



大唐国际发电股份有限公司

DATANG INTERNATIONAL POWER GENERATION CO., LTD.

(a sino-foreign joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 991)

ANNOUNCEMENT OF 2007 ANNUAL RESULTS

OPERATING AND FINANCIAL HIGHLIGHTS:

- Consolidated operating revenue amounted to approximately RMB32,829 million, representing an increase of 31.85% over 2006.
- Consolidated net profit attributable to equity holders of the Company amounted to approximately RMB3,406 million, representing an increase of 22.62% over 2006.
- Basic earnings per share amounted to approximately RMB0.29, representing an increase of approximately RMB0.02 per share over 2006.
- The Board has recommended the distribution of proposed dividend of RMB0.12 per share for the year of 2007.

I. COMPANY RESULTS

The board of directors (the "Board") of Datang International Power Generation Co., Ltd. (the "Company") hereby announces the audited consolidated operating results of the Company and its subsidiaries and jointly controlled entities (hereinafter referred to as the "Company and its Subsidiaries") prepared in conformity with the International Financial Reporting Standards ("IFRS") for the year ended 31 December 2007 (the "Year"), together with the audited consolidated operating results of the year of 2006 (the "Previous Year") for comparison. Such operating results have been reviewed and confirmed by the Company's audit committee (the "Audit Committee").

Consolidated operating revenue of the Company and its Subsidiaries for the Year was approximately RMB32,829 million, representing an increase of 31.85% as compared to the Previous Year. The consolidated net profit attributable to equity holders of the Company was approximately RMB3,406 million, representing an increase of approximately 22.62% as compared to the Previous Year. Basic earnings per share of the Company for the Year amounted to approximately RMB0.29, representing an increase of approximately RMB0.02 per share as compared to the Previous Year.

In view of the operating results of the Company during the Year, the Board of the Company has recommended the distribution of proposed dividend of RMB0.12 per share for the Year.

Please refer to the audited financial statements set out in the Appendix for details of the consolidated operating results.

II. MANAGEMENT DISCUSSION AND ANALYSIS

The Company is one of the largest independent power companies in the People's Republic of China (the "PRC"), primarily engaged in power generation businesses which mainly focus on coal-fired power generation. Currently, the Company wholly owns four operating power plants and manages 38 power generation companies and other energy companies. As at 31 December 2007, the Company managed a total installed capacity of 20,134.7 MW. The power generation businesses of the Company are primarily distributed in the North China Power Grid (including the Beijing-Tianjin-Tangshan ("BTT") Power Grid and the Shanxi Power Grid), the Zhejiang Power Grid, the Gansu Power Grid, the Yunnan Power Grid, the Fujian Power Grid and the Guangdong Power Grid.

During 2007, the national economy maintained a steady and rapid growth, with an impressive 11.4% Gross Domestic Product (GDP) growth reported. Robustly driven by economic development, the power industry also witnessed rapid growth. During the Year, approximately 100,000 MW of installed capacity was added nationwide. The social power consumption increased by 14.42% over the Previous Year while nationwide power generation increased by approximately 14.44% over the Previous Year. The major service areas of the Company and its Subsidiaries also maintained rapid growth in power generation, with the power generation of the BTT Power Grid, the Shanxi Power Grid, the Zhejiang Power Grid, the Fujian Power Grid, the Guangdong Power Grid, the Gansu Power Grid and the Yunnan Power Grid reporting increases of approximately 18.92%, 22.80%, 26.96%, 15.30%, 11.20%, 16.59% and 20.78% over the Previous Year, respectively.

(A) Business Review

During the Year, the nationwide shortage in supply of electricity was further alleviated due to the commencement of operation of a substantial number of new generation units. Utilisation hours of operating generation units also reported a decrease as compared to the Previous Year, while coal prices hovered at a high level. Facing the operating pressure in the power market, the Company and its Subsidiaries actively capitalised on market opportunities, diligently carried out effective production operations and overcame difficulties, striving to complete the production objectives of the Year. During 2007, total power generation of the Company and its Subsidiaries amounted to 118.271 billion kWh, representing an increase of 26.56% as compared to the Previous Year. While power generation increased, the Company and its Subsidiaries further refined their operating strategies to strive for higher production level and revenue. Accordingly, the overall efficiency of the Company and its Subsidiaries reported a relatively significant increase over the Previous Year. During the Year, the Company and its Subsidiaries realised a consolidated operating revenue of approximately RMB32,829 million, representing an increase of approximately 31.85% as compared to the Previous Year. Consolidated net profit attributable to equity holders of the Company was approximately RMB3,406 million, representing an increase of approximately 22.62% as compared to the Previous Year.

1. Production

As at 31 December 2007, the total power generation of the Company and its Subsidiaries for the Year amounted to 118.271 billion kWh, representing an increase of 26.56% as compared to the Previous Year. The total on-grid power generation of the Company and its Subsidiaries amounted to 111.411 billion kWh, representing an increase of approximately 26.74% as compared to the Previous Year. The increases in the total power generation and on-grid power generation were mainly attributable to the following reasons:

- (1) Increased capacity of operating generation units: Compared to the Previous Year, the Company and its Subsidiaries have increased its installed capacity by 850 MW and the new generation units commencing operation in the second half of 2006 were in satisfactory condition during the Year, thereby substantially increasing the overall power generation capacity of the Company and its Subsidiaries.
- (2) Increased demand in service areas: During the Year, the power demand within the service areas of the Company and its Subsidiaries – the BTT Power Grid, the Shanxi Power Grid, the Gansu Power Grid, the Yunnan Power Grid, the Zhejiang Power Grid, the Fujian Power Grid and the Guangdong Power Grid maintained rapid growth.
- (3) The power generation obstruction problem at Wangtan Power Company, a subsidiary of the Company, was completely resolved and its generation units are now operating in full capacity, with the power generation increased by approximately 60% as compared to the same period of the Previous Year.
- (4) High operating reliability of generation units: During the Year, the operating generation units of the Company and its Subsidiaries achieved an equivalent availability factor of 94.62%.

Power generation details of the Company and its Subsidiaries for 2007 (Unit: billion kWh)

Power Plant/Company Name	Power Generation for 2007	Growth (%)
Gao Jing Thermal Power Plant	3.4642	0.03
Dou He Power Plant	11.2043	6.24
Xia Hua Yuan Power Plant	2.5566	4.63
Zhang Jia Kou Power Plant	15.1455	6.64
Tianjin Datang International Panshan Power Generation Company Limited ("Panshan Power Company")	7.1369	1.79
Inner Mongolia Datang International Tuoketuo Power Generation Company Limited ("Tuoketuo Power Company")	21.6869	1.31
Shanxi Datang International Yungang Thermal Power Company Limited ("Yungang Thermal Power Company")	2.8655	-4.39
Hebei Datang International Tangshan Thermal Power Company Limited ("Tangshan Thermal Power Company")	3.7969	-2.05
Shanxi Datang International Shentou Power Company Limited ("Shentou Power Company")	5.7444	0.72
Gansu Datang International Liancheng Power Generation Company Limited ("Liancheng Power Company")	4.1100	18.00
Hebei Datang International Wangtan Power Generation Company Limited ("Wangtan Power Company")	7.5769	58.00

Power Plant/Company Name	Power Generation for 2007	Growth (%)
Zhejiang Datang Wushashan Power Generation Company Limited ("Wushashan Power Company")	14.1641	159.96
Guangdong Datang International Chaozhou Power Generation Company Limited ("Chaozhou Power Company")	6.0035	172.81
Fujian Datang International Ningde Power Generation Company Limited ("Ningde Power Company")	7.1078	159.24
Yunnan Datang International Honghe Power Generation Company Limited ("Honghe Power Company")	3.9209	120.84
Jiangxi Datang International Xinyu Power Generation Company Limited ("Xinyu Power Company")	0.4615	–
Hebei Datang International Huaze Hydropower Development Company Limited ("Huaze Hydropower Company")	0.0228	–26.09
Yunnan Datang International Nalan Hydropower Development Company Limited ("Nalan Hydropower Company")	0.6051	14.39
Yunnan Datang International Lixianjiang Hydropower Development Company Limited ("Lixianjiang Hydropower Company")	0.6895	194.66
Inner Mongolia Datang International Duolun Hydropower Multiple Development Company Limited ("Duolun Hydropower Company")	0.0078	–
Total	118.2711	26.56

2. Environmental Protection and Energy Conservation and Emission Reduction

While endeavouring to increase power generation, the Company also actively responds to the State's calls for environmental protection and energy conservation and emission reduction, implementing environmental protection projects and enforcing energy conservation and emission reduction measures. As at the end of 2007, the Company and its Subsidiaries closed three 50 MW obsolete units of Tangshan Thermal Power Company in accordance with the State policy opting for "large generation units over small ones". The installed capacity of the Company and its Subsidiaries with desulphurisation facilities in use accounted for 83.4% of the coal-fired units of the Company and its Subsidiaries. Meanwhile, desulphurisation upgrade projects for the remaining units are currently in progress and are expected to be completed within 2008.

As desulphurisation upgrade projects are underway, treatment for the flue-gas denitro-oxidisation of the Company and its Subsidiaries were successfully completed, of which at Gao Jing Thermal Power Plant achieved a denitro-oxidisation percentage of 80%.

During the Year, the Company actively pushed ahead new technologies, new methods and new ideas for energy conservation and emission reduction. Focusing on the major and difficult issues on energy conservation faced by its power plants, the Company devised its energy conservation and environmental protection work plans and compiled energy conservation training materials and maintenance management guidelines for relevant facilities. Relevant training sessions were organised, while energy conservation technologies were promoted and energy conservation measures were enforced. During the Year, the Company's accomplished impressive results on energy conservation and emission reduction and environmental protection, among which, the emissions of sulphur dioxide, smoke ash and industrial waste water per electricity unit were better than the national average. Meanwhile, coal consumption for power generation is reduced by 6.22g per kWh as compared to the Previous Year; oil consumption for power generation is reduced by 5.76 tonnes per 100 million kWh as compared to the Previous Year; overall water consumption for power generation is reduced by 20% as compared to the Previous Year. Although more desulphurisation facilities had been put into operation, the consolidated electricity consumption rate of the plants decreased by 0.16 percentage point as compared to the Previous Year.

3. Operational Management

During the Year, the Company and its Subsidiaries achieved a consolidated operating revenue of approximately RMB32,829 million, representing an increase of approximately 31.85% as compared to the same period of the Previous Year. Consolidated net profit attributable to equity holders of the Company amounted to approximately RMB3,406 million, representing an increase of approximately 22.62% as compared to the same period of the Previous Year. The steady growth in the profit of the Company and its Subsidiaries was mainly attributable to the following factors:

- (1) Achieving higher power generation through active marketing and sales efforts and initiating communication and coordination with all relevant parties: On-grid power generation increased by approximately 23.5 billion kWh over the Previous Year, thereby increasing the sales revenue of electricity by approximately RMB6,620 million accordingly.
- (2) Raising the average on-grid power tariff and increasing sales revenue through various efforts to implement the tariff policies: During the Year, the Company's on-grid tariff (tax included) increased by approximately RMB12.56 per MWh over the Previous Year, leading to an increase in revenue of approximately RMB1,196 million.
- (3) Maintaining comprehensive budget control to enhance capital utilisation efficiency, as well as refining cost management and exercising stringent cost control: During the Year, apart from the revenue increase, the Company also managed to keep its controllable costs and financing costs below the Company's annual budget, thereby laying a foundation for the profit growth for the Year.

4. Business Expansion

During the Year, the Company continued to implement its development strategies, which included the transformation from a single mode of coal-fired power generation to the development of renewable energy including hydropower and wind power, and the change of the business structure from simply a power generator into an integrated industry chain of power-related businesses. As a result of the gradual implementation of the above-mentioned development strategies, the Company and its Subsidiaries had added an operating capacity of 850 MW during the Year. Remarkable breakthroughs were also made in the development of nuclear power generation as well as power-related upstream and downstream projects such as coal mine – power plant – railway integration and railway construction.

- (1) Thermal projects: During the Year, the Company and its Subsidiaries added 400 MW of coal-fired generation units, primarily a result of acquiring two 200 MW units of Xinyu Power Generation Company.

Two 600 MW generation units of Yuncheng Power Company, which is controlled and constructed by the Company, commenced commercial operation in January 2008.

The Phase 1 project (installed capacity: two 600 MW units) of Daba Power Company, of which the Company holds 45% interests, was approved by the relevant State authorities and construction has commenced.

- (2) Hydropower projects: During the Year, the Company and its Subsidiaries added a capacity of 450 MW in hydropower units, including 285 MW at Longma Hydropower Station and 165 MW at Tukehe Hydropower Station.

The two-level hydropower projects at Yunnan Luoze River (total installed capacity: 63 MW), controlled and constructed by the Company, were respectively approved by the relevant State authorities and construction has commenced during the Year.

- (3) Wind power project: The Zhuozi Bayin Wind Power Plant Phase I (installed capacity: 40 MW) and Phase II (installed capacity: 48 MW) developed and constructed by the Company's wholly-owned subsidiary, Inner Mongolia Datang International Zhuozi Wind Power Company Limited ("Zhuozi Windpower Company"), and the Shanxi Datong Zuoyun Wind Power Plant Phase I (installed capacity: 49.5 MW), planned to be solely developed by the Company, were respectively approved by the relevant State authorities.

- (4) Nuclear power project: Upon the approval by the relevant State departments, the Company made an investment to participate in the construction of four nuclear power generation units of 1,000 MW each at the Ningde region of Fujian Province, and construction of these units commenced in February 2008.
- (5) Other energy-related projects: As at the end of 2007, development of upstream/downstream power-related businesses including coal mining, coal chemical projects and railway construction have achieved substantial progress. (1) Railway project: approval has been obtained for the Inner Mongolia section and the Hebei section of Duofeng Railway project, with an approved mileage of 134 km. (2) coal mine project: exploration rights of Unit 2 of the open-cut coal mine located east of Shengli Coal Mine, Changtan Coal Mine and Kongduigou Coal Mine have been obtained; and the development right of Wujianfang Coal Mine in Inner Mongolia has been obtained, (3) Duolun coal chemical project at Inner Mongolia, controlled and developed by the Company, has progressed smoothly. Upon project completion and commencement of production, the project is expected to produce annually 460,000 tonnes of polypropylene and other by-products.

(B) Major Financial Indicators and Analysis

In 2007, the Company realised RMB32,829 million in revenue, representing a 31.85% increase over the Previous Year. A net profit attributable to equity holders of the Company of RMB3,406 million was realised, representing a 22.62% increase over the Previous Year. Basic earnings per share was approximately RMB0.29, representing an increase of approximately RMB0.02 per share over the Previous Year.

1 Operating Revenue

The Company is principally engaged in power generation businesses which involve mainly coal-fired power generation. Heat supply also forms a minor part of the operation. The Company's operation revenue mainly comprises revenue from electricity sales and heat sales.

During 2007, the Company and its Subsidiaries realised an operating revenue of RMB32,829 million, representing an increase of approximately RMB7,931 million or 31.85% over the Previous Year, among which, the increase of installed capacity and on-grid power generation led to revenue increase of approximately RMB6,620 million, while the increase of average tariff level led to the Company's revenue increase of approximately RMB1,196 million.

2 Operating Costs

During the Year, the operating costs of the Company and its Subsidiaries totalled to RMB25,089 million, representing an increase of approximately RMB6,179 million or 32.67% over the Previous Year. The major reasons were increases in fuel costs.

During the Year, the fuel costs accounted for 60.84% of operating costs. With more generation units putting into operation and increase in power generation, as well as the continued rise in nationwide fuel prices, fuel costs increased by RMB4,599 million or approximately 43.13% over the Previous Year, such increase exceeding that of power sales revenue.

3 Net Financing Costs

During 2007, the financing costs of the Company amounted to RMB2,080 million, representing an increase of approximately RMB721 million or 53.09% over the Previous Year. The relatively rapid increase was attributable to the increase in interest expense caused by the cessation of interest capitalisation of the new generation put into operation in previous year and the lending interest-rate increases during the Year. However, as the Company and its Subsidiaries adopted various measures, the overall financing costs were therefore below the Year's budget.

4 Profits

During the Year, the Company and its Subsidiaries reported the consolidated profit before taxation amounting to RMB5,837 million, representing an increase of 25.15% as compared to the Previous Year. The consolidated net profit attributable to equity holders of the Company amounted to approximately RMB3,406 million, representing an increase of 22.62% as compared to the Previous Year. The increase in the profit of the Company and its Subsidiaries was mainly attributable to the Company and its Subsidiaries' further expansion in its operating scale, increase in power generation and average power tariff, as well as stringent and effective cost controls by the Company and its Subsidiaries.

5. Financial Position

As at 31 December 2007, the consolidated total assets of the Company and its Subsidiaries amounted to approximately RMB121,773 billion, representing an increase of approximately RMB31,062 million as compared to the Previous Year. The consolidated total liabilities amounted to approximately RMB87,533 million, representing an increase of approximately RMB24,022 million as compared to the Previous Year. Minority interests amounted to approximately RMB4,643 million, representing an increase of approximately RMB1,339 million as compared to the Previous Year. Shareholders' equity amounted to approximately RMB34,241 million, representing an increase of approximately RMB7,040 million as compared to the Previous Year. The increase in total assets mainly resulted from the implementation of the expansion strategy by the Company and its Subsidiaries which led to a corresponding increase in investments in construction-in-progress.

6. Liquidity

As at 31 December 2007, the asset-to-liability ratio for the Company and its Subsidiaries was approximately 71.88%. The net debt-to-equity ratio (i.e. (loans + convertible bonds + short-term bonds – cash and cash equivalents – short-term bank deposits over 3 months)/total equity) was approximately 205.83%.

As at 31 December 2007, the cash and cash equivalents and bank deposits with a maturity of 3 months above of the Company and its Subsidiaries amounted to approximately RMB3,698 million, of which an amount equivalent to approximately RMB98 million was foreign currency deposit. The Company and its Subsidiaries had no entrusted deposits or overdue fixed deposits during the Year.

As at 31 December 2007, the short-term loans of the Company and its Subsidiaries amounted to approximately RMB 22,609 million which bore annual interest rates ranging from 4.96% to 7.29%. Long-term loans (excluding those due within 1 year) amounted to approximately RMB44,273 million and long-term loans due within 1 year amounted to approximately RMB4,188 million, at annual interest rates ranging from 3.60% to 7.41%, of which an amount equivalent to approximately RMB2,229 million was denominated in US dollar. The Company and its Subsidiaries have paid close attention to foreign exchange market fluctuations and constantly assess foreign currency risks.

The Company had not provided any guarantee in whatever forms for any other company apart from its subsidiaries, jointly controlled entities and associates.

(C) Outlook for 2008

In 2008, the Company is faced with a daunting task of achieving solid results and maintaining a stable and healthy development in view of both opportunities and challenges lying ahead. According to forecasts, the growth of the PRC economy will remain steady in 2008. GDP is expected to grow by about 9% while power consumption in the PRC is expected to grow at around 13%. Such a scenario will provide new development opportunities to the Company and its Subsidiaries. In view of electricity demand-supply going from a tight condition to a basically steady condition in 2008, utilisation rates of power generation units are expected to decrease slightly with generation capacity increasing. In addition, high coal prices and the uncertainties of coal quality, as well as the mismatch between fuel supply and transportation, will have a more significant impact on the Company's coal cost control in 2008. Meanwhile, the power dispatch approach based on the principles of energy conservation, environmental protection and economic efficiency will further intensify competition in the power generation sector. In addition, a string of interest rate hikes announced in 2007 will further increase the Company's financing costs, thereby increasing the difficulty for operation management.

Facing keen competition and a difficult operation environment, the Company will actively expand its room for development, strengthen the marketing and sales effort to enhance its profitability, by fully utilising its own advantages in resources, scale, location and costs. In 2008, the Company will focus on the following tasks:

1. Strengthening the production safety management and the establishment of an emergency system to enhance the ability to prevent and handle emergencies, so as to safeguard a stable power usage during the Olympic Games.
2. Strengthening the environmental protection and facilitating clean production: In 2008, the Company will further push ahead environmental protection projects and will implement the capital and construction progress plans for environmental protection projects. The Company will fully accomplish all the environmental protection tasks to achieve a 100% desulphurisation facility installation rate for all coal-fired units, with a 95% desulphurisation facility operation rate and a 95% desulphurisation efficiency.
3. Strengthening operation management and maintaining steady growth in economic efficiency: The Company will make every effort to control project costs, fuel costs, finance costs and other costs and expenses, so as to achieve the objective of increasing revenue whilst cost savings. The Company will also enhance its coordination of power generation to ensure the accomplishment of the year's power generation plan, so as to maintain the Company's momentum of steadily growing economic gains.

4. Continuing the implementation of the Company's diversified development strategy, by actively pursuing the expansion of the Company in coal-fired power, renewable energy projects such as hydropower and wind power and nuclear power, coal mining, railway and development of power-related upstream and downstream projects, so as to ensure the Company's sustainable development.
5. Striving to ensure the construction quality and that electricity projects will commence operation safely and in good quality and making further progress in the development of non-electricity projects.
6. Actively expanding financing channels to secure fundings for the Company's scale development.

III. SHARE CAPITAL AND DIVIDENDS

(A) Share Capital

As at 31 December 2007, the total share capital of the Company amounted to 11,734,083,473 shares, divided into 11,734,083,473 shares carrying a nominal value of RMB1.00 each.

(B) Shareholding of Substantial Shareholders

So far as the directors of the Company are aware, as at 31 December 2007, the persons below with interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company under section 336 of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Law of Hong Kong) were as follows:

Name of Shareholder	Class of Shares	Number of shares held	Approximate percentage to total issued share capital of the Company (%)	Approximate percentage to total issued A shares of the Company (%)	Approximate percentage to total issued H shares of the Company (%)
China Datang Corporation	A Shares	3,959,241,160	33.74	46.775	—
Beijing Energy Investment (Group) Company Limited	A Shares	1,343,584,800	11.45	15.873	—
Hebei Construction Investment Company	A Shares	1,343,584,800	11.45	15.873	—
Tianjin Jinneng Investment Company	A Shares	1,200,012,600	10.33	14.177	—
USB AG	H Share	273,701,482 (L)	2.33	—	8.39(L)
		27,480,000 (S)	0.23	—	0.84(S)
JPMorgan Chase & Co	H Share	238,144,391 (L)	2.03	—	7.33(L)
		6,962,917 (S)	0.06	—	0.21(S)
		156,842,414 (P)	1.34	—	4.83(P)

(L) means long position (S) means short position (P) means lending pool

(C) Dividends

The Board recommends a cash dividend of approximately RMB0.12 per share based on the total amount of registered shares on the record date for the Company's distribution of dividends. Dividends to be distributed to the domestic shareholders of the Company will be declared in and paid by RMB, while those to be distributed to foreign shareholders will be declared in RMB but paid in Hong Kong dollar.

(D) Shareholding by the Directors and Supervisors

As at 31 December 2007, save and except Mr. Fang Qinghai, director of the Company, who was interested in 24,000 A Shares of the Company, none of the directors, supervisors and chief executives of the Company nor their associates had any interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of the SFO) that were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") under the provisions of Divisions 7 and 8 of Part XV of the SFO, or required to be recorded in the register mentioned in the SFO pursuant to section 352 or otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

IV. SIGNIFICANT EVENTS

1. Pursuant to the resolutions passed at the 2006 annual general meeting of the Company held on 29 June 2007, the Company declared and paid a cash dividend of RMB0.23075 per share to all shareholders on the basis of the total share capital as at 18 July 2007 (5,844,880,580 shares), and implemented the bonus issue of 10 bonus shares for every 10 shares held by way of capitalisation of the capital reserve fund.
2. The term of the members of the fifth session of the Company's Board and Supervisory Committee expired on 30 June 2007. Pursuant to the resolutions passed at the 2006 annual general meeting held on 29 June 2007, it was resolved that the following individuals be appointed as members of the sixth session of the Company's Board and the supervisory committee:
 - (1) Mr. Zhai Ruoyu, Mr. Zhang Yi, Mr. Hu Shengmu, Mr. Fang Qinghai, Mr. Zhou Gang, Mr. Liu Haixia, Ms. Guan Tiangang, Mr. Su Tiegang, Mr. Ye Yonghui, Mr. Li Gengsheng, Mr. Xie Songlin, Mr. Yu Changchun, Mr. Liu Chaoan and Mr. Xia Qing be appointed as members of the sixth session of the Board for a term from 1 July 2007 to 30 June 2010;
 - (2) Mr. Zhang Jie, Mr. Zhang Wantuo, Mr. Fu Guoqiang and Mr. Shi Xiaofan be appointed as members of the sixth session of the supervisory committee (among whom Mr. Zhang Jie and Mr. Shi Xiaofan are supervisors representing the staff) for a term from 1 July 2007 to 30 June 2010.

V. PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, the Company or any of its Subsidiaries has not purchased, sold or redeemed any of its listed securities.

VI. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

To the knowledge of the Board, the Company has complied with all of the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the Year.

VII. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

Upon specific enquiries made to all the directors of the Company and in accordance with the information provided, the Board confirmed that all directors of the Company have complied with the provisions under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules during the Year.

VIII. AUDIT COMMITTEE

In accordance with the Listing Rules, the Company has set up an Audit Committee which is responsible for, among other things, reviewing the Company's financial reporting procedures and internal controls.

The Audit Committee has reviewed the accounting principles and methods adopted by the Company and its Subsidiaries with the management of the Company. They have also discussed matters regarding internal controls and the annual financial statements, including the review of the financial statements for the 12 months ended 31 December 2007.

The Audit Committee considers that the 2007 annual financial statements of the Company and its Subsidiaries have complied with the applicable accounting standards, and that the Company has made appropriate disclosure thereof.

By Order of the Board
Zhai Ruoyu
Chairman

Beijing, the PRC, 26 March 2008

As at the date of this announcement, the directors of the Company are:

Zhai Ruoyu, Zhang Yi, Hu Shengmu, Fang Qinghai, Zhou Gang, Liu Haixia, Guan Tiangang, Su Tiegang, Ye Yonghui, Li Gengsheng, Xie Songlin, Liu Chaoan*, Yu Changchun* and Xia Qing**

** Independent non-executive directors*

Please refer to the audited financial statements set out in the Appendix for details of the consolidated operating results.

A. FINANCIAL INFORMATION EXTRACTED FROM FINANCIAL STATEMENTS PREPARED UNDER IFRS
(All amounts expressed in thousands of Rmb)

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	<i>Note</i>	2007	2006
Operating revenue	3	32,829,305	24,898,620
Operating costs			
Local government surcharges		(352,987)	(279,485)
Fuel		(15,262,965)	(10,663,815)
Depreciation		(4,930,137)	(4,109,271)
Repairs and maintenance		(1,038,676)	(778,081)
Wages and staff welfare		(1,640,048)	(1,236,480)
Others		(1,864,248)	(1,843,298)
Total operating costs		(25,089,061)	(18,910,430)
Operating profit		7,740,244	5,988,190
Share of result of associates		108,393	9,458
Interest income		68,022	24,674
Finance costs	4	(2,080,118)	(1,358,713)
Profit before income tax		5,836,541	4,663,609
Taxation	5	(1,446,443)	(1,081,256)
Profit for the year		4,390,098	3,582,353
Attributable to:			
– Equity holders of the Company		3,406,233	2,777,781
– Minority interests		983,865	804,572
		4,390,098	3,582,353
Dividends paid		1,348,714	1,177,130
Proposed dividends		1,408,090	1,348,714
Proposed dividend per share (Rmb)	6	0.12	0.231
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic (Rmb)	7	0.29	0.27
– diluted (Rmb)	7	0.29	0.26

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007

	<i>Note</i>	2007	2006
ASSETS			
Non-current assets			
Property, plant and equipment		102,585,084	77,505,966
Investments in associates		1,341,906	857,421
Available-for-sale investments		4,733,764	1,774,184
Land use right		813,935	632,599
Deferred housing benefits		260,945	300,232
Intangible assets		202,190	83,576
Other long-term assets		170,000	87,850
Deferred income tax assets		156,792	142,969
		110,264,616	81,384,797
Current assets			
Short-term entrusted loans to associates		47,751	—
Inventories		1,051,181	806,965
Prepayments and other receivables		1,018,112	719,319
Accounts receivable	8	4,945,475	3,337,529
Notes receivable		747,917	11,132
Short-term bank deposits over three months		49,500	—
Cash and cash equivalents		3,648,823	4,451,284
		11,508,759	9,326,229
Total assets		121,773,375	90,711,026
EQUITY AND LIABILITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		11,734,083	5,662,849
Reserves	6	17,863,420	18,233,202
		29,597,503	23,896,051
Minority interests		4,643,359	3,304,667
Total equity		34,240,862	27,200,718
Non-current liabilities			
Long-term loans		44,272,875	40,273,581
Convertible bonds	9	—	1,111,810
Deferred income		387,056	273,157
Deferred income tax liabilities		1,141,953	421,682
Other long term liabilities		98,667	—
		45,900,551	42,080,230
Current liabilities			
Accounts payable and accrued liabilities	10	10,743,690	7,648,449
Taxes payable		942,917	538,329
Dividend payable		40,757	—
Short-term loans		22,608,530	9,300,496
Short-term bonds		3,000,000	1,000,000
Current portion of long-term loans and bonds		4,296,068	2,942,804
		41,631,962	21,430,078
Total liabilities		87,532,513	63,510,308
Total equity and liabilities		121,773,375	90,711,026

Notes:

1. BASIS OF PREPARATION

The financial statements of the Company and its Subsidiaries have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investments and financial liabilities (including derivative instruments) at fair value through profit or loss.

A significant portion of the Company and its Subsidiaries’ funding requirements for capital expenditure was satisfied by short-term borrowings. Consequently, as at 31 December 2007, the Company and its Subsidiaries had a negative working capital balance of approximately Rmb30,123 million (31 December 2006 – Rmb12,104 million). The Company and its Subsidiaries had significant undrawn borrowing facilities, subject to certain conditions, amounting to approximately Rmb55,069 million (31 December 2006 – Rmb65,791 million) and may refinance and/or restructure certain short-term loans into long-term loans and will also consider alternative sources of financing, where applicable. The directors of the Company and its Subsidiaries are of the opinion that the Company and its Subsidiaries will be able to meet its liabilities as and when they fall due within the next twelve months and have prepared these financial statements on a going concern basis.

2. ACCOUNTING POLICIES

The principle accounting policies adopted are consistent with those applied in the annual financial statements for the year ended 31 December 2006. The following new interpretation and standard are mandatory for financial year with annual year period beginning on or after 1 January 2007 and relevant to the operations of the Company and its Subsidiaries.

- IFRS 7, Financial Instruments: Disclosures and a complementary amendment to International Accounting Standard (“IAS”) 1, Presentation of Financial statements – Capital Disclosures (effective for annual periods beginning on or after 1 January 2007). IFRS 7 introduces new disclosures relating to financial instruments. This standard introduces certain revised disclosure requirements, including the mandatory disclosures on sensitivity analysis for each type of market risk. It replaces IAS 30, Disclosures in the Financial statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation and is applicable to all entities reporting under IFRS. The amendment to IAS 1 introduces disclosures on the objectives, policies and processes for managing capital. Except for an extension of disclosures, management considered there was no significant impact from adopting IFRS 7 and the amendment to IAS 1 on the financial statements of the Company and its Subsidiaries.
- International Financial Reporting Interpretation Committee Interpretation (“IFRIC Interpretation”) 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). This interpretation prohibits the impairment losses recognised in a previous interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at subsequent balance sheet dates. Management considered there will be no significant impact from adopting IFRIC Interpretation 10 on the financial statements of the Company and its Subsidiaries.

Prior year comparatives

Certain comparative figures of 2006 have been reclassified to conform to the presentation of financial statements for the year ended 31 December 2007.

3. OPERATING REVENUE

	<u>2007</u>	<u>2006</u>
Sales of electricity	32,483,179	24,685,461
Heat supply	145,452	122,491
Sales of coal	95,985	–
Transportation service fees	27,227	27,266
Sales of materials	7,848	48,879
Others	69,614	14,523
	<u>32,829,305</u>	<u>24,898,620</u>

Pursuant to the Power Purchase Agreements entered into between the Company and its Subsidiaries, State Grid Corporation of China (“SGCC”) and the regional or provincial grid companies, the Company and its Subsidiaries are required to sell their entire net generation of electricity to these grid companies at an approved tariff rate. For the years ended 31 December 2007 and 2006, all of the electricity generated by the Company and its Subsidiaries was sold to SGCC and regional or provincial grid companies.

4. FINANCE COSTS

	2007	2006
Interest expense	2,212,579	1,513,588
Exchange gain, net	(188,093)	(144,489)
Fair value loss/(gain) on an interest rate swap *	36,018	(23,647)
Other	19,614	13,261
	<u>2,080,118</u>	<u>1,358,713</u>

* To hedge against its interest rate risk on long-term loans, Tuoketuo Power Company has entered into an interest rate swap, which is carried at fair value. However, since the swap does not qualify as an effective hedge under IAS 39, the variance in its fair value is included in the income statement.

5. TAXATION

	2007	2006
Current income tax	1,509,719	1,119,547
Deferred income tax	(63,276)	(38,291)
Tax charge	<u>1,446,443</u>	<u>1,081,256</u>

The statutory income tax is assessed on an individual entity basis, based on each of results of operations of the Company and its Subsidiaries. The commencement dates of the tax holiday period of each Company are individually determined. The income tax charges are based on assessable profit for the year and after considering deferred taxation.

In March 2007, the PRC government promulgated the Corporate Income Tax Law (the “CIT Law”) which is effective from 1 January 2008. The CIT Law will impose a single income tax rate of 25% for both domestic and foreign invested enterprise. The existing Tax Law of the People’s Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (the “FIE and FE tax laws”) and Provisional Regulations of the People’s Republic of China on Enterprise Income Tax (collectively referred to as the “existing tax laws”) will be abolished simultaneously. Currently, the Company and its Subsidiaries applied the tax rates under the existing tax laws. The CIT Law has provided a 5-year transitional period for those entities that applied FIE and FE tax laws in previous years.

6. PROFIT APPROPRIATION

Dividends

On 26 March 2008, the Board of Directors recommends a cash dividend of approximately Rmb0.12 per share based on the total amount of registered shares on the registration date for the Company distribution of dividends. The total dividends would amount to approximately Rmb1,408,090,000 based on the number of shares outstanding as of 31 December 2007.

In the general meeting held on 29 June 2007, the shareholders approved a cash dividend amounting to Rmb1,348,714,000 in respect of the year ended 31 December 2006. In addition, the shareholders also approved a bonus issue of 10 shares for every 10 shares outstanding by way of capitalisation of capital reserve fund.

On 23 July 2007, the Company announced the payment of final cash dividends of Rmb1,348,714,000 and a bonus issue of 10 shares for every 10 shares outstanding, with reference to the total 5,844,880,580 outstanding ordinary shares as at 18 July 2007. The cash dividend per share is Rmb0.23075 and the ordinary shares in issue is to be increased by 5,844,880,580 shares. The increase in the number of ordinary shares result in an increase in share capital of the Company by Rmb5,844,880,580 with a corresponding amount of reduction in capital reserve.

Statutory surplus reserve

In accordance with the relevant laws and regulations of the PRC and the Company and its Subsidiaries’ articles of association, the Company and its Subsidiaries are required to appropriate 10% of its net profit, after offsetting any prior years’ losses, to the statutory surplus reserve. When the balance of such a reserve reaches 50% of the Company’s share capital, any further appropriation is optional. Approximately Rmb310,036,000 (2006-Rmb253,658,000) have been appropriated to statutory surplus reserve for the year ended 31 December 2007.

Discretionary surplus reserve

Pursuant to the Company and its Subsidiaries’ articles of association, the appropriation of profit to the discretionary surplus reserve and its utilisation are made in accordance with the recommendation of the Board of Directors and is subject to shareholders’ approval at their general meeting.

On 26 March 2008, the Board of Directors proposed to appropriate all the residual amount of the profit attributable to the equity holders of the Company for the year ended 31 December 2007, after the aforementioned appropriation of statutory surplus reserve and dividends, to the discretionary surplus reserve. The proposed profit appropriation is subject to the shareholders’ approval in their next general meeting.

7. EARNINGS PER SHARE AND DIVIDEND PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2007 was based on the profit attributable to equity holders of the Company of approximately Rmb3,406,233,000 (2006-Rmb2,777,781,000) and on the weighted average number of 11,612,449,000 shares (2006-10,375,014,000 shares, taken into consideration of the bonus issue of 10 bonus shares for every 10 shares held) in issue during the year.

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The convertible debt is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expenses less the tax effect.

	2007	2006
Profit attributable to equity holders of Company (Rmb '000)	3,406,233	2,777,781
Interest expense on convertible bonds (net of tax) (Rmb '000)	3,915	38,625
Profit used to determine diluted earnings per share (Rmb '000)	3,410,148	2,816,406
Weighted average number of ordinary shares in issue (shares in thousand) (Note (a))	11,612,449	10,375,014
Adjustments for assumed conversion of convertible debt (shares in thousand) (Note (a) (b))	45,087	444,254
Weighted average number of ordinary shares for diluted earnings per share (shares in thousand)	11,657,536	10,819,268
Diluted earnings per share (Rmb)	0.29	0.26

Note:

- (a) The number of shares of 2006 included the impact of the bonus issue of 10 bonus shares for every 10 share held, which was implemented in 2007 (Note 6).
- (b) As at 31 December 2007, the conversion price was HKD2.6 per share (31 December 2006– HKD5.4 per share).

8. ACCOUNTS RECEIVABLE

Accounts receivable of the Company and its Subsidiaries primarily represent receivables from the respective regional or provincial grid companies for tariff revenue. These receivables are unsecured and non-interest bearing. The tariff revenue is settled on a monthly basis according to the payment provisions in the power purchase agreements. As at 31 December 2007 and 2006, all tariff revenues receivables from the respective grid companies were aged within three months, and no doubtful debts were considered necessary.

9. CONVERTIBLE BONDS

On 9 September 2003, the Company issued USD153,800,000, 0.75% convertible bond at a nominal value of USD153,800,000. The bonds will mature in 5 years from the issue date at their nominal value of USD153,800,000 unless converted into the Company's ordinary shares at the holder's option at the announced conversion price, which initially was HKD5.558 per share. On 18 July 2007, the Company adjusted the conversion price to HKD2.6 per share. The conversion price is subject to adjustment in certain circumstances with a fixed rate of exchange applicable on conversion of the convertible bonds of HKD7.799 per USD1.

The fair value of the liability component and the equity component were determined on the issue of the bonds. The fair value of the liability component was calculated using a market interest rate for equivalent non-convertible bonds. The residual amount, representing the value of the equity component, is included in other reserve, net of deferred income tax.

In subsequent periods, the liability component continues to be presented on the amortised cost basis, until extinguished on conversion or maturity of the bonds. The equity component is determined on the issue of the bond and is not changed in subsequent periods until conversion of the bonds.

The movement of the liability component of the convertible bonds is as follows:

	<u>2007</u>	<u>2006</u>
Liability component at beginning of the year	1,111,810	1,098,758
Convert into ordinary share	(1,000,076)	–
Interest expense	21,321	57,649
Interest payments	(3,511)	(9,233)
Exchange rate adjustment	(21,045)	(35,364)
Liability component at end of the year	<u>108,499</u>	<u>1,111,810</u>
Less: Amounts due within one year included under current liabilities	<u>(108,499)</u>	<u>–</u>
	<u>–</u>	<u>1,111,810</u>

The carrying amount of the liability component as at 31 December 2007 of the convertible bonds approximated its fair value.

Interest expense on the bonds is calculated on the effective yield basis of 5.51% (2006 – 5.51%) per annum by applying the effective interest rate for an equivalent non-convertible bonds to the liability component of the convertible bond after considering the effect of issuance cost.

10. ACCOUNT PAYABLES AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are detailed as follows:

	<u>As at 31 December</u>	
	<u>2007</u>	<u>2006</u>
Construction costs and deposits payable to contractors	6,350,445	5,393,189
Fuel and material costs payable	2,983,131	1,500,801
Salary and welfare payable	337,995	147,078
Interest rate swap liability	51,970	12,766
Interest payable	247,128	137,480
Assets acquisition payable	361,184	50,546
Others	411,837	406,589
	<u>10,743,690</u>	<u>7,648,449</u>

As at 31 December 2007, other than certain deposits for construction which were aged over 1 year, substantially all accounts payable were aged within one year.

As at 31 December 2007, the notional principal amount of the outstanding interest rate swap contract of Tuoketuo Power Company was USD186,955,486 (31 December 2006 – USD200,615,486), with the fixed rate and floating rate were 5.15% (31 December 2006 – 5.15%) and 5.39% (31 December 2005 – 5.61%) (LIBOR offered by British Bankers' Association on 12 July 2007), respectively.

11. SUPPLEMENTAL FINANCIAL INFORMATION

(a) Condensed consolidated balance sheet

	As at 31 December	
	2007	2006
Net current liabilities	30,123	12,104
Total assets less current liabilities	80,141	69,281

(b) Condensed consolidated income statement

	2007	2006
Cost of inventories		
– Fuel	15,262,965	10,663,815
– Spare parts and consumable supplies	316,388	164,827
Depreciation		
– Capitalised as contribution-in-process	30,254	17,571
– Included as operating expenses	4,930,137	4,109,271
Dividend income	(51,899)	(28,091)
– From listed investments	(50,229)	(27,927)
– From unlisted investments	(1,670)	(164)
Donation	4,481	73,702
Loss on disposal of property, plant and equipment	60,646	1,269

B. FINANCIAL INFORMATION EXTRACTED FROM FINANCIAL STATEMENTS PREPARED UNDER PRC ACCOUNTING STANDARDS

1. FINANCIAL HIGHLIGHTS AND FINANCIAL RATIOS

		For the year ended 31 December		
	Unit	2007	2006	Variance (%)
Revenue from operations	<i>Rmb '000</i>	32,829,305	24,898,620	31.85%
Profit before taxation and minority interests	<i>Rmb '000</i>	5,838,992	4,831,968	20.84%
Net profit (attributable to equity holders of the company)	<i>Rmb '000</i>	3,411,141	2,918,389	16.88%
Net profit (attributable to equity holders of the company and excluding non-recurring items)	<i>Rmb '000</i>	3,480,792	2,998,358	16.09%
		31 December 2007	31 December 2006	Variance (%)
Total assets	<i>Rmb '000</i>	121,515,641	90,481,934	34.30%
Shareholders' equity (including minority interests)	<i>Rmb '000</i>	34,007,341	26,992,067	25.99%
Net cash flow from operating activities	<i>Rmb '000</i>	10,580,058	7,450,924	42.00%
		For the year ended 31 December		
	Unit	2007	2006	Variance (%)
Earnings per share(weighted average)	<i>Rmb</i>	0.29	0.28	3.57%
Earnings per share (fully diluted)	<i>Rmb</i>	0.29	0.27	7.41%
Earnings per share calculated based on net profit attributable to equity holders of the Company and excluding non-recurring items(weighted average)	<i>Rmb</i>	0.30	0.29	3.45%
Retrun on net assets(weighted average)	%	12.93%	15.32%	-15.60%
Retrun on net assets(fully diluted)	%	11.61%	12.31%	-5.69%
Retrun on net assets calculated based on net profit attributable to equity holders of the Company and excluding non-recurring items (weighted average)	%	13.19%	15.74%	-16.20%
Return on net assets calculated based on net profit attributable to equity holders of the Company and excluding non-recurring items (fully diluted)	%	11.84%	12.64%	-6.33%
Net cah flow from operating activities per share	<i>Rmb</i>	0.90	0.66	36.36%
		31 December 2007	31 December 2006	Variance (%)
Net assets (attributable to equity holders of the Company) per share	<i>Rmb</i>	2.50	2.09	19.62%

2. PROFIT AND LOSS ACCOUNTS

	2007	2006
	RMB'000	RMB'000
Revenue	32,829,305	24,898,620
Less: Cost	(23,630,965)	(17,552,366)
Tax and levies on principal operation	(352,987)	(279,485)
Selling expense	(21,687)	–
General and administration expense	(1,059,190)	(851,920)
Financial cost, net	(1,976,078)	(1,357,686)
Add: Fair value (loss)/gain	(36,018)	23,647
Investment income	160,445	37,549
Operating profit	5,912,825	4,918,359
Add: Non-operating income	18,738	17,296
Less: Non-operating expense	(92,571)	(103,687)
Profit before taxation and minority interests	5,838,992	4,831,968
Less: Income tax	(1,430,391)	(1,081,863)
Net profit	4,408,601	3,750,105

3. NOTES

(1) Basis of preparation

The Company and its Subsidiaries previously prepared financial statements in accordance with the Accounting Standards for Business Enterprises promulgated before 15 February 2006 and “Accounting Systems for Business Enterprises” promulgated on 29 December 2000 (hereinafter collectively referred to as the “Previous Accounting Standards and Accounting Systems”). The Company and its subsidiaries adopted the <Accounting Basic Standards for Business Enterprises> and 38 detailed Accounting Standards promulgated by Minister of Finance of the PRC on 15 February 2006, Application Guidance of the Accounting Standards, Accounting Standards Explanation for Business Enterprises and other related regulations (hereinafter all referred to as the “Accounting Standards for Business Enterprises”) since 1 January 2007. The Company and its Subsidiaries’ financial statements for the year ended 31 December 2007 are the first yearly financial statements prepared in accordance with Accounting Standards for Business Enterprises.

(2) The Company and its Subsidiaries previously prepared and announced financial statements in accordance with Previous Accounting Standards and Accounting Systems and international financial and reporting standards. As at 1 January 2007, the Company and its Subsidiaries retrospectively adjusted the financial statements in accordance with item 5 to 19 in < Accounting Standards for Business Enterprises No. 38 – First time adoption of Accounting Standards for Business Enterprises> and retrospectively adjusted the financial statements for the year ended 31 December 2006 in accordance with < No. 1 of Professional’s Suggestions to the Application of Accounting Standards for Business Enterprises>. Relative comparative figures of 2006 retrospectively adjusted have been represented.

4. NET ASSETS AND NET PROFIT RECONCILIATION BETWEEN PRC GAAP AND IFRS

The consolidated financial statements prepared by the Company and its Subsidiaries in conformity with the Accounting Standards for Business Enterprises (“PRC GAAP”), is different from that prepared in accordance with International Financial Reporting Standards (“IFRS”) in certain respects. Influences of IFRS adjustments on net assets and net profit in financial statements of the Company and its subsidiaries are summarized as follow:

	<i>Notes</i>	Net assets	
		31 December 2007	31 December 2006
		RMB'000	RMB'000 (note 1)
Net assets under PRC GAAP		34,007,341	26,992,067
Impact of IFRS adjustments:			
Difference in the recognition policy			
on housing benefits to the employees	(a)	37,346	74,693
Difference in the commencement			
of depreciation of fixed assets	(b)	(106,466)	(106,466)
Difference in accounting treatment			
on monetary housing benefits	(c)	223,598	225,539
Difference in recognition of negative goodwill arising			
from acquisition of Yuzhou Mining Company	(d)	57,957	—
Others		5,501	(16,753)
Applicable deferred tax impact of			
the above GAAP differences	(f)	15,585	31,638
Net assets under IFRS		34,240,862	27,200,718
	<i>Notes</i>	Net profit	
		Year 2007	Year 2006
		RMB'000	RMB'000 (note 1)
Net profit under PRC GAAP		4,408,601	3,750,105
Impact of IFRS adjustments:			
Difference in the recognition policy on			
housing benefits to the employees	(a)	(37,346)	(37,346)
Difference in accounting treatment on			
monetary housing benefits	(c)	(45,815)	(31,009)
Difference in accounting treatment of			
performance payroll accrual	(e)	—	(100,000)
Difference in negative goodwill arising from			
acquisition of Yuzhou Mining Company	(d)	57,957	—
Others		22,753	—
Applicable deferred tax impact of the			
above GAAP differences	(f)	(16,052)	603
Net profit under IFRS		4,390,098	3,582,353

Note 1: The Company and its Subsidiaries adopted the Accounting Standards for Business Enterprises since 1 January 2007 therefore relative comparative figures in the financial statements for the year ended 31 December 2006 have been restated (*Note 3*).

(a) Difference in the recognition policy on housing benefits to the employees

The Company provided housing to its employees at a discount price. The price difference between the selling price and the cost of housing is considered as housing benefits and is borne by the Company.

For PRC statutory reporting purposes, in accordance with the relevant regulations issued by the Ministry of Finance of the PRC, the total housing benefits provided by the Company before 6 September 2000 should be directly deducted from the statutory public welfare fund and those provided after 6 September 2000 are charged to non-operating expenses as incurred. Under IFRS, the housing benefits provided by the Company are recognised on a straight-line basis over the estimated remaining average service lives of the employees.

(b) Difference in the commencement of depreciation of fixed assets

Under PRC GAAP, depreciation of fixed assets commences from one month after the relevant assets are completed and ready for its intended use. Under IFRS, depreciation commences immediately when the relevant assets are ready for its intended use.

(c) Difference in accounting treatment on monetary housing benefits

Under PRC GAAP, the monetary housing benefits provided to employees who started work before 31 December 1998 were directly deducted from retained earnings and statutory public welfare fund after approved by the Shareholders meeting of the Company and its Subsidiaries.

Under IFRS, these benefits are recorded as deferred assets and amortised on a straight-line basis over the estimated service lives of relevant employees.

(d) Difference in recognition of negative goodwill arising from acquisition of Yuzhou Mining Company

Under PRC GAAP, the fair value of the net assets of Kailuan (Group) Yuzhou Mining Company Limited (“Yuzhou Mining Company”) that was acquired by the Company below the consideration therefore resulted in a goodwill.

However, obtain GAAP differences reduced the fair value of the acquired net identifiable assets under IFRS to an amount exceeded the consideration, including reversal of provisions for safety fund and development fund of coal mines etc. Hence, under IFRS, a negative goodwill was recognised and credited to the income statement or non-operating income.

(e) Difference in accounting treatment of performance payroll accrual

Performance payroll accrued under PRC GAAP, in accordance with relevant government policies, but not paid out at the end of the year does not meet all the criteria of recognising liabilities under IFRS. Therefore these unpaid balances were reversed under IFRS.

(f) Applicable deferred tax impact of the above GAAP differences

This represents deferred tax effect on the above GAAP difference where applicable.