognized to be current profit/loss shall be recognized to be fair value change profit/loss and reckoned in current profit/loss; the received interests or cash bonus during holding an assets and disposal profit/loss in disposal of the asset shall be reckoned in current profit/loss.

Except for impairment loss and exchange profit/loss caused by foreign monetary financial assets, the fair value changes of tradable financial assets shall be directly reckoned in shareholders' equity, and upon the final of confirmation of the financial assets, the accumulation of fair value changes formerly and directly reckoned in equity shall be transferred into current profit/loss. The interests of the tradable liabilities instrument investment calculated according to actual interest rate method during being held, and cash bonus announced to be distributed by the invested enterprise and related to tradable equity instrument investment shall be reckoned as investment return in current profit/loss.

(e) Impairment of financial assets

Except for the financial assets measured by fair value and of which the changes are recognized to be current profit/loss, the Group will check all account values of financial assets on the balance sheet date, and if any objective evidence shows impairment on any financial asset, withdrawal for impairment reserve shall be recognized.

Where impairment of financial assets measured by post-amortization cost, the withdrawal of impairment reserve shall be recognized at the difference of the current value estimated with future cash flows (excluding future credit loss not occurred yet) lower than account value. If there is objective evidence that the value of the financial asset has been recovered, and the recovery is objectively related to the subsequent matters after the confirmation of the loss, the recognized impairment loss shall be returned and reckoned in current profit/loss.

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

Where the fair value of tradable financial asset changes greatly or decreases non-temporarily, the cumulative loss formerly directly recognized to be shareholders' equity and caused by the decrease of fair value shall be transferred out and reckoned in impairment loss. For the tradable liabilities instrument investment of which impairment loss has been recognized, when the fair value increases after the period and the increase is objectively related to the subsequent matters after the confirmation of the impairment loss, the formerly recognized impairment loss shall be returned and reckoned in current profit/loss. For the tradable equity instrument investment of which impairment loss has been recognized, when the fair value increases after the period and the increase is objectively related to the subsequent matters after the confirmation of the impairment loss, the formerly recognized impairment loss shall be returned and directly reckoned in current profit/loss.

When the impairment of equity instrument investment, without quotation in the active market and of which the fair value can not be measured reliably, occurs, the difference of its account value higher than the current value of the future cash flows of similar financial assets calculated according to the current market profitability shall be recognized as impairment loss. Once impairment loss confirmed, its recovery shall not be returned in later periods.

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

4. Important accounting policies and estimates (continued)

(7) Receivables

Receivables include receivable accounts and other receivables. The receivable accounts of the Group caused by goods sales or rendering services shall be initially recognized with the receivable fair value prescribed in the contract or agreement. The receivable account shall be calculated according to actual interest method, and listed with the net value of post-amortization cost after bad accounts reserve deducted.

For a single receivable account with a great value, impairment test shall be done separately. When there is objective evidence that the Group can not receive such amount in accordance with the original conditions, bad account reserve shall be reckoned with the difference of the current value of the estimated future cash flows lower than its account value.

For a single receivable account without a great value, it shall be classified, together with the receivables without impairment found in single test, to be some groups according to their credit risk features, and based on the actual impairment rate of past similar or identical receivable account group with similar credit risk features, and in consideration of current circumstances, recognize bad account reserve.

For the receivable accounts of the Group without right of recourse transferred to financial institutions, the balance of the trading amounts deducting the transferred account value and related taxes shall be reckoned in current profit/loss.

(8) Inventory

Inventories are classified to be real estate development products and non-real-estate development products. Real estate development products include the products to be developed. Non-real-estate development products include fuel, spare goods and parts, auxiliary materials and low-value consumables. The inventory shall be listed with the lower between its cost and cashable net value.

The products to be developed shall be priced with the actual cost according to the purchased land use right for the usage of sales or lease. The cost of non-real-estate development products when delivery shall be calculated according to weighted mean method, and the fuel costs or maintenance expenditures for non-real-estate development products in consumption shall be reckoned according to the practices.

Inventory falling price reserves shall be provided according to the difference of the inventory's cost higher than cashable net value. Cashable net value of an inventory shall be recognized by its estimated price after deducting estimated sales expenses and related taxes.

The Group's inventory taking system is perpetual inventory system

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

4. Important accounting policies and estimates (continued)

(9) Long-term equity investment

Long-term equity investment includes the Company's equity investment in its subsidiaries, the Group's equity investment in joint ventures, and the Group's long-term equity investment in the invested enterprises, not being controlled or jointly controlled or greatly influenced by the Group, and without quotation in the active market and of which the fair value can not be measured reliably.

(a) Subsidiary

A subsidiary means an enterprise invested by the Group, and the Group may control the enterprise, which means that the Group has the right to decide its financial and operating policies and may receive benefits from its operating activities. When confirming whether an invested enterprise may be controlled, the current convertible bonds, current exercisable subscription warrants and other potential voting rights of the invested enterprise shall be considered. The investment in subsidiaries shall be listed with the amount determined by cost method, and shall be adjusted by equity method and then consolidated for preparing consolidated financial statements.

Long-term equity investment calculated by cost method shall be measured with its initial investment cost. The cash bonus or profit announced to be distributed by the invested enterprise shall be recognized as current profit/loss. The recognized investment return is limited to the distribution of accumulative net profit after the invested enterprise accepts the investment, and the amount of the received profit or cash bonus higher than the above amount shall be reckoned in the return of initial investment cost.

(b) Joint ventures

A joint venture means an enterprise invested by the Group, in which the Group has an important influence on its accounting and operating decisions.

The investment cost to the joint venture shall be measured with the actual cost in initial measurement and equity method in follow-up measurement. If the initial investment cost is higher than the enjoyable share of the fair value of the invested enterprise identifiable net assets when investment, the initial investment cost shall be recognized as long-term equity investment cost; if the initial investment cost is lower than the enjoyable share of the fair value of the invested enterprise identifiable net assets when investment, the difference shall be reckoned in current profit/loss, and accordingly adjust and increase the cost of the long-term equity investment.

If equity method is adopted for calculation, the Group's enjoyable or attributable net profit/loss share in the invested enterprise shall be recognized as current profit/loss. The Group recognizes the net losses of the invested enterprise until the book value of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero, but for the losses or liabilities which the Group has additional responsibilities to bear, and that is compliant with confirmation conditions of estimated liabilities stipulated by contingency stipulations, the investment loss and estimated liabilities shall be recognized continuously. On the condition that the Group's shareholding ratio is consistent, other changes of shareholders' equity other than net profit/loss of the invested enterprise shall be directly reckoned in capital reserve in proportion to the shareholding

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

ratio. By the Group's receivable profit or bonus when announced to be distributed by the invested enterprise, accordingly subtract the account value of the long-term equity investment. In the transaction between the Group and its invested enterprise, the profit/loss in such internal transaction that is owe to the Group in proportion to its shareholding ratio shall be written off, and then recognize investment profit/loss. For the part of asset impairment loss in the transaction loss between the Group and its invested enterprise, the unrealized profit/loss shall not be written off.

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

4. Important accounting policies and estimates (continued)

(9) Long-term equity investment (continued)

(c) Other long-term equity investment

For other long-term equity investment to the invested enterprise of the Group that does not do joint control or does not have significant influences on the invested enterprise, if the investment has no quotation in the active market and its fair value cannot be reliably measured, it shall be accounted with cost method.

(10) Real estate for investment

Real estate for investment includes the promises for lease, and shall be initially measured with cost. The follow-up expenditures related to the real estate for investment shall be reckoned in the cost of the real estate for investment when the related economic benefits very likely flow in the Group and of which the cost may be measured reliably; or the expenditures shall be reckoned in current profit/loss upon their occurrences.

The Group adopts cost method to follow-up measure all its real estate for investment, and withdraws depreciation and amortization for the promises and land use right in accordance with their estimated service lives and net salvages. The estimated service lives, net salvages and annual depreciation (amortization) rate are following:

Estimated service lives	estimated net salvages	annual depreciation (amortization) rate
Promises	20 years	10%

If the usage of real estate for investment is changed to be private, since the change date, the real estate for investment shall be converted to be fixed asset or intangible asset. If the real estate for private usage is changed to be for investment, since the change date, the fixed asset or intangible asset shall be converted to be real estate for investment. When converted, the account value of the real estate before conversion shall be recognized to be the account value after conversion.

The estimated service lives, estimated net salvages and depreciation (amortization) method shall be re-checked and properly adjusted at the end of each year.

When a real estate for investment is disposed, or discarded permanently, and no economic benefits can be gained from such disposal, terminate to confirm the real estate for investment. The amount of the income from disposal (sales, transfer, discard or damage) of a real estate for investment after deducting its account value and related taxes shall be reckoned in current profit/loss.

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

4. Important accounting policies and estimates (continued)

(11) Fixed assets

Fixed assets include house, building, machinery, transport tools and other equipments. The purchased or newly constructed fixed assets shall be initially measured with the actual cost of the purchase and construction.

If the subsequent expenses related to a fixed asset, of which the related economic benefits likely flow in the Group and the cost may be measured reliably, they shall be reckoned in the cost of fixed asset; for the part replaced, the recognition of its account value shall be terminated; all other subsequent expenses shall be reckoned in the current profit/loss.

The depreciation of gas turbine set included in machinery shall be adopted with units-of-production depreciation method, and the depreciation shall be reckoned with its entry value after deducting its estimated net salvage and in accordance with the percentage of the actual generating hours to the estimated total generating hours as unit depreciation rate. The net salvage rate of gas turbine set is 10%.

Except for gas turbine set, the depreciation of fixed assets shall be adopted with straight-line method, and the depreciations shall be reckoned with its entry value within their estimated service lives after deducting their estimated net salvages. For the fixed assets with withdrawn impairment reserve, the depreciation shall be reckoned with the accounting value after impairment reserve deduced and according to the residual service life.

Except for gas turbine set, the estimated service lives, estimated net salvages and annual depreciation rates of other fixed assets are following:

	Estimated service life	Estimated net salvage rate	Annual depreciation rate
House and building	20 years	10%	4.5%
Machinery equipment	10 years	10%	9%
Transportation facilities	5-10 years	10%	9%-18%
Other equipments	5 years	10%	18%

At the end of each year, the estimated total generating hours of gas turbine set, and the estimated service lives, estimated net salvages and annual depreciation rates of fixed assets except gas turbine set shall be re-checked and properly adjusted.

For the fixed assets compliant with sales conditions, the lower amount between their account value and the fair value after deducting disposal expenses shall be listed as other current assets. The amount of fair value deducting disposal expenses lower than the former account value shall be reckoned in asset impairment loss.

When a fixed asset is disposed, or discarded permanently, and no economic benefits can be gained from usage and such disposal, terminate to confirm the fixed asset. The amount of the income from disposal

Shenzhen Nanshan Power Co., Ltd

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

(sales, transfer, discard or damage) of a fixed asset after deducting its account value and related taxes shall be reckoned in current profit/loss.

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

4. Important accounting policies and estimates (continued)

(12) Project under construction

Project under construction shall be measured with its actual cost. The actual cost includes construction expenses, necessary expenditures for the project under construction reaching the expected conditions for use, and the loan expenses for the construction meeting capitalization conditions before reaching the expected conditions for use. When a project under construction reaches the expected conditions for use and is transferred to be a fixed asset, its depreciation shall be reckoned since the next month.

(13) Intangible assets

Intangible assets include land use right and software lisence, and are measured with actual costs.

(a) Land use right

Land use right shall be averagely amortized in the period 20 ~ 70 years. The payment for purchasing land and building, which is difficult to be divided into the prices of land use right and building, shall be reckoned as fixed assets totally.

(b) Software use right

Software use right shall be averagely amortized in the period 5 years.

(c) Regularly re-check service life and amortization method

Estimated service life and amortization method for the intangible asset with limited service life shall be re-checked and properly adjusted at the end of each year.

(14) Long-term deferred expenses

Long-term deferred expenses include improvement on leased-in operational fixed assets, which shall be averagely amortized within the beneficial period, and listed with the net amount of actual cost deducting accumulative amortization.

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

4. Important accounting policies and estimates (continued)

(15) Long-term asset impairment

If on the balance sheet date there is any evidence indicating a possible impairment on fixed assets, constructions in process, intangible assets, real estate for investment measured by cost method, long-term equity investments to subsidiaries and joint ventures and other long-term equity investments, impairment test shall be done. If the results of impairment test indicate that the recoverable amount is lower than the account value, impairment reserve equal to the difference shall be withdrawn and reckoned in impairment loss. The recoverable amount shall be the higher between the net amount of the fair value of the asset deducting disposal expenses and the present value of the future cash flows of the asset. Asset impairment reserve shall be calculated and recognized on the basis of single asset, and if the recoverable amount of a single asset is difficult to be estimated, the recoverable amount of the asset group shall be recognized, which includes the asset. An asset group is the minimal asset group that may separately generate cash inflows.

Once the above asset impairment loss confirmed, its recovery shall not be returned in later periods.

(16) Loan expenses

The occurred loan expenses, directly for purchasing or constructing fixed assets which must reach the expected conditions for use after a long time of purchase or construction, shall be capitalized and reckoned in the cost of the fixed assets since the capital expenditures and loan expenses have occurred and the purchase and construction necessary for the fixed assets to reach the expected conditions for use have started. When the purchased or constructed fixed assets reach the expected conditions for use, capitalization shall be stopped, and the subsequent loan expenses shall be reckoned in current profit/loss. If the purchase or construction of assets is abnormally interrupted, and the interruption lasts for over 3 month, the capitalization of the loan expenses shall be suspended until the purchase or construction of the assets restarts.

(17) Loans

Loans shall be measured initially with their fair value deducting trading cost, follow-up measured with the post-amortization cost by actual interest rate method. The loan with a maturing period no more than 1 year is a short-term loan, and other loans are long-term loans.

(18) Employee compensation

Employee compensation mainly include wages, bonuses, allowances and subsidies, welfare expenses for employees, social insurances, housing accumulation fund, labour union expenditure, employee education expenses, and other expenditures related to acquisition of services provided by employees.

The Group has established enterprise annuity fund plan, which is a defined contribution plan, or the Group makes payment to related enterprise annuity fund account in a certain proportion to the employees' pay cost salaries, and the Group has not any statutory or deductive responsibility to pay other fund except for the above payment. The above payment shall be reckoned in cost when the responsibility of the payment comes

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

into existence. The assets of enterprise annuity fund shall be trusted by the annuity custodian with the qualification of a custodian, and shall be deposited separately from the Group's assets.

The payable employees' compensation recognized during the period of the employees rendering services shall be reckoned in the cost and expenses of the related assets in accordance with the beneficial of the services offered by the employees.

(19) Estimated liabilities

Because of current liabilities resulted from quality guarantee, loss contract, suspended lawsuit or claims, and the performance of such liabilities likely results in outflow of economic benefits, the liabilities shall be recognized as estimated liabilities when the amount of such liabilities may be measured reliably.

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

4. Important accounting policies and estimates (continued)

(19) Estimated liabilities (continued)

Estimated liability shall be initially measured with the best estimate of the expenditure necessary to perform the related current liability, and comprehensively in consideration of the risk, uncertainty and time value of money related to the contingent matters. If time value of money is important, the best estimate shall be determined after discounting future related cash outflows; the increase amount of the account value of estimated liabilities, resulted from discounting with time passing shall be recognized as interest expenses.

On the balance sheet date, the account value of estimated liabilities shall be re-checked and properly adjusted to indicate the best estimate.

(20) Deferred income tax asset and deferred income tax liability

Deferred income tax asset and deferred income tax liability shall be recognized in accordance with the difference (temporary difference) between the tax base and the account value of the assets and liabilities. For the deductible loss that may be deducted by the reduction of income tax in later years, the corresponding deferred income tax asset shall be recognized. For temporary difference resulted from initial recognition of assets or liabilities in non-enterprise-merger transaction, which does not influence on accounting profit nor taxable income (or deductible loss), the corresponding deferred income tax asset and deferred income tax liability shall not be recognized. On the balance sheet date, deferred income tax asset and deferred income tax liability shall be measured at the applicable tax rate during estimated recovery of the asset or settlement of the liability.

The deferred income tax liabilities shall be recognized to the extent of the amount of the taxable income which it is most likely to be obtained by the Group to deduct the deductible temporary difference, deductible loss and taxes.

The deferred income tax asset and deferred income tax liability, resulted from temporary difference related to the investments to the subsidiaries and joint ventures, shall be recognized. However, the deferred income tax asset and deferred income tax liability, of which the Group can control the time of the reverse of the temporary difference and the temporary difference are unlikely reversed in an expectable future, shall not be recognized.

The deferred income tax asset and deferred income tax liability, which can meet the both following conditions, shall be listed with the net amount after deduction:

- The deferred income tax asset and deferred income tax liability relates to the income tax levied by a same tax authority department on the Group as a whole taxpayer;
- In the Group, the taxpayer has the statutory right of estimating its current income tax assets and current income tax liabilities by net amount.

(21) Income recognition

The amount of an income shall be recognized with the fair value of received or receivable amount prescribed in the contract or agreement when the Group is selling goods or rendering services in its daily operation. An income shall be listed with its net value after TAX deducted.

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

If the economic benefits likely flow into the Group, and related incomes may be measured reliably and simultaneously meet the following conditions about operating activities, the related incomes shall be recognized.

(a) Sales of product or goods

The income of power sales shall be recognized when the electricity is transmitted to Shenzhen Power Supply Bureau, Guangdong Power Grid Corporation or Transmission Center, Guangdong Power Grid Corporation. The income of heat sales shall be recognized when vapor is transmitted to the consumer. The income of fuel sales shall be recognized when the goods is transported to the place of delivery in accordance with the contract or agreement and confirmed by the buyer.

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

4. Important accounting policies and estimates (continued)

(21) Income recognition (continued)

(b) Rendering services

The income of the Group's rendering service shall be recognized by the percentage-of-completion method and in accordance with the percentage of the occurred cost to the total cost.

(c) Abalienating right to use assets

Interest income shall be recognized by adoption of actual interest rate and based on time proportion.

Lease income shall be recognized by straight-line method during the lease period.

(22) Government subsidy

A government subsidy shall be recognized when the Group meets all conditions necessary to the subsidy and may receive the subsidy. If a government subsidy is cash asset, it shall be measured with the actually received amount; if the subsidy allocated at the fixed standard shall be measured with the receivable amount; if the government subsidy is non-monetary asset, it shall be measured with its fair value; and if the fair value can not be found reliably, the subsidy shall be measured with the nominal amount and directly reckoned in current profit/loss.

A government subsidy related to assets shall be recognized as deferred income, and shall be averagely distributed during the service lives of the related assets and reckoned in current profit/loss.

If a government subsidy related to income is used for compensation of related expenses or loss during the later periods, it shall be recognized as deferred income, and during the period of recognizing of the related expenses, reckoned in current profit/loss; if the subsidy is to compensation for the related expenses or loss of an enterprise, it shall be directly reckoned in the current profit/loss.

(23) Lease

Finance lease shall refer to a lease that has transferred in substance all the risks and rewards related to the ownership of an asset. Other leases are operational leases.

The rental of an operational lease shall be reckoned in cost or current profit/loss of the related asset in accordance with straight-line method.

(24) Dividend distribution

Cash dividend shall be recognized as liability at the time approved by Shareholders' Meeting.

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

4. Important accounting policies and estimates (continued)

(25) Combination of enterprise

(a) Combination of enterprise under the same control

The combination value paid by the merging party and net assets acquired by the merging party shall be measured with the account value. According to the difference between the accounting value of net assets acquired by the merging party and the accounting value of the consideration paid by the merging party, adjust the capital reserve; if the capital reserve is not sufficient to be offset, the retained earnings shall be adjusted.

All directly related expenses for corporate merger shall be reckoned in the current profit/loss upon the occurrence of the merger.

(b) Combination of enterprise under different controls

The merger cost of the purchasing party and the identifiable net assets acquired by the purchasing party in the merger shall be measured with the fair values on the purchase date. The difference of the merger cost higher than the fair value of the identifiable net assets of the purchased party on the purchase date shall be recognized as goodwill; the difference of the merger cost lower than the fair value of the identifiable net assets of the purchased party on the purchase date shall be reckoned in the current profit/loss.

At the end of the period during the corporate merger, if all identifiable assets, the fair values of liabilities and contingent liabilities acquired in the merger or the cost of corporate merger can only temporarily confirmed, the purchasing shall recognize and measure the corporate merger based on the confirmed temporary values.

The adjustment on the confirmed temporary value within 12 months after the purchase date shall be deemed as the recognition and measurement on purchase date.

The expenses directly related to corporate merger shall be reckoned in the cost of corporate merger.

(26) Compiling methods of consolidated financial statements

The consolidation scope of the consolidated financial statements includes the Company and its all subsidiaries.

Since the date of the acquisition of the actual control right of its subsidiary, the Group includes the subsidiary in the consolidation scope; and since the date of the loss of the actual control right of its subsidiary, the Group excludes the subsidiary in the consolidation scope. For a subsidiary acquired in a corporate merger under a same control, since the date when it and the Company is controlled by a same final controlling party, the subsidiary is included in the Company's consolidation scope, and its net profit achieved before merger date shall be separately listed in consolidated income statement.

Note to financial statements

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(All amounts listed in RMB if not noted otherwise)

When compiling consolidated financial statements, if the accounting policies or accounting period of a subsidiary is inconsistent with the Company, the financial statements of the subsidiary shall be adjusted necessarily according to the Company's accounting policies or accounting period. For the subsidiary acquired in corporate merger under different controls, its financial statements shall be adjusted based on the fair value of the identifiable assets on the purchase date.

The fair value of the purchased party's identifiable net assets on purchase date may only temporarily determined, and the adjustment on the fair value of the identifiable net assets within 1 year after purchase date may be deemed as on the purchase date. Except for material accounting error necessary to be adjusted retroactive, other adjustments after 1 year shall be reckoned in the current financial statements.

All important account balances, trading profit and unrealized profit within the Group shall be offset upon the compilation of the consolidated financial statements. The equity of the subsidiary's shareholders and the part of the current profit/loss not attributed to the Company shall respectively reckoned in minority equity and minority profit/loss and listed separately in the items shareholders' equity and net profit in the consolidated financial statements.

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

4. Important accounting policies and estimates (continued)

(27) Divisional report

A business division means an identifiable part of the Group that can provide a single or a set of relevant products or services, and bears or enjoys risks and rewards different from other parts. A regional division means an identifiable part of the Group that can provide products or services in a special economic environment, and bears or enjoys risks and rewards different from the parts in other economic environments.

The business division report is the main report model of the Group. All sales of the Group are in China mainland, and all its assets locate in China mainland. Because the risks and rewards in all local economic environments are similar, no regional division report is presented. The transfer price between different divisions is determined in view of market price.

(28) Determination of the fair values of financial instruments

If a financial instrument has an active market, the offering price in the active market determines the fair value. If a financial instrument has not any active market, its fair value shall be determined by estimation method. Estimation method includes consideration of the price adopted by the involving and willing parties familiar with market situation in the recent market trades, consideration of the current fair value of other materially similar financial assets, discount cash flow method and so on. When an estimation method being adopted, the market parameters shall be adopted as possible, and the special parameters related to the Group shall be rejected as possible.

(29) Important accounting estimates and judgments

In view of historical experiences and other factors, including reasonable expectations on future matters, the Group continuously appraises its adopted important accounting estimates and key assumptions.

(a) Important accounting estimates and its critical assumptions

The existences of the following important accounting estimates and key assumptions may result in important risks of material adjustments on the accounting value of the assets and liabilities in the next fiscal year.

(i) The estimated total generating hours of gas turbine set

As stated in Note 4 (11), the depreciation of gas turbine set of the Group is adopted with units-of-production depreciation method, and the depreciation shall be reckoned with its entry value after deducting its estimated net salvage and in accordance with the percentage of the actual generating hours to the estimated total generating hours as unit depreciation rate.

The estimated total generating hours of gas turbine set are determined in view of the similar generation sets in the same industry and the technical standards of the manufacturers. Based on the usage of each gas turbine set, the management gathering with relevant technicians may regularly appraise the

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

estimated total generating hours. If any material difference exists, the estimated total generating hours will be properly adjusted. The directors of the Company consider that the total generating hours of each gas turbine set estimated by the Group are reasonable.

If the estimated total generating hours rise or fall 5%, and other factors remain unchanged, the depreciation in 2009 will reduce 4,005,000 Yuan or increase 4,427,000 Yuan.

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

4. Important accounting policies and estimates (continued)

(29) Important accounting estimates and judgments (continued)

(ii) Accounting estimates for the impairment reserve of the product to be developed in inventories

As mentioned in Note 4 (8), the Group's product to be developed is land use right that will be developed to be real estate for sales. On Dec 31, 2008 in the impairment test on the land use right, the Group's Board of Directors adopted the test results of independent professionally estimation adopting future earnings method, and the plot ratio of the land use right that may be approved formally by related authorities as predicted by the management, to calculate the land use right. Additionally, when measuring the fair value of the land use right by future earnings method, the management needs to determine main parameters for measurement, including the estimated sales price of the real estate developed on the land use right. The Company's directors consider that the Group's impairment reserve withdrawn for the land use right is sufficient on Dec 31, 2008.

If the sales price of the real estate developed on the land use right falls 5%, and other factors remain unchanged, the Group shall increase impairment reserve 123,677,000.00 Yuan on its inventories in the year 2009 on Dec 31, 2009; if the price rises 5%, the impairment reserve withdrawn in 2008 may be returned.

(iii) Accounting estimate on the possible estimated liabilities caused by the responsibilities and indemnification of the terminated transaction

On Dec 31, 2008, the Group has a responsibility and indemnification matter of a terminated transaction against a third party. Based on legal opinions of practicing lawyers on such matter, the Company's Board of Directors considers that no estimated liabilities on such matter shall be recognized in the annual financial statements 2008.

五 Restatement on the data comparing with the previous period

As disclosed by the annual financial statements 2007, on Sep 30, 2007, the Company purchased 75% ownership of Shenzhong Development and Shenzhong Investment respectively ("Ownership Purchase"). When the Ownership Purchase is completed, Shenzhong Development and Shenzhong Investment are negotiating about restructuring for their loans with former shareholder Zhongshan Power Development Corporation (Power Development) and several banks. The debt restructuring was being in implementation on the date of the purchase completed. If within 1 year after the above Ownership Purchase completed, the financial results of the debt restructuring may be determined, the Group will adjust the net assets and goodwill of the Ownership Purchase based on the related financial results determined.

In May 2008, Shenzhong Development and Power Development reached an agreement about loan relief, and Power Development relieved loan of Shenzhong Development 58,000,000.00 Yuan totally. In Jun 2008, Shenzhong Development, Shenzhong Investment and Bank of Communications reached an agreement about debt restructuring, in which Bank of Communications relieved the loan and interests of Shenzhong Development and Power Development, 11,795,510.33 Yuan totally. In accordance with the Group's accounting policies (Note 4 (25)), the adjustment within 1 year after corporate merger on the

Note to financial statements

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(All amounts listed in RMB if not noted otherwise)

fair value of identifiable net assets on the purchase date may be deemed on the purchase date, therefore the Group retroactively adjusted the difference of the net assets of the purchased ownerships acquired on purchase completion date plus the merger cost lower than the fair value of the identifiable net assets of the purchased equity in the purchased proportions of equities, and restated the comparing data of the year 2007 as detailed in the following:

	Dec 31, 2007	2007
Decrease of other payables	(58,049,335.65)	-
Decrease of interests payable	(5,374,996.98)	-
Decrease of short-term loans	(6,371,177.70)	-
Increase of undistributed profits	69,795,510.33	-
Increase of minority equity	17,448,877.58	17,448,877.58
Increase of non-operating incomes	<u>-</u>	<u>69,795,510.33</u>

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

六 Taxes

The main taxes and their rates applicable to the Group in the year are listed as follows:

Tax	Rate	Tax base
Corporate income tax	17.5%, 18%, 20% and 25%	Taxable turnover
VAT	13% and 17%	Taxable income (the payable tax is the taxable sales amount multiplying applicable tax rate and deducting deductible input taxes in the period)
Sales tax	3% and 5%	Taxable turnover

On Mar 16, 2007, NPC approved Income Tax Law of PRC for Enterprises ("New Income Tax Law"), which has been effective since Jan 1, 2008.

The Company and its subsidiaries, including Shenzhen New Power Industry Co., Ltd (New Power), Shenzhen Shennandian Gas Turbine Engineering Technology Co., Ltd (Engineering Company), Shenzhen Server Oil Limited (Server Oil) and Shenzhen Shennandian Environment Protection Co., Ltd (Shennandian Environment Protection), are established in special economic zone, and in accordance with related China tax laws and after approvals by local tax administration, the applicable income tax rates of the above enterprises were 15% formerly. Shennandian (Zhongshan) Electricity Co., Ltd ("Shennandian (Zhongshan)") and Shennandian (Dongguan) Weimei Electricity Co., Ltd (Weimei Electricity) are foreign investment enterprises engaging energy production, and in accordance with related China tax laws and after approvals by local tax administration, the applicable income tax rates of the above enterprises were 15% formerly. In accordance with New Income Tax Law, the applicable income tax rates of the Company and its above subsidiaries shall be gradually increased to 25% within 5 years, 2008 to 2012, and the applicable rate in the year is 18%. The applicable income tax rates for the Company's other subsidiaries will be adjusted to be 25% from 27% or 33% since Jan 1, 2008.

Engineering Company and Weimei Power are foreign investment enterprises, and in accordance with the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises, and the approvals of local tax administrations, since the first year when the losses accumulated in the former years are covered, corporate income tax may be exempted for 2 years, and then 50% exempted for 3 years. The first profit making years of Engineering Company and Weimei Power are respectively 2004 and 2008. In accordance with New Income Tax Law, the above tax preferences of Engineering Company and Weimei Power may be enjoyed until the tax preference periods end. In 2008, the actual corporate income tax rates of Engineering Company and Weimei Power are 9% (2007: 7.5%) and 0% (2007: 0%) respectively.

In 2008, the corporate income tax rates of the Company's subsidiary Shennan Power (Singapore) Co., Ltd (Shennan Singapore) and Hong Kong Syndidome Co., Ltd (Hong Kong Syndidome) are 20% (2007: 7%) and 16.5% (2007: 17.5%) respectively.

The applicable sales tax rates against the engineering consultation income and lease income of the Group are 5%, and 3% for its transport business.

Note to financial statements
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(All amounts listed in RMB if not noted otherwise)

七 Subsidiaries

Subsidiaries acquired by combination of enterprise under different controls and other models

	Registration	Registered capital	Business attributes and scope	Equity proportion held by the Company		Voting right proportion of the Company	
				Directly	Indirectly	Directly	Indirectly
Shennan Singapore (Note(1))	Singapore	1,500,000 Singapore Dollar	Gas turbine and spare parts, and sign-foreign joint venture self-consumption oil agent	100%	-	100%	-
Hong Kong Syndidome New Power	Hong Kong PRC	200,000 HKD	Import and export trades	-	100%	-	100%
Shennandian (Zhongshan) Engineering Company	PRC	113,850,000 Yuan	Technical development for surplus heat utilization, surplus heat generation and gas turbine generation	75%	25%	75%	25%
		396,800,000 Yuan	surplus heat generation and gas turbine generation	55%	25%	55%	25%
		10,000,000 Yuan	Technical consultation of IGCC generator unit construction and the maintenance and services of the related equipments	60%	40%	60%	40%
Weimei Power	PRC	35,040,000 USD	Natural gas generation plant construction and operation	40%	30%	40%	30%
Shenzhong Investment (Note 1)	PRC	60,000,000 Yuan	Real estate development and management, sales, lease of self-owned commercial houses, real estate development	75%	-	75%	-
Shenzhong Development (Note 1)	PRC	177,800,000 Yuan	Real estate development and management, sales, lease of self-owned commercial houses, real estate development	75%	-	75%	-
Server Oil (Note(2))	PRC	53,300,000 Yuan	Fuel self-import or import broker	50%	-	50%	-
Huidong Server Port Comprehensive Development Co., Ltd (Note(3))	PRC	8,620,000 Yuan	Construction and operation of comprehensive dock and its auxiliary facilities	-	42%	-	84%
Huidong Harbour Development Co., Ltd (Note (4))	PRC	10,000,000 Yuan	Construction and operation of oil dock (and its auxiliary facilities in Guangdong Province)	-	23%	-	55%
Shennandian Environment Protection (Note(5))	PRC	79,000,000 Yuan	Sludge drying	70%	30%	70%	30%

Note (1): 1 share is held by the Company's GM, Mr. Fu Bo, on behalf of other party by credit.

Note (2): In 2007, the Company gained the controlling right of Server Oil's accounting and operating activities. Therefore, Server Oil became a subsidiary of the Company, and was included in the Group's consolidation scope since the date of the acquisition of the controlling right.

Note (3): 84% equity of Huidong Server Port Comprehensive Development Co., Ltd (Huidong Server) is held by Server Oil.

Note (4): 55% equity of Huidong Harbour Development Co., Ltd is held by Huidong Server.

Note (5): In Apr 2008, the Company and Hong Kong Syndidome jointly invested and established

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Shennandian Environment Protection. By Dec 31, 2008, Shennandian Environment Protection was still in establishment.

No change is in the consolidation of the year.

On Dec 5, 2008, the Company's subsidiary Shennan Singapore and Shum Yip Investments Management Limited (hereinafter called as Shum Yip), which is a company that is registered and survives in accordance with the laws of British Virgin Islands, signed up a stock transfer agreement, in which Shennan Singapore transferred and sold its all stock of Hong Kong Syndidome (including the stock held by Mr. Fu Bo on behalf of other party) to Shum Yip with consideration 393,885,100 HKD. Because by Dec 31, 2008, most consideration has not been paid, the Group's management considers that the above transaction has not met the recognition conditions of ownership transfer income.

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

7. Subsidiaries (continued)

The main business of Hong Kong Syndidome is holding the ownerships of the following subsidiaries of the Group

	Shareholding ratio
New Power	25%
Shennandian Zhongshan	25%
Weimei Power	30%
Engineering Company	40%
Shennandian Environment Protection	30%

八 Notes to the items of the consolidated financial statements

(1) Monetary fund

	Dec 31, 2008	Dec 31, 2007
Cash	238,542.91	764,453.26
Bank deposit	371,280,844.52	400,433,376.69
Other monetary assets (a)	57,988,327.86	17,974,447.47
	<u>429,507,715.29</u>	<u>419,172,277.42</u>

(a) On Dec 31, 2008, other monetary fund is mainly deposit pledge fund 9,669,348.26 Yuan for application for inward documentary bills, and deposit 47,489,443.51 Yuan for issuing L/C. By Dec 31, 2008, the L/C not listed and issued against the deposit was 76,805,309.86 Yuan totally. By Dec 31, 2007, other monetary fund is mainly deposit pledge fund 17,704,968.62 Yuan for issuance of payable notes.

Monetary assets include the following balances of foreign currencies:

	Dec 31, 2008			Dec 31, 2007				
	Foreign balance	currency	Exchange rate	RMB translated	Foreign balance	currency	Exchange rate	RMB translated
USD	1,975,316.35		6.8346	13,500,497.13	289,053.65		7.3046	2,111,421.29
HKD	5,490,417.43		0.8819	4,841,999.13	18,628,806.31		0.9364	17,444,014.23
Singapore Dollar	112,559.44		4.7530	534,995.02	205,080.04		5.0518	1,036,023.35
Euro	976.71		9.6590	9,434.04	8,045.45		10.6669	85,820.01
				<u>18,886,925.32</u>				<u>20,677,278.88</u>

Note to financial statements
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8. Notes to the items of the consolidated financial statements (continued)

(2) Accounts receivable and other receivables

(a) Accounts receivable

	Dec 31, 2007		Dec 31, 2008
Receivable accounts	630,470,106.04		345,962,492.80
		Increment in the year	Decrement in the year
Less: bad debt reserve	<u>(11,126,232.00)</u>	<u>(849,582.00)</u>	<u>5,906,446.76</u>
	<u>619,343,874.04</u>		<u>(6,069,367.24)</u>
			<u>339,893,125.56</u>

Analysis on receivables and corresponding bad debt reserve is following:

	Dec 31, 2008				Dec 31, 2007			
	Ratio in the total amount		Bad debt reserv e amount		Withdrawal ratio		Ratio in the total amount	
	amount	amount	amount	ratio	amount	amount	amount	ratio
Within								
1 year	323,441,067.56	93%	-	-	607,435,269.60	96%	-	-
1 to 2 years	2,791,640.00	1%	139,582.00	5%	17,800,000.00	3%	6,791,395.56	38%
2 to 3 years	14,700,000.00	4%	1,540,000.00	10%	1,000,000.00	0%	100,000.00	10%
Over 3 years	5,029,785.24	2%	4,389,785.24	87%	4,234,836.44	1%	4,234,836.44	100%
	<u>345,962,492.80</u>	<u>100%</u>	<u>6,069,367.24</u>	<u>2%</u>	<u>630,470,106.04</u>	<u>100%</u>	<u>11,126,232.00</u>	<u>2%</u>

Note to financial statements
2008
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8. Notes to the items of the consolidated financial statements (continued)

(2) Accounts receivable and other receivables (continued)

(a) Accounts receivable (continued)

The analysis based on the classifications of receivables is following:

	Dec 31, 2008				Dec 31, 2007			
	Ratio in				Ratio in			
	the total	Bad debt reser	Withdrawal		the total	Bad debt reser	Withdrawal	
	amount	amount	ve	ratio	amount	amount	ve	ratio
Large single								
amount	337,781,915.79	98%	1,739,582.00		-	598,534,242.80	92%	
the single								
amount not								
large but								
with a rather								
high								
combined								
risk	5,029,785.24	2%	4,329,785.24	86%	4,234,836.90	5%	4,234,836.90	100%
Others	3,150,791.77	-	-	-	27,701,026.34	3%	6,891,395.10	25%
	345,962,492.80	100%	6,069,367.24	3%	630,470,106.04	100%	11,126,232.00	2%

On Dec 31, 2008, in the Company's receivables there is not any debt of the Company's shareholder who holds 5% or higher voting right of the Company (Dec 31, 2007: none).

At then end of the year, the total debt in the Company's receivables of the top 5 debtors is 322,721,484.79 Yuan (Dec 31, 2007: 510,438,757.19 Yuan), taking the share 93% in the amount of total receivables, each with age shorter than 1 year.

The receivables with age over 1 year are mainly unreceived payments for engineering consultation services. The management has assessed the risks of the receivables and withdrawn bad debt reserve.

There is no large foreign currency balance in the receivables.

Single receivables with large amounts are mainly sales of electricity and allowance for sales of electricity, and the ages of such debts mainly are 1 to 3 months without repayment risk.

A single receivable with an amount not large but with a rather high combined risk means a receivable with age over 3 years, and the management considers such receivables have rather high repayment risks for their long ages, and therefore has withdrawn bad debt reserve based on its historical experience.

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(2) Receivable accounts and other receivables (continued)

(b) Other receivables

	Dec 31, 2007	Dec 31, 2008
Receivable from Huizhou Dashi Lake Development Project	14,311,626.70	14,311,626.70
Accounts receivable from Shenzhen Hehe Investment & Development Co., Ltd.	5,482,024.00	2,682,024.00
Accounts receivable from Nanshan Investment Management Company	5,895,738.00	5,895,738.00
Accounts receivable from Zhongshan Guanzhong Investment Co., Ltd.	9,557,042.00	-
Others	<u>28,975,984.26</u>	<u>25,230,286.39</u>
	<u>64,222,414.96</u>	<u>48,119,675.09</u>
	Increment in the year	Decrement in the year
Less: bad debt reserve	<u>(30,499,328.19)</u>	<u>(2,235,705.49)</u>
	<u>33,723,086.77</u>	<u>793,022.09</u>
	<u>(31,942,011.59)</u>	<u>16,177,663.50</u>

The analysis on other receivables and corresponding bad debt reserve is following:

	Dec 31, 2008				Dec 31, 2007			
	Ratio in the total amount		Withdrawal amount		Ratio in the total amount		Withdrawal amount	
	Bad debt reserve	ratio	Bad debt reserve	ratio	Bad debt reserve	ratio	Bad debt reserve	ratio
Within								
1 year	10,805,312.41	22%	-	-	25,979,779.51	40%	-	-
1 to 2 years	2,442,315.15	5%	-	-	526,396.18	1%	26,319.81	5%
2 to 3 year	206,278.51	-	22,724.63	11%	69,738.23	-	6,973.82	10%

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	s							
Over 3								
years	34,665,769.02	73%	31,919,286.96	97%	37,646,501.04	59%	30,466,034.56	81%
	48,119,675.09	100%	31,942,011.59	66%	64,222,414.96	100%	30,499,328.19	47%

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(2) Accounts receivable and other receivables (continued)

(b) Other receivables (continued)

The analysis based on the classifications of other receivables is following

	Dec 31, 2008				Dec 31, 2007			
	Ratio in		Ratio in					
	the total	Bad debt reser	Withdrawal	the total	Bad debt reser	Withdrawal	the total	Bad debt reser
	amount	amount	ve	ratio	amount	amount	ve	ratio
Large single amount	26,757,487.37	56%	21,163,296.96	79%	23,869,414.96	37%	14,311,626.70	60%
the single amount not large but with a rather high combined risk	13,852,520.90	29%	6,903,721.78	50%	12,874,448.19	20%	12,874,448.19	100%
Others	7,509,666.82	15%	3,874,992.85	52%	27,478,551.81	43%	3,313,253.30	12%
	48,119,675.09	100%	31,942,011.59	66%	64,222,414.96	100%	30,499,328.19	47%

On Dec 31, 2008, in the Company's other receivables there are not any debt of the Company's shareholder who holds 5% or higher voting right of the Company (Dec 31, 2007: none).

At then end of the year, the total debt in the Company's other receivables of the top 5 debtors is 28,844,488.70 Yuan (Dec 31, 2007: 35,710,000.00 Yuan), taking the share 60% (Dec 31, 2007: 56%) in the amount of total other receivables, each with age over than 1 year (Dec 31, 2007: 25,690,000.00 Yuan), and the bad debt reserve withdrawn is 23,767,364.70 Yuan (Dec 31, 2007: 20,208,000.00 Yuan).

There is no large foreign currency balance in other receivables.

Single receivable with large amounts mainly includes: 1) receivable from Huizhou Dashi Lake Development Project and receivable accounts from Nanshan Investment Management Company, each of which has an age over 3 years, based on its historical experience and analyses on these 2 debts, the management withdrew bad debt reserve for the whole amounts of these 2 receivables by specific identification method; 2) Accounts receivable from Shenzhen Hehe Investment & Development Co., Ltd., based on the nature of the receivable, historical experience and analysis on the debtor, the management considers there is no risk of repayment, and without bad debt reserve withdrawn.

A single receivable with an amount not large but with a rather high combined risk means a receivable with age over 3 years and not included in the single receivables with large amounts, and the management considers such receivables have rather high repayment risks for their long ages, and

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2008

(All amounts listed in RMB if not noted otherwise)

therefore has withdrawn bad debt reserve based on its historical experience.

Note to financial statements
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(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(3) Advance to suppliers

Age	Dec 31, 2008		Dec 31, 2007	
	Amount	Proportion	Amount	Proportion
Within 1 year	66,698,094.04	99%	32,983,998.98	96%
Over 1 year	313,702.00	1%	1,357,737.28	4%
	<u>67,011,796.04</u>	<u>100%</u>	<u>34,341,736.26</u>	<u>100%</u>

In the advance to suppliers, there is no any account related to the Company's shareholder holding the shares with 5% or higher than 5% voting rights (Dec 31, 2007: none).

There is no large foreign currency balance in the advances to suppliers.

(4) Inventory

	Transferred from intangible asset s	Increment in the year	Decrement in the year	Dec 31, 2008
Dec 31, 2007				
Cost —				
Fuel	237,772,048.75	-	3,608,267,788.13	(3,662,712,089.65)
Spare goods and parts	125,673,390.26	-	23,281,113.42	(19,083,028.30)
auxiliary materials	10,937,535.12	-	30,399,344.14	(32,822,089.95)
low-value consumables	432,966.75	-	1,372,403.60	(1,371,551.94)
Product to be developed	-	981,824,005.76	47,568,005.16	-
	<u>374,815,940.88</u>	<u>981,824,005.76</u>	<u>3,710,888,654.45</u>	<u>(3,715,988,759.84)</u>
				<u>1,351,539,841.25</u>
Less: Inventory falling price reserves—				
Spare goods and parts	(6,843,694.00)	-	-	(6,843,694.00)
Fuel	-	-	(6,600,000.00)	-
Product to be developed (b)	-	-	(45,603,631.85)	-
	<u>(6,843,694.00)</u>	<u>-</u>	<u>(52,203,631.85)</u>	<u>(45,603,631.85)</u>
				<u>(59,047,325.85)</u>
				<u>1,292,492,515.40</u>

(a) In the year 2008, the interest capitalization of the product to be developed is 46,221,257.93

Note to financial statements

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(All amounts listed in RMB if not noted otherwise)

Yuan (2007: none). The annual interest rate of interest capitalization is 6.97% (2007: none).

- (b) On Dec 31, 2008, the Group has withdrawn land use right falling price reserves 45,603,631.85 Yuan (Dec 31, 2007: none),
- (c) In the products to be developed, the land use right with net value 851,548,000.00 Yuan as shareholding ratio is the mortgage for the temporary loan (Note 8 (19)) of the Company and Xingzhong Group.

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(5) Long-term equity investment

	Dec 31, 2008	Dec 31, 2007
Joint venture (a)	78,857,143.00	21,000,000.00
Other long-term equity investment(b)	94,585,400.00	94,585,400.00
	173,442,543.00	115,585,400.00
Less: long-term equity investment Impairment reserve (c)	(18,873,600.00)	(2,500,000.00)
	<u>154,568,943.00</u>	<u>113,085,400.00</u>

The Group has not any important restriction on long-term equity investment realization and return of benefits.

(a) Joint ventures

	Initial investment cost	additional investment	Dec 31, 2007	additional investment	Dec 31, 2008
Jiangxi Zhongdiantou Xinchang					78,857,143.00
Electricity Supply Co. Ltd.	21,000,000.00	57,857,143.00	<u>21,000,000.00</u>	<u>57,857,143.00</u>	

On Dec 29, 2007, the Company and China Power Investment Corp. (Power Investment) jointly invested and established Jiangxi Zhongdiantou Xinchang Electricity Supply Co. Ltd. (Xinchang Electricity), in which the Company takes 30% equity.

In 2008, the registered capital of Xinchang Electricity increased from 70,000,000.00 Yuan to 212,857,143.00 Yuan. The Company's subscribed capital contribution, 63,857,143.00 Yuan totally or 30% shareholding ratio, has been entered into the account as paid-in capital. Additionally, in accordance with related capital contribution agreement, for the job for the approval of the project by Power Investment, in 2008 the Company made payment 15,000,000.00 Yuan to Power Investment, which is stipulated as a condition for the joint venture, and correspondingly the Company increased its long-term equity investment cost to Xinchang Electricity.

On Dec 31, 2008, Xinchang Electricity is still being in construction without production and operation, and its brief financial information is following:

		Dec 31, 2008	2008
Regist ered a ddress	Shareh olding	Shareholding ratio	Voting rights ratio
Business nature	Registered capital	30%	Total assets
China Electricity		<u>1,645,711,</u>	<u>1,374,854,</u>
		-	-

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Electricity	generation	212,857,1	691.17	548.17
	and sales	43		

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(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(5) Long-term equity investment (continued)

(b) Other long-term equity investment

The invested company	Shareholding ratio	In 2007 and on Dec 31, 2008
Anhui Tongling Shenneng Electricity Supply Limited Liability Company (“Anhui Tongling”)	3.8%	50,295,400.00
Shenzhen Energy & Environment Protection Engineering Co., Ltd. (“Energy & Environment Protection”)	10%	41,790,000.00
Shenzhen Petrochemical Bonded Oil Trading Co., Ltd. (“Petrochemical Bonded”)	4%	2,500,000.00
		<u>94,585,400.00</u>

(c) Impairment reserve for other long-term equity investment

	Dec 31, 2007	Increment in the year	Decrement in the year	Dec 31, 2008
Petrochemical Bonded	2,500,000.00	-	-	2,500,000.00
Anhui Tongling	-	16,373,600.00	-	16,373,600.00
	<u>2,500,000.00</u>	<u>16,373,600.00</u>	<u>-</u>	<u>18,873,600.00</u>

In the year, the management considered that there was impairment evidence of long-term investment in Anhui Tongling, and re-checked its recoverable value, and in view of assessment report compiled by the appraiser of the independent third party, the management withdrew impairment reserve.

(6) Real estate for investment

	Building
Original cost	
Transferred from fixed assets (Note 8 (7))	12,354,637.09
Other increment in the year	2,000,000.00
Dec 31, 2008	<u>14,354,637.09</u>
Accumulative depreciation	
Transferred from fixed assets (Note 8 (7))	4,965,833.08
Withdrawn in the year	578,571.56
Dec 31, 2008	<u>5,544,404.64</u>
Net value	
Dec 31, 2008	<u>8,810,232.45</u>

Note to financial statements
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(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(7) Fixed assets

	Houseing and bu	Transportation e	Other equipment		Total
	ilding	Machinery	quipment	s	
<u>Original cost</u>					
Dec 31, 2007	471,960,705.62	3,970,747,553.43	43,973,853.06	57,500,014.51	4,544,182,126.62
Transferred from construction in process	3,990,567.57	15,412,080.43	-	2,576,019.00	21,978,667.00
Increment in the year	597,497.64	1,120,028.60	10,296,700.00	1,138,982.03	13,153,208.27
Reclassified to be real estate for investment	(12,354,637.09)	-	-	-	(12,354,637.09)
Decrement in the year	(9,680,430.52)	(347,288,508.30)	(21,044,420.17)	(101,036.80)	(378,114,395.79)
Dec 31, 2008	454,513,703.22	3,639,991,154.16	33,226,132.89	61,113,978.74	4,188,844,969.01
<u>Accumulative depreciation</u>					
Dec 31, 2007	139,317,919.34	1,440,700,855.95	38,132,385.67	44,366,246.51	1,662,517,407.47
Withdrawn in the year	19,736,598.68	210,182,240.54	5,810,829.71	3,675,651.41	239,405,320.34
Reclassified to be real estate for investment	(4,965,833.08)	-	-	-	(4,965,833.08)
Decrement in the year	(5,744,714.46)	(216,082,668.47)	(18,638,248.30)	(62,616.55)	(240,528,247.78)
Dec 31, 2008	148,343,970.48	1,434,800,428.02	25,304,967.08	47,979,281.37	1,656,428,646.95
<u>Impairment reserve</u>					
Dec 31, 2007	25,668,326.14	-	-	-	25,668,326.14
Increment in the year	4,388,239.96	3,529,642.27	85,255.84	179,106.89	8,182,244.96
Decrement in the year	(2,896,338.20)	-	-	-	(2,896,338.20)
Dec 31, 2008	27,160,227.90	3,529,642.27	85,255.84	179,106.89	30,954,232.90
Net value					
Dec 31, 2008	279,009,504.84	2,201,661,083.87	7,835,909.97	12,955,590.48	2,501,462,089.16
Dec 31, 2007	306,974,460.14	2,530,046,697.48	5,841,467.39	13,133,768.00	2,855,996,393.01

On Dec 31, 2008, the machinery with net value 348,945,330.17 Yuan (original cost 413,055,890.11 Yuan) (On Dec 31, 2007: net value 374,752,275.71 Yuan (original cost 416,256,573.22 Yuan)) was taken as the mortgage for the long-term loan 150,000,000.00 Yuan (on Dec 31, 2007: 210,000,000.00 Yuan) (Note 8(19)(a)).

On Dec 31, 2008, the generation units with net value 11,140,244.88 Yuan (original cost 13,480,266.40 Yuan) (on Dec 31, 2007: net value 95,322,000.00 Yuan (original cost 98,301,000.00 Yuan)) was left unused for the generation of the subsidiary Shenzhong Development and Shenzhong Investment stopped, and the management in view of the assessment results of independent appraisers withdrew 1,752,466.40 Yuan impairment reserve for such generation units in the year.

On Dec 31, 2008, the assets with net value 53,717,047.87 Yuan (original cost 537,216,147.68 Yuan) and fully depreciated were still in use (On Dec 31, 2007: net value 73,395,000.00 Yuan (original cost

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733,947,000.00 Yuan)).

On Dec 31, 2008, the property ownership certificates of the houses and buildings with net value 50,493,936.90 Yuan (original cost 57,371,813.77 Yuan) (on Dec 31, 2007: 52,765,837.34 Yuan, original cost 57,037,716.13 Yuan) were still in application.

The depreciations respectively reckoned in operation cost and overhead expenses in 2008 were: 229,941,269.52 Yuan (2007: 224,187,000.00 Yuan) and 9,464,050.82 Yuan (2007: 8,628,288.00 Yuan).

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(8) Project under construction

Project name	Company	Budget	Dec 31, 2007		Increment in the year	Transferred to be fixed assets in 2008	Dec 31, 2008	Fund source	The ratio of engineering investment in budget
			RMB	Yuan					
Shennandian									
1	Conversion from oil to gas (Zhongshan)	34,000,000.00	5,280,385.00		91,354.25	-	5,371,739.25	Self-raised	16%
2	Decoration of office building Weimei Power	3,000,000.00	1,666,678.05		2,109,788.52	(3,776,466.57)	-	Self-raised	Completed
3	Conversion from oil to gas Weimei Power	44,800,000.00	1,157,815.14		27,017,799.51	-	28,175,614.65	Self-raised	63%
4	Conversion from oil to gas The Company	21,838,000.00	10,605,051.38		18,715,795.67	(15,715,830.70)	13,605,016.35	Self-raised	62%
5	Equipment improvement New Power	9,284,000.00	1,198,796.47		2,705,483.49	(573,503.39)	3,330,776.57	Self-raised	36%
Shennandian									
6	Technical improvement (Zhongshan)	6,648,000.00	76,782.54		1,784,635.26	-	1,861,417.80	Self-raised	28%
Combined heat and power Shennandian									
7	generation (Zhongshan)	45,700,000.00	-		6,264,498.24	-	6,264,498.24	Self-raised	14%
Shennandian									
Environment									
8	Sludge drying project Protection	186,337,000.00	-		6,269,428.86	-	6,269,428.86	Self-raised and bank loan	3%
9	Other projects			1,177,805.37	5,077,950.82	(1,912,866.34)	4,342,889.85	Self-raised	Not applicable
Including: capital of loan interest									
					-	2,282,171.94	-	2,282,171.94	
					21,163,313.95	70,036,734.62	21,978,667.00	69,221,381.57	

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In 2008, the determined capitalization rate of the capitalized amount of loan expenses was annual interest rate 7.31% (2007: 5.4%).

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8. Notes to the items of the consolidated financial statements (continued)

(9) Intangible assets

	Original cost	Dec 31, 2007	Increment in the year	Transferred to be inventory in the year	Amortization in the year	Dec 31, 2008	Accumulative amortization
(Note 8(4))							
Land use right (a)	123,697,437.24	1,073,971,396.18	4,657,900.70	(981,824,005.76)	(4,376,199.24)	92,429,091.88	31,268,345.36
Software use right	235,907.07	<u>150,273.03</u>	23,200.00	-	(49,213.14)	124,259.89	111,647.18
		<u>1,074,121,669.21</u>	<u>4,681,100.70</u>	<u>(981,824,005.76)</u>	<u>(4,425,412.38)</u>	<u>92,553,351.77</u>	<u>31,379,992.54</u>
Less: impairment reserve for intangible assets							
-land use right		<u>(6,767,836.16)</u>	<u>(1,473,491.74)</u>	<u>-</u>	<u>-</u>	<u>(8,241,327.90)</u>	<u>84,312,023.87</u>
		<u>1,067,353,833.05</u>					

On Dec 31, 2008, the land use right certificate of the Group's land with net value 153,997.02 Yuan of land use right (original cost 164,476.40 Yuan) (on Dec 31, 2007: net value 24,938,364.00 Yuan (original cost 25,884,100.00 Yuan)) were still being in application.

(10) Long-term deferred expenses

	Dec 31, 2008	Dec 31, 2007
Improvement for the leased-in fixed assets for operation	<u>829,221.81</u>	<u>2,761,389.75</u>

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(11) Short-term loans

	Dec 31, 2008	Dec 31, 2007 (recalculated)
Credit loan	1,268,825,738.00	1,255,391,121.28
Secured loan— guarantee (a)	1,193,018,180.77	1,113,790,273.28
—mortgage	-	109,182,549.02
	<u>2,461,843,918.77</u>	<u>2,478,363,943.58</u>

(a) On Dec 31, 2008, bank Secured loans included: 1,051,269,522.78 Yuan (Dec 31, 2007: 1,093,698,096.00 Yuan) Secured by the Company to its subsidiaries and 141,748,657.99 Yuan (Dec 31, 2007: 20,092,177.28 Yuan) Secured between the Company's subsidiaries (Dec 31, 2007: 16,371,177.70 Yuan).

The weighted average annual interest rate of the short-term loans in 2008 was 6.56% (2007: 5.7%).

On Dec 31, 2008, short-term foreign exchange loans included: 37,644,926 USD loan or RMB 257,288,011.79 Yuan (Dec 31, 2007: 702,882,747.86 Yuan; 11,144,480 HKD loan or RMB 9,828,315.84 Yuan (Dec 31, 2007: none).

(12) Notes payable

	Dec 31, 2008	Dec 31, 2007
Bank acceptance bill	21,918,219.70	129,909,861.18
Commercial acceptance bill	47,131,171.65	124,180,167.65
	<u>69,049,391.35</u>	<u>254,090,028.83</u>

All the notes payable will mature within 6 months.

Note to financial statements
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(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(13) Accounts payable

On Dec 31, 2008, in the Company's payables there is not any amount of the Company's shareholder who holds 5% or higher voting right of the Company (Dec 31, 2007: none).

On Dec 31, 2008, in the Company's payables there is not any important amount with age over 1 year (Dec 31, 2007: none).

Payables include the following balances of foreign currencies:

	Dec 31, 2008			Dec 31, 2007		
	Foreign currency	Exchange rate	RMB translated	Foreign currency	Exchange rate	RMB translated
USD	13,869,617.41	6.8346	<u>94,793,287.15</u>	15,053,183.22	7.3046	<u>109,957,482.15</u>

(14) Accounts advanced from customers

All accounts advanced from customers are within 1 year, and have not any amount of the Company's shareholder who holds 5% or higher voting right of the Company (Dec 31, 2007: none).

No foreign currency balance is in accounts advanced from customers.

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(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(15) Accrued payroll

	Dec 31, 2007	Increment in the year	Decrement in the year	Dec 31, 2008
wages, bonuses, allowances and subsidies	46,911,841.39	92,413,556.58	(117,732,774.19)	21,592,623.78
welfare expenses for employees	-	5,853,558.16	(5,850,558.16)	3,000.00
social insurances	15,902,029.87	15,780,826.23	(31,235,702.34)	447,153.76
Including: medical insurances	4,904,514.25	4,177,638.96	(8,953,409.40)	128,743.81
Endowment insurances	10,970,596.62	11,127,685.09	(21,844,801.04)	253,480.67
Employment insurances	6,339.00	117,901.21	(99,489.00)	24,751.21
Employment injury insurances	18,253.00	257,999.49	(236,074.42)	40,178.07
Maternity insurances	2,327.00	99,601.48	(101,928.48)	-
Housing accumulation fund	4,109,609.12	6,876,545.56	(8,936,247.66)	2,049,907.02
labour union expenditure and employee education expenses	1,090,751.68	3,385,803.62	(2,664,744.58)	1,811,810.72
Enterprise annuity	393,000.00	5,620,700.00	-	6,013,700.00
Others	4,007.03	1,992.97	(3,000.00)	3,000.00
	<u>68,411,239.09</u>	<u>129,932,983.12</u>	<u>(166,423,026.93)</u>	<u>31,921,195.28</u>

(16) Taxes payable

	Dec 31, 2008	Dec 31, 2007
corporate income tax payable	51,655,687.60	2,929,596.66
tax payable of operation	4,238,994.53	742,382.01
TAX to be deducted – input taxes	(397,639,549.59)	(182,782,267.11)
individual income tax payable	764,290.41	1,060,680.82
city maintenance construction tax payable	56,437.73	1,190,525.18
land use right tax payable	554,964.57	-
Others	504,016.69	267,446.62
	<u>(339,865,158.06)</u>	<u>(176,591,635.82)</u>

(17) Dividends payable

	Dec 31, 2008	Dec 31, 2007
Dividends payable to the shareholders holding RMB common shares listed in China	-	9,155.55

Note to financial statements
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(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(18) Other payables

	Dec 31, 2008	Dec 31, 2007 (recalculated)
temporary loan payable for power development	1,237,529.42	199,923,127.58
temporary loan payable to Zhongshan Xingzhong Group Co., Ltd. (Xingzhong Group)		
(a) temporary loan payable to Zhongshan Municipal Bureau of Finance	182,152,108.65	139,652,108.65
engineering accounts payable	57,772,394.67	57,772,394.67
account payable to Xinyuan Company Limited	26,149,133.72	52,346,835.81
account payable for temporarily received contract amount of derivative financial instrument (Note 12)	-	24,740,000.00
account payable for quality guarantee deposit	14,352,083.46	-
accounts payable to Shenzhen Energy Corporation	4,088,884.61	3,240,237.16
Others	1,176,641.94	1,190,133.67
	<u>17,312,766.88</u>	<u>26,334,310.51</u>
	<u><u>304,241,543.35</u></u>	<u><u>505,199,148.05</u></u>

On Dec 31, 2008, the total amount in other payables of the Company's shareholders who respectively hold 5% or higher voting right of the Company was 1,176,641.94 Yuan (Dec 31, 2007: 1,190,133.67 Yuan).

On Dec 31, 2008, the total of other payables with age over 1 year was 220,004,092.00 Yuan (Dec 31, 2007: 355,572,000.00 Yuan), which was mainly the payables of the Company's subsidiary Shenzhong Development to minority shareholder Xingzhong Group and Zhongshan Municipal Bureau of Finance for temporary loans and other subsidiaries' payables for engineering and equipments which have not been completed and accepted yet.

Except for 14,352,083.46 Yuan payable for temporarily received derivative financial instrument contract amount, of which the original currency was 2,100,000 USD, there was not any other important foreign currency balance.

(a) The temporary land payable to Xingzhong Group is borrowed with partial land use right to be developed of the Group as the mortgage (sees Note 8 (4)).

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8. Notes to the items of the consolidated financial statements (continued)

(19) Long-term loans

	Dec 31, 2008	Dec 31, 2007
Secured loan(a)		
—Guarantee	121,000,000.00	72,000,000.00
—Mortgage	150,000,000.00	210,000,000.00
Credit loan	110,000,000.00	-
	<hr/> 381,000,000.00	<hr/> 282,000,000.00
Less: long-term loans maturing within 1 year		
—Guarantee	(40,000,000.00)	(46,000,000.00)
—Mortgage	(60,000,000.00)	(60,000,000.00)
	<hr/> (100,000,000.00)	<hr/> (106,000,000.00)
	<hr/> 281,000,000.00	<hr/> 176,000,000.00

(a) On Dec 31, 2008, long-term secured loans included:

Bank secured loan 121,000,000.00 Yuan (2007: 72,000,000.00 Yuan) is secured by the Company for its subsidiary, with interest paid once a month, and the principal of the loan 26,000,000.00 Yuan was repaid on Jan 17, 2009, and other principle will be repaid respectively on Dec 20, 2009, Dec 20, 2010, Dec 20, 2011, Dec 20, 2012 with amounts 14,000,000.00 Yuan, 15,000,000.00 Yuan, 16,000,000.00 Yuan and 50,000,000.00 Yuan.

Bank mortgage loan 150,000,000.00 Yuan (2007: 210,000,000.00 Yuan) is mortgaged by the Group's fixed assets (Note 8(7)), with interest paid once a month, and the principle of the loan 15,000,000.00 Yuan repaid once a quarter, and the remaining principle shall be wholly repaid in the latest quarter before the maturity (Aug 29, 2010).

The long-term loans are listed in bank as follows:

	Dec 31, 2008	Dec 31, 2007
China Minsheng Bank	150,000,000.00	210,000,000.00
Huaxia Bank	136,000,000.00	72,000,000.00
Industrial Bank	95,000,000.00	-
	<hr/> 381,000,000.00	<hr/> 282,000,000.00

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8. Notes to the items of the consolidated financial statements (continued)

(19) Long-term loans (continued)

Analysis on the maturities of long-term loans is following:

	Dec 31, 2008	Dec 31, 2007
1 to 2 years	215,000,000.00	86,000,000.00
2 to 5 years	66,000,000.00	90,000,000.00
	<hr/> <u>281,000,000.00</u>	<hr/> <u>176,000,000.00</u>

The weighted average annual interest rate of the long-term loans in 2008 was 7.01% (2007: 5.65%).

On Dec 31, 2008, all balances of long-term loans are RMB.

(20) Deferred income tax assets

(a) Deferred income tax assets

	Dec 31, 2008		Dec 31, 2007
	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Assets impairment	14,341,337.86	63,081,093.34	10,852,283.47
reserve			43,409,133.86
Unpaid employees' payroll	4,685,257.70	23,426,287.87	5,631,884.60
			31,145,183.39
	<hr/> <u>19,026,595.56</u>	<hr/> <u>86,507,381.21</u>	<hr/> <u>16,484,168.07</u>
			<hr/> <u>74,554,317.25</u>

On Dec 31, 2008, for it can not be ascertained whether there was sufficient taxable income to be deducted, the Group did not recognize deferred income tax assets 144,071,563.77 Yuan (Dec 31, 2007: 83,267,124.28 Yuan) related to deductible loss of its some subsidiaries 606,137,780.50 Yuan (Dec 31, 2007: 362,920,022.52 Yuan).

	deductible loss	
The latest deductible year	2008	2007
2009	19,738,497.06	19,738,497.06
2010	189,977,850.96	189,977,850.96
2011	77,662,096.83	77,662,096.83
2012	70,539,239.96	75,541,577.67

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2013	248,220,095.69	-
	<u>606,137,780.50</u>	<u>362,920,022.52</u>

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(21) Capital

	Dec 31, 2007	Increment in the year	Decrement in the year	Dec 31, 2008
Shares with restrictive conditions for sales-				
Shares held by state-owned legal person	145,835,310	14,583,531.00	(55,046,401.00)	105,372,440.00
Shares held by other domestic person	11,812	1,181.00	-	12,993.00
Including: held by private legal person				
Held by domestic natural person	11,812	1,181.00	-	12,993.00
Held by foreign investment	83,748,408	8,374,840.00	(92,123,248.00)	-
Including: held by foreign legal person				
Held by foreign nature person	83,748,408	8,374,840.00	(92,123,248.00)	-
	229,595,530	22,959,552.00	(147,169,649.00)	105,385,433.00

Shares without restrictive conditions for sales-				
RMB common shares	162,251,197	16,225,119.00	55,046,401.00	233,522,717.00
Foreign investment shares listed overseas	156,119,271	15,611,927.00	92,123,248.00	263,854,446.00
	318,370,468	31,837,046.00	147,169,649.00	497,377,163.00
Total	547,965,995	54,796,598.00	-	602,762,596.00

	2006 年 12 月 31 日	Increment in the year	Decrement in the year	Dec 31, 2007
Shares with restrictive conditions for sales-	229,595,530.00	-	-	229,595,530.00
Shares held by state-owned legal person	145,835,310.00	-	-	145,835,310.00
Shares held by other domestic person	11,812.00	-	-	11,812.00
Including: held by private legal person				
Held by domestic natural person	11,812.00	-	-	11,812.00
Held by foreign investment	83,748,408.00	-	-	83,748,408.00
Including: held by foreign legal person				
Held by foreign nature person	83,748,408.00	-	-	83,748,408.00

Shares without restrictive conditions for sales-

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

RMB common shares	162,251,197.00	162,251,197.00
Foreign investment shares listed		
overseas	<u>156,119,271.00</u>	<u>156,119,271.00</u>
Total	<u>547,965,998.00</u>	<u>547,965,998.00</u>

Since the Company's shareholder structure reform implemented on Mar 28, 2006, all non-tradable shares of the Company acquire the trading rights, and in accordance with the limited sales period stipulated from 1 to 3 years, 105,385,433 in 252,555,082 (229,595,530 shares before allotment) shares held by former non-tradable shareholders have not been tradable temporarily yet (Note 1).

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(22) Capital reserve

	Dec 31, 2007	Increment in the year	Decrement in the year	Dec 31, 2008
Share premium	215,487,650.42	-	-	215,487,650.42
Other capital reserve—				
Difference between the payment for purchasing minority ownership and the identifiable net assets of the invested enterprise calculated in the newly added shareholding ratio	18,510,793.58	-	-	18,510,793.58
Transferred from former capital reserve	<u>129,631,483.51</u>	<u>-</u>	<u>-</u>	<u>129,631,483.51</u>
	<u>363,629,927.51</u>	<u>-</u>	<u>-</u>	<u>363,629,927.51</u>

	Dec 31, 2006	Increment in the year	Decrement in the year	Dec 31, 2007
Share premium	215,487,650.42	-	-	215,487,650.42
Other capital reserve—				
Difference between the payment for purchasing minority ownership and the identifiable net assets of the invested enterprise calculated in the newly added shareholding ratio	-	18,510,793.58	-	18,510,793.58
Transferred from former capital reserve	<u>129,631,483.51</u>	<u>-</u>	<u>-</u>	<u>129,631,483.51</u>
	<u>345,119,133.93</u>	<u>18,510,793.58</u>	<u>-</u>	<u>363,629,927.51</u>

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(23) Surplus reserve

	Provided in the year Dec 31, 2007	Decrement in the year	Dec 31, 2008
Statutory surplus reserve	310,158,957.87	-	310,158,957.87
Other surplus reserve	22,749,439.73	-	22,749,439.73
	<u>332,908,397.60</u>	<u>-</u>	<u>332,908,397.60</u>

	Provided in the year Dec 31, 2006	Decrement in the year	Dec 31, 2007
Statutory surplus reserve	297,564,194.95	12,594,762.92	310,158,957.87
Other surplus reserve	22,749,439.73	-	22,749,439.73
	<u>320,313,634.68</u>	<u>12,594,762.92</u>	<u>332,908,397.60</u>

In accordance with Company Law of PRC, the Company's Articles of the Association and the proposals of its Board of Directors, the Company draws statutory surplus reserve at 10% of annual net profit, and when the statutory surplus reserve exceeds to 50% of its capital, the Company may not draw statutory surplus reserve. After approved, statutory surplus reserve may make up loss or increase share capital. On Dec 31, 2008, the accumulative statutory surplus reserve of the Company is over 50% of its share capital, therefore, the Company does not draw surplus reserve in the year (2007: drawing ratio 10%, totally 12,594,762.92 Yuan).

The amount of the Company's other surplus reserve to be drawn shall be proposed by Board of Directors and approved by Shareholders' Meeting. Other surplus reserve may make up loss in past years or increase share capital after approved. In the year, Board of Directors does not propose to draw other surplus reserve (2007: none).

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(24) Profit distribution

On Dec 31, 2008, the undistributed profit includes subsidiaries' surplus reserve balance 79,073,482.43 Yuan attributed to the parent company (Dec 31, 2007: 79,049,822.37 Yuan), in which there is surplus reserve 23,660.06 attributed to the parent company and drawn in the year (2007: 10,949,822.37 Yuan).

In accordance with proposal approved by Shareholders' Meeting on May 8, 2008, the Company distributed dividends to all shareholders, 0.03 Yuan per share and 16,438,979.00 Yuan totally as calculated with 547,965,998 shares issued, the Company also distributed bonus shares to all its shareholders, 0.1 share per share and 54,796,598 shares totally. The above cash dividends were paid on the date of approval by Shareholders' Meeting.

In accordance with the proposal approved by Board of Directors on Apr 7, 2009, Board of Directors proposes that the Company do not distribute profit and not transfer capital reserve into share capital in 2008.

(25) Minority shareholders' rights and interests

Minority shareholders' rights and interests attributed to minority shareholders of each subsidiary

	Dec 31, 2008	Dec 31, 2007 (recalculated)
Weimei Power	86,607,469.26	75,158,158.28
Server Oil	35,956,675.44	29,458,919.74
Shennandian (Zhongshan)	5,619,731.52	16,404,831.59
Shenzhong Investment	16,912,975.45	15,810,372.74
Shenzhong Development	17,612,691.62	21,807,423.68
	<hr/> 162,709,543.29	<hr/> 158,639,706.03

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(26) Operating revenue and operating cost

	2008	2007
Incomes from main operations	3,154,693,479.47	3,617,150,143.38
Incomes from other operations	1,858,070.50	2,973,497.27
	<u>3,156,551,549.97</u>	<u>3,620,123,640.65</u>

(a) main operating revenue and main operating cost

	2008	2007	
	main operating revenue	main operating cost	main operating revenue
	main operating cost		main operating cost
Sales of electricity	2,911,862,212.85	4,261,305,111.58	3,335,521,893.03
Sales of fuel oil	190,250,157.21	195,779,377.43	196,309,614.04
Sales of heat	30,935,980.25	39,041,717.18	56,161,421.03
Engineering consultation	19,576,794.00	6,068,405.72	24,975,828.62
Others	<u>2,068,335.16</u>	<u>11,297,568.26</u>	<u>4,181,386.66</u>
	<u>3,154,693,479.47</u>	<u>4,513,492,180.17</u>	<u>3,617,150,143.38</u>
			<u>3,787,930,909.58</u>

The total income from the Group's top 5 customers is 3,068,589,060.79 Yuan (2007: 3,490,758,000.00 Yuan), 97% of the total revenue of the Group (2007: 97%).

(b) Other operating revenue and other operating cost

	2008	2007	
	other operating revenue	other operating cost	other operating revenue
	other operating cost		other operating cost
Lease income	945,582.80	669,609.13	1,363,306.00
Others	<u>912,487.70</u>	<u>155,838.22</u>	<u>1,610,191.27</u>
	<u>1,858,070.50</u>	<u>825,447.35</u>	<u>2,973,497.27</u>
			<u>158,093.01</u>

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(27) Sales tax and extra charges

	2008	2007
Sales tax	7,896,062.14	4,418,676.93
Urban maintenance construction tax	537,970.11	1,063,120.90
Others	<u>551,956.75</u>	<u>606,950.87</u>
	<u>8,985,989.00</u>	<u>6,088,748.70</u>

(28) Financing expenses

	2008	2007
Interest expense—loan interest	274,338,315.36	184,041,295.75
Less: capitalized interest	<u>(48,503,429.87)</u>	<u>(2,351,642.39)</u>
	<u>225,834,885.49</u>	<u>181,689,653.36</u>
Less: interest income	(135,506,192.83)	(5,484,170.58)
Exchange loss	1,251,631.14	949,542.21
Less: exchange gain	(59,513,201.32)	(50,569,673.16)
Others	<u>2,673,130.39</u>	<u>396,037.14</u>
	<u>156,740,252.87</u>	<u>126,981,388.97</u>

(29) Assets impairment loss

	2008	2007
Bad debt (release)/loss	(3,584,373.37)	4,644,522.52
Inventory falling price loss	52,203,631.85	-
Fixed assets impairment loss	8,182,244.96	-
Intangible assets impairment loss	1,473,491.74	-
long-term equity investment impairment loss	<u>16,373,600.00</u>	<u>-</u>
	<u>74,648,595.18</u>	<u>4,644,522.52</u>

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(30) Non-operating incomes and non-operating expenses

(a) Non-operating incomes

	2008	2007 (recalculated)
Fuel subsidy (a)	969,713,669.81	403,133,184.00
Fuel processing subsidy (b)	708,146,451.64	-
Earnings from liability restructuring (c)	46,697,732.93	-
The difference between the merger cost and the proportional fair value of the identifiable net assets of the purchased party (Note 5)	-	158,860,160.03
Earnings from disposal of fixed assets	43,432,334.52	-
Benefits from disposal of intangible assets	-	14,733,933.31
Subsidy for environment protection (d)	-	2,000,000.00
Others	1,147,446.28	408,277.56
	<hr/>	<hr/>
	1,769,137,635.18	579,135,554.90

- (a) In accordance with the document Shen Fu Ban No.72 in 2007 promulgated by Shenzhen Municipal Government and related document issued by Shenzhen Municipal Bureau of Industry and Commerce, the Group received the subsidy from the government to make up the loss caused by rising fuel price over the fuel cost corresponding to the approved power purchase price.
- (b) In accordance with the document Yue Fu Han No.31 in 2008 promulgated by Guangdong Provincial Government “Circular on Temporarily Receiving Gas and Fuel Oil Processing Charge” and related documents issued by Guangdong Provincial Administration of Price, the Company’s subsidiaries, Shennandian (Zhongshan) and Weimei Power, received fuel processing charge subsidies calculated with electricity generation and subsidy standards
- (c) On Dec 31, 2008, in accordance with the agreement and other documents signed up and among Shenzhong Development, Shenzhong Investment, Zhongshan Electricity Development and China Bank of Industry & Commerce, the bank agreed to reduce or exempt 46,697,732.93 Yuan loan interest of Shenzhong Development and Shenzhong Investment.
- (d) The subsidy income received in 2007 was environment protection subsidy received by Shennandian (Zhongshan) from Zhongshan Municipal Economic & Trade Bureau.

(b) Non-operating expenses

2008

2007

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

Loss for disposal of fixed assets	2,301,262.67	-
Loss for inventory abandonment	2,058,688.43	902,844.00
Others	325,024.72	2,217,779.02
	<u>4,684,975.82</u>	<u>3,120,623.02</u>

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(31) Income tax

	2008	2007
Income tax in the current period	52,468,507.55	3,601,119.22
Deferred income tax	<u>(2,542,427.49)</u>	<u>(6,184,931.08)</u>
	<u>49,926,080.06</u>	<u>(2,583,811.86)</u>

The income tax based on the total profit in the consolidated income statement and calculated with applicable tax rate is adjusted to be income tax expenses:

	2008	2007
Total profit	<u>64,759,837.86</u>	<u>164,760,068.92</u>
Income tax calculated with applicable tax rate	11,656,770.81	24,714,010.33
The influence of New Income Tax Law on the formerly recognized balance of deferred income tax	-	(5,060,084.89)
The influence of the difference between tax rates	(870,687.37)	-
Profit during tax preference period	(2,362,711.05)	(2,362,704.33)
Non-taxable income	(1,381,820.07)	(23,829,279.47)
Exemption of income tax for purchasing domestic machinery	-	(7,506,344.97)
Deductible loss of deferred income tax assets unrecognized in past periods	(7,911,350.68)	-
Deductible loss of deferred income tax assets unrecognized in the current period	48,994,692.17	11,445,305.50
Not deductible cost, expenses and loss	<u>1,801,186.25</u>	<u>15,285.97</u>
	<u>49,926,080.06</u>	<u>(2,583,811.86)</u>

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(32) EPS (earnings per share)

(a) Basic EPS

Basic EPS shall be the consolidated net profit attributed to the parent company's common shareholders divided by the weighted average amount of outstanding common shares issued by the parent company:

	2008	2007
		(recalculated)
Consolidated net profit attributed to the parent company's common shareholders	10,763,920.54	170,434,785.35
Weighted average amount of outstanding common shares issued (i)	602,762,596	602,762,596
Basic EPS (RMB Yuan)	<hr/> 0.02	<hr/> 0.28

(i) After the bonus shares allotted in the year, the EPS in this year and the last year shall be recalculated with the shares after the allotment.

(b) Diluted EPS

Diluted EPS is the consolidated net profit, attributed to parent company's common share holders after adjusted with dilutive potential common shares, divided by the weighted average outstanding common shares issued by the parent company. The Company has not any dilutive potential common share in 2008 (2007: none), therefore, the diluted EPS is equal to basic EPS.

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(33) Note to cash flow statement

(a) Net profit is adjusted to be cash flows in operating activities

	2008	2007
Net profit	14,833,757.80	167,343,880.78
Plus: asset impairment reserve	74,648,595.18	4,644,523.23
Depreciation of fixed assets	239,405,320.34	232,815,288.00
Amortization of intangible assets	4,425,412.38	17,167,000.08
Amortization of long-term deferred expenses	2,498,172.94	2,541,285.00
Earnings from disposal of fixed assets, intangible assets and other long-term assets	(41,689,388.07)	(14,345,937.00)
Earnings from liabilities restructuring	(46,697,732.93)	-
The difference between the merger cost and the proportional fair value of the identifiable net assets of the purchased party	-	(158,860,160.03)
Financial expenses	225,834,885.49	181,689,653.36
Increment of deferred income tax assets	(2,542,427.49)	(6,184,930.08)
Decrement of inventory	51,321,363.32	18,864,908.76
Decrement/increment of operating receivable items	268,281,576.92	(108,478,517.70)
Decrement of operating payable items	(458,819,015.41)	(134,525,477.13)
Net value of cash flow resulted from operating activities	<u>331,500,520.47</u>	<u>202,671,517.27</u>

(b) Net change of cash and cash equivalents

	2008	2007
Balance of cash and cash equivalents at the end of the year	372,348,923.52	286,089,572.89
Less: balance of cash and cash equivalents at the beginning of the year	(286,089,572.89)	(623,513,764.43)
Net increment of cash and cash equivalents	<u>86,259,350.03</u>	<u>(337,424,191.54)</u>

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

8. Notes to the items of the consolidated financial statements (continued)

(33) Note to consolidated cash flow statement (continued)

(c) Cash and cash equivalents

	Dec 31, 2008	Dec 31, 2007
Monetary fund—		
Cash on hand	238,542.91	764,453.26
Bank deposit	371,280,844.52	285,055,641.08
Other monetary fund	<u>57,988,327.86</u>	<u>133,352,183.08</u>
	429,507,715.29	419,172,277.42
Less: restricted deposit (i)	<u>(57,158,791.77)</u>	<u>(133,082,704.53)</u>
Balance of cash and cash equivalents at the end of the year	<u>372,348,923.52</u>	<u>286,089,572.89</u>

(i) On Dec 31, 2008, the restricted deposit is deposit pledge fund 9,669,348.26 Yuan for application for inward documentary bills, and deposit 47,489,443.51 Yuan for issuing L/C. (Note 8(1))

On Dec 31, 2008, the restricted deposits are 115,377,735.91 Yuan time deposit as short-term bank loan and bank deposit fund 17,704,968.62 Yuan restricted for issuance of payable notes. (Note 8(1))

(d) Cash paid for other activities related to operating activities

Cash paid in cash flow statement for other activities related to operating activities mainly includes:

	2008	2007
Expenses for engaging institutions	9,582,477.22	4,167,969.71
Car expenses	5,879,597.56	2,922,539.78
Lease expenses	5,335,423.30	4,525,656.22
Entertainment expenses	4,488,374.59	3,956,105.81
Expenses for Board of Directors	3,820,150.47	4,635,554.96
Expenses for enterprise culture	2,296,820.98	2,659,719.70
Communication expenses	1,820,363.90	1,120,739.56
Expenses for entertainment activities	1,568,478.11	3,515,068.50
Office expenses	1,279,636.19	645,100.92
Others	<u>19,654,976.89</u>	<u>11,719,451.49</u>
	<u>55,726,299.21</u>	<u>39,867,906.65</u>

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

九 Report in division

(1) Main report — business division

(a) Divisional information in 2008 and on Dec 31, 2008

	Electricity and heat supply	Fuel trade	Businesses and others	Power plant construction and related	Real estate development	Offset	Total
Sales income	2,943,086,993.10	1,773,435,351.30	32,372,481.70	-	(1,592,343,276.13)	3,156,551,549.97	
Including: income from foreign trades	2,943,086,993.10	193,264,075.17	20,200,481.70	-	-	3,156,551,549.97	
Income from trade between segments	-	1,580,171,276.13	12,172,000.00	-	(1,592,343,276.13)	-	
Less: operating expenses	(4,518,581,427.91)	(1,757,877,152.10)	(7,680,991.70)	(74,684,679.02)	1,581,171,756.70	(4,777,652,494.03)	
Segment profit	(1,575,494,434.81)	15,558,199.20	24,691,490.00	(74,684,679.02)	(11,171,519.43)	(1,621,100,944.06)	
Operating loss						(78,591,877.44)	
						(1,699,692,821.50)	
Assets in division	3,579,951,304.22	663,095,939.57	272,529,928.62	1,150,200,758.66	(854,263,165.73)	4,811,514,765.34	
Plus: non-distributive expenses						174,424,760.37	
Total assets						4,985,939,525.71	
Liabilities in division	357,304,955.96	278,423,045.12	29,255,688.30	410,931,570.42	(803,062,651.24)	272,852,608.56	
Plus: non-distributive liabilities						2,777,205,146.10	
Total liabilities						3,050,057,754.66	
Depreciation and amortization expenses	236,980,055.04	7,579,806.01	632,748.94	6,299,371.85	(5,163,076.18)	246,328,905.66	
Asset impairment loss	18,616,493.08	(76,848.45)	849,582.00	55,259,368.55	-	74,648,595.18	
Capital expenditure	140,317,147.58	1,397,393.00	12,632,606.72	4,130,010.00	-	158,477,157.30	

Shenzhen Nanshan Power Co., Ltd

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

9. Report in division

(1) Main report — business division(continued)

(b) Segment information in 2007 and on Dec 31, 2007 (recalculated)

	Electricity an d heat supply	Fuel trade	Businesses and others	Power plant construction and related	Real estate development	Offset
Sales income	3,396,649,831.98	1,906,014,178.45	25,059,790.89	(1,707,600,160.67)	3,620,123,640.65	
Including: income from foreign trades	3,396,649,831.98	198,414,017.78	25,059,790.89	-	3,620,123,640.65	
Income from trade between divisions	-	1,707,600,160.67	-	(1,707,600,160.67)	-	
Less: operating expenses	(3,790,221,228.69)	(1,895,980,857.71)	(15,951,562.62)	1,711,256,001.29	(3,990,897,647.73)	
Segment profit	(393,571,396.71)	10,033,320.74	9,108,228.27	3,655,840.62	(370,774,007.08)	
Plus: non-distributive expenses					(40,480,855.88)	
Operating loss					<u>(411,254,862.96)</u>	
Assets in division	5,207,419,405.37	533,837,969.98	137,367,941.73	(458,041,280.70)	5,420,584,036.38	
Plus: non-distributive expenses					<u>132,330,957.82</u>	
Total assets					<u>5,552,914,994.20</u>	
Liabilities in division	1,133,899,383.52	195,844,146.59	50,277,869.60	(417,485,280.81)	962,536,118.90	
Plus: non-distributive liabilities					<u>2,654,373,099.13</u>	
Total liabilities					<u>3,616,909,218.03</u>	
Depreciation and amortization expenses	246,612,836.43	8,949,802.58	616,240.01	(3,655,840.62)	252,523,038.40	
Asset impairment loss	3,218,302.76	777,490.47	649,730.00	-	4,645,523.23	
Capital expenditure	<u>83,537,699.40</u>	<u>2,886,335.00</u>	<u>271,878.00</u>	<u>-</u>	<u>86,695,912.40</u>	

(2) Secondary report — regional report

All sales of the Group are in China mainland; therefore the Group does not prepare any regional segment report.

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

—○ **Relations and transactions with associated parties**

(1) Parent company and subsidiaries

None of the Company's shareholders has a shareholding ratio equal to or more than 50%, or control the Company by other way; therefore the Company has not any parent company.

The brief and related information of subsidiaries is in Note 6.

(2) The natures of the related parties without controlling relationship

Name of related party	Relationship to the Group
Shenzhen Energy Corporation	A shareholder has important influences on the Company
The directors and other senior management officers of the Company	Key management officers

(3) Related-party transactions – the Group

(a) Compensations to key management officers

	2008	2007
Compensations to key management officers	<u>4,169,000</u>	<u>6,907,000</u>

(4) Balance of receivables from or payables to related parties – the Group

(a) Other payables

	2008	2007
Shenzhen Energy Corporation	<u>1,176,641.94</u>	<u>1,190,133.67</u>

On Dec 31, 2008, the total payable of the Group to its related parties is 0.4% of the total of its payables (Dec 31, 2007: 0.2%).

Note to financial statements
 2008
 (All amounts listed in RMB if not noted otherwise)

10. Related-party and transactions (continued)

(5) Related-party transaction – parent company

The price of fuel purchased by the Company to its subsidiaries is determined in view of market price, and the warehouse lease paid to its subsidiaries and the service charge received from its subsidiaries are stipulated in contracts signed between both parties, and the fund possession fees received from or paid to its subsidiaries are determined in view of market loan interest rate.

(a) Purchase fuel from related parties

	2008	2007
Server Oil	<u>930,339,839.28</u>	<u>1,029,336,713.87</u>

In 2008, the expenses for purchasing fuel from its subsidiaries are 63% of the total of its expenses for purchasing fuel (2007: 74%).

(b) Render service for related parties

	2008	2007
New Power	34,951,614.30	37,520,226.50
Engineering Company	-	588,400.00
	<u>34,951,614.30</u>	<u>38,108,626.50</u>

In 2008, the income from rendering services by the Company for its subsidiaries is 100% of the total of its incomes from rendering services (2007: 100%).

(c) Accept services rendered by related parties

	2008	2007
Engineering Company	<u>2,170,000.00</u>	<u>-</u>

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

10. Related-party and transactions (continued)

(5) Related-party transaction – parent company (continued)

(d) Fund its related parties

	2008	2007
Shenzhong Development	530,400,758.05	472,684,000.00
Shennandian (Zhongshan)	243,561,197.07	220,354,000.00
Weimei Power	179,787,800.64	12,032,100.00
Server Oil	60,698,637.95	-
New Power	-	508,321,000.00
Engineering Company	-	909,200.00
Shenzhong Investment	-	517,000.00
	<hr/> 1,014,448,393.71	<hr/> 1,214,817,300.00

Except for the fund borrowed to Shenzhong Development mortgaged with land use right of Shenzhong Development with net value 851,548,000.00 Yuan (also as the mortgage for its temporary loan payable to its minority shareholder Xingzhong Group(Note 8 (4))), the other loans are loans without mortgage and fixed date for repayment.

(e) Fund possession fees charged to the related parties

	2008	2007
Shenzhong Development	37,312,970.51	863,310.26
Shennandian (Zhongshan)	14,775,297.08	1,883,711.06
Server Oil	3,853,000.00	-
Engineering Company	-	278,054.00
Weimei Power	6,954,275.61	-
	<hr/> 62,895,543.20	<hr/> 3,025,075.32

Fund possession fees are charged at the bank loan interest rate in the same period.

(f) Electricity sales revenue received on behalf the related parties

	2008	2007
New Power	<hr/> 784,837,026.32	<hr/> 814,137,999.99

(g) Heat sales revenue received by the related parties on behalf of the Company

	2008	2007
New Power	<hr/> 13,131,570.84	<hr/> 32,255,268.92

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

10. Related-party and transactions (continued)

(5) Related-party transaction – parent company (continued)

(h) Warehouse lease rental paid to the related parties

	2008	2007
Server Oil	<u>27,132,695.43</u>	<u>27,177,166.49</u>

In 2008, the warehouse lease rental paid to the related parties is 89% of the total of Company's lease rentals (2007: 88%).

(i) Guarantees for the bank loan and notes payable of the subsidiaries

	2008	2007
Shennandian (Zhongshan) – bank loan	450,000,000.00	621,000,000.00
Weimei Power – bank loan	286,000,000.00	336,000,000.00
– notes payable	-	17,704,968.00
Server Oil – bank loan	220,269,522.78	136,698,096.00
– notes payable	-	30,000,000.00
Shennandian Environment Protection	<u>95,000,000.00</u>	-
	<u>1,051,269,522.78</u>	<u>1,141,403,064.00</u>

(j) The related party's fund appropriation

	2008	2007
Engineering Company	<u>20,000,000.00</u>	-

(k) Payment as fund possession fees

	2008	2007
Engineering Company	<u>772,459.40</u>	-

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

10. Related-party and transactions (continued)

(6) Balance of receivables or payables of the related parties – parent company

(a) Accounts payable

	Dec 31, 2008	Dec 31, 2007
Server Oil	<u>168,422,431.52</u>	<u>43,185,690.64</u>

On Dec 31, 2008, the Company's payables to its subsidiaries are 86% of its total payables (Dec 31, 2007: 88%).

(b) Other receivables

	Dec 31, 2008	Dec 31, 2007
Shennandian (Zhongshan)	262,561,472.79	69,578,978.64
Shenzhong Development(a)	571,166,967.61	473,546,997.10
Engineering Company	-	2,133,366.22
Shenzhong Investment	-	517,000.00
Server	64,551,637.95	-
Shennandian Environment Protection	1,584,984.42	-
Weimei Power	<u>186,742,076.25</u>	<u>-</u>
	<u>1,086,607,139.02</u>	<u>545,776,341.96</u>

On Dec 31, 2008, the Company's receivables from its subsidiaries are 99% of its total receivables (Dec 31, 2007: 99%).

(a) The temporary loan receivable of Shenzhong Development was mortgaged with land use right of Shenzhong Development (Note 10(5)(d)).

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

10. Related-party and transactions (continued)

(6) Balance of receivables or payables of the related parties – Parent Company (continued)

(c) Other payables

	Dec 31, 2008	Dec 31, 2007
New Power	155,071,903.17	366,480,481.69
Shenzhen Energy Corporation	511,607.53	1,190,099.26
Engineering Company	20,775,929.37	-
Shennan Singapore	1,884,620.04	-
Server Oil	<u>11,020,959.95</u>	<u>3,455,695.46</u>
	<u>189,265,020.06</u>	<u>371,126,276.41</u>

On Dec 31, 2008, the Company's payables to its related parties are 96% of its total payables(Dec 31, 2007: 99%).

— Commitments

(1) Capital commitment

The following item is the signed capital expenditure commitment unnecessary to be recognized in financial statements on the balance sheet date:

	Dec 31, 2008	Dec 31, 2007
House, building and machinery	<u>117,419,927.12</u>	<u>12,534,516.00</u>
Foreign investment	<u>236,142,857.00</u>	-

(2) Commitment on operating lease

In accordance with the signed irrevocable operating lease contracts, the lowest total rentals in future are following:

	Dec 31, 2008	Dec 31, 2007
Within 1 year	1,993,520.00	33,629,000.00
1 to 2 years	2,073,120.00	1,326,600.00
2 to 3 years	2,073,120.00	1,374,930.00
Over 3 years	<u>75,251,309.40</u>	<u>71,748,269.00</u>
	<u>81,391,069.40</u>	<u>108,078,799.00</u>

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

一二 Contingency

In Mar 2008, the Company signed up 2 agreements with number 165723967102.11 and 165723968102.11 with Electric-and-Run (Singapore) Private Company (hereinafter “Run”).

The term of the first agreement is Mar 3, 2008 to Dec 31, 2008, consists of 3 option contracts. When the floating price (the arithmetic mean of the closing prices of NYMEX light sweet crude oil during each decision period) is higher than 63.5 USD per barrel, the Company may receive a benefit 300,000.00 USD monthly; when the floating price is lower than 63.5 USD per barrel and higher than 62 USD per barrel, the Company may monthly receive a benefit equal to $((\text{floating price} - 62 \text{ USD per barrel}) \times 200,000 \text{ barrel})$; when the floating price is lower than 62 USD per barrel, the Company must made a payment to Run equal to $((62 \text{ USD per barrel} - \text{floating price}) \times 400,000 \text{ barrel})$.

The term of the second agreement is Jan 1, 2009 to Oct 31, 2010, also consists 3 option contracts, and Run has the selection right to perform the agreement before PM 18:00, Dec 30, 2008. When the floating price is higher than 66.5 USD per barrel, the Company may receive a benefit 340,000.00 USD $(200,000 \text{ barrels} \times 1.7 \text{ USD per barrel})$ monthly; when the floating price is lower than 66.5 USD per barrel and higher than 64.8 USD per barrel, the Company may monthly receive a benefit equal to $((\text{floating price} - 64.8 \text{ USD per barrel}) \times 200,000 \text{ barrel})$; when the floating price is lower than 64.8 USD per barrel, the Company must made a payment to Run equal to $((64.5 \text{ USD per barrel} - \text{floating price}) \times 400,000 \text{ barrel})$.

From Apr to Oct 2008, based on these 2 agreements, Run made payment 2,100,000 USD (or RMB 14,352,083.46 Yuan) to the Group. On Dec 31, 2008 the payments are included in other receivables (Note 8(18)). On Nov 6, 2008, the letter of Run considered that the announcement of the Company on Oct 21, 2008 and the Company’s opinions in the negotiation on Oct 29, 2008 indicating that the Company intentionally refused to perform the transaction, which had offend the agreement, and Run announced to terminate the transaction. The Company’s reply considered that the Company had never expressed to refuse the continual performance of the transaction, and considered that Run had unilaterally terminated the agreement and refused to made the payment payable in Oct 2008 to the Company set forth in the first agreement, which had breached the agreement, and the Company announced to terminate the transaction. Despite that the reasons of both parties to terminate the agreement and transaction were different, they had no any dispute about that the agreement and transaction had been terminated. After the transaction terminated, Run sent a letter and claimed that the Company indemnify its loss for the termination of the transaction, and sent another letter indicating that Run hope to settle the dispute by commercial method. The Company replied that it did not agree the indemnification claimed by Run, but in another letter agreed to negotiate about the matter. Afterwards, both parties negotiated and discussed for several rounds, but did not reach any agreement. If negotiation fails, the possibility of settling the dispute by lawsuit can not be excluded.

Based on the legal opinions of practicing lawyers, the Company’s Board of Directors considers:

- These 2 agreements and transactions have been terminated by both parties;
- The future of this matter has many uncertain factors, and can not be estimated or predicted on the settlement and results at present;
- For the final results can not be estimated reasonably and reliably at present, the annual financial statements 2008 shall not recognize it as estimated reliabilities.

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

The Company's Board of Directors will timely re-check the above standpoints and related accounting methods based on the development related to the matter.

一三 Events after the balance sheet date

No other event except for the above-mentioned.

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

一四 Net profit after non-recurrent profit/loss deducted

	2008	2007 (recalculated)
Net profit	14,833,757.80	167,343,880.78
Less: disposal of non-current assets	(43,432,334.52)	(14,733,933.31)
Liabilities restructuring	(46,697,732.93)	-
The difference between corporate merger cost and the fair value of the identifiable net assets of the purchased ownerships acquired in the merger of the purchased party in the purchased proportion	-	(158,860,160.03)
Net value of other non-operating activities	2,514,031.86	712,100.00
The number of income tax influenced by non-recurrent profit/loss	<u>3,318,663.02</u>	<u>-</u>
Net loss after non-recurrent profit/loss deducted	<u>(69,463,614.77)</u>	<u>(5,538,112.56)</u>
Attributed to the parent company's shareholders	(57,432,714.45)	15,201,000.00
Minority equity	<u>(12,030,900.32)</u>	<u>(20,739,112.56)</u>

(1) Compiling basis for detailed sheet of non-recurrent profit/loss

In accordance with “Questionnaire No.01 on Information Disclosure in Companies Publicly Issuing Securities – Non-recurrent Profit/loss”, the non-recurrent profit/loss is the profit/loss irrelevant or relevant to the company’s business, but may impact on the profit/loss of each transaction or matter which regularly reflects the company’s operation capability and profitability.

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

一五 Note to main items of parent company's financial statements

(1) Accounts receivable and other receivables

(a) Accounts receivable

	Dec 31, 2008	Dec 31, 2007
Accounts receivable	<u>114,758,696.74</u>	<u>233,251,114.73</u>

Accounts receivable are mainly incomes for sales of electricity receivable in RMB within 1 year from Shenzhen Power Supply Bureau, Guangdong Power Grid Corporation.

(b) Other receivables

	Dec 31, 2007	Dec 31, 2008
Temporary loan receivable from Shenzhong Development	473,546,997.10	571,166,967.61
Accounts receivable from Engineering Company	2,133,366.22	-
Temporary loan receivable from Shennandian (Zhongshan)	69,578,978.64	262,561,472.79
Account receivable for the development of Dashi Like, Huizhou City	14,311,626.70	14,311,626.70
Accounts receivable from Nanshan Investment Management Company	5,895,738.00	5,895,738.00
Temporary loan receivable from Weimei Power	-	186,742,076.25
Accounts receivable from Server Oil	-	64,551,637.95
Others	<u>7,787,654.25</u>	<u>11,258,576.91</u>
	<u>573,254,360.91</u>	<u>1,116,488,096.21</u>
	Increment in the year	Decrement in the year
Less: bad debt reserve	<u>(24,082,357.55)</u>	<u>-</u>
	<u>549,172,003.36</u>	<u>(24,082,357.55)</u>
	<u>549,172,003.36</u>	<u>1,092,405,738.66</u>

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

15. Note to main items of parent company's financial statements (continued)

(1) Accounts Receivable and other receivables (continued)

(b) Other receivables (continued)

Analysis on other receivables and corresponding bad debt reserve is following:

	Dec 31, 2008				Dec 31, 2007			
	Ratio in				Ratio in			
	the total	Bad debt re	Withd	serve	the total	Bad debt re	Withd	serve
	amount	amount	serve	al ratio	amount	amount	serve	al ratio
Within 1 year	516,085,489.02	46%	-	-	544,585,440.91	95%	-	-
1 to 2 years	572,077,073.42	51%	-	-	2,757,400.00	-	138,000.00	5%
2 to 3 years	2,456,496.09	-	138,000.00	6%	41,000.00	-	4,100.00	10%
Over 3 years	25,869,037.68	2%	23,944,357.55	93%	25,870,520.00	5%	23,940,257.55	93%
	<u>1,116,488,096.21</u>	<u>100%</u>	<u>24,082,357.55</u>	<u>2%</u>	<u>573,254,360.91</u>	<u>100%</u>	<u>24,082,357.55</u>	<u>4%</u>

The analysis based on the classifications of other receivables is following:

	Dec 31, 2008				Dec 31, 2007			
	Ratio in				Ratio in			
	the total	Bad debt re	Withd	serve	the total	Bad debt re	Withd	serve
	amount	amount	serve	al ratio	amount	amount	serve	al ratio
Large single amount	1,099,037,304.88	98%	14,311,626.70	1%	557,438,302.44	97%	14,311,626.70	26%
the single amount								
not large but with a								
rather high								
combined risk	10,637,159.87	1%	5,895,738.00	55%	5,895,738.00	1%	5,895,738.00	100%
Others	6,813,631.46	1%	3,874,992.85	57%	9,920,320.47	2%	3,874,992.85	39%
	<u>1,116,488,096.21</u>	<u>100%</u>	<u>24,082,357.55</u>	<u>2%</u>	<u>573,254,360.91</u>	<u>100%</u>	<u>24,082,357.55</u>	<u>4%</u>

In the Company's other receivables, there is not any debt of the Company's shareholder who holds 5% or higher voting right of the Company (Dec 31, 2007: none).

At then end of the year, the total debt in the Company's other receivables of the top 5 debtors is 1,099,333,781.30 Yuan (Dec 31, 2007: 566,796,000.00 Yuan), taking the share 93% in the amount of total other receivables.

There is no large foreign currency balance in other receivables.

Single receivables with large amounts mainly include the account receivable from Huizhou Dashi Lake Development Project with an age over 3 years, and based on its historical experience and analysis on the debt, the management withdrew bad debt reserve by specific identification method; other accounts

Note to financial statements

2008

(All amounts listed in RMB if not noted otherwise)

receivable are the temporary loans of the subsidiaries each with an age within 1 year, after analysis and checking on the natures of these receivables, the management considers there is no risk of repayment, and without bad debt reserve withdrawn.

A single receivable with an amount not large but with a rather high combined risk means a receivable with an age over 3 years, and the management considers such receivables have rather high repayment risks, and therefore has withdrawn bad debt reserve based on its historical experience.

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

15. Note to main items of parent company's financial statements (continued)

(2) long-term equity investment

	Dec 31, 2008	Dec 31, 2007
Subsidiary (a)	490,522,849.76	444,182,849.76
Joint venture (Note 8(5))	78,857,143.00	21,000,000.00
Other long-term equity investment (Note 8(5))	92,085,400.00	92,085,400.00
	661,465,392.76	557,268,249.76
Less: long-term equity investment impairment reserve (Note 8(5))	<u>(16,373,600.00)</u>	-
	<u>645,091,792.76</u>	<u>557,268,249.76</u>

The Company has not any important restriction on long-term investment realization and return of benefits.

(a) Subsidiaries

	initial investment 资本	additional investment	Dec 31, 2007	Increment in the year	Dec 31, 2008
Shennandian (Zhongshan)	54,560,000.00	163,680,000.00	218,240,000.00	-	218,240,000.00
Weimei Power	39,680,000.00	75,639,049.76	115,319,049.76	-	115,319,049.76
New Power	14,950,000.00	56,320,000.00	71,270,000.00	-	71,270,000.00
Server Oil	26,650,000.00	-	26,650,000.00	-	26,650,000.00
Shennan Singapore	6,703,800.00	-	6,703,800.00	-	6,703,800.00
Engineering Company	6,000,000.00	-	6,000,000.00	-	6,000,000.00
Shenzhong Investment	-	-	-	-	-
Shenzhong Development	-	-	-	-	-
Shennandian Environment Protection (Note 7)	46,340,000.00	-	46,340,000.00	46,340,000.00	46,340,000.00
			<u>444,182,849.76</u>	<u>46,340,000.00</u>	<u>490,522,849.76</u>

(3) Operating revenue and operating cost

	2008	2007
Main operating revenue	985,596,854.44	1,198,796,358.21
other operating revenue	37,183,979.62	38,108,626.13
	<u>1,022,780,834.06</u>	<u>1,236,904,984.34</u>

Note to financial statements
2008
(All amounts listed in RMB if not noted otherwise)

15. Note to main items of parent company's financial statements (continued)

(3) Operating revenue and operating cost (continued)

(a) Main operating revenue and main operating cost

	2008		2007	
	main operating revenue	main operating cost	main operating revenue	main operating cost
Sales of electricity	972,465,283.60	1,666,563,511.65	1,166,541,089.21	1,588,478,301.70
Sales of heat	13,131,570.84	13,225,864.83	32,255,269.00	28,288,821.06
	<u>985,596,854.44</u>	<u>1,679,789,376.48</u>	<u>1,198,796,358.21</u>	<u>1,616,767,122.76</u>

The total income from the Company's top 5 customers is 972,465,283.60 Yuan (2007: 1,195,896,000.00 Yuan), 98% of the total revenue of the Company (2007: 99%)

(b) Other operating revenue and other operating cost

	2008		2007	
	other operating revenue	other operating cost	other operating revenue	cost of other operations
Service income	34,951,614.30	-	35,014,885.00	17,100,000.00
Flue gas usage charge	1,943,565.32	-	2,505,340.72	-
Training income	<u>288,800.00</u>	<u>120,519.60</u>	<u>588,400.41</u>	<u>297,629.70</u>
	<u>37,183,979.62</u>	<u>120,519.60</u>	<u>38,108,626.13</u>	<u>17,397,629.70</u>

(4) Investment benefits

	2008	2007
Dividends announced to be distributed by the invested company and calculated by cost method	<u>67,557,104.24</u>	<u>137,845,168.29</u>