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: 00991)

ANNOUNCEMENT OF 2013 INTERIM RESULTS

OPERATING AND FINANCIAL HIGHLIGHTS:

- Operating revenue amounted to approximately RMB37,010 million, representing an increase of approximately 0.36% over the first half of 2012.
- Net profit attributable to equity holders of the Company amounted to approximately RMB2,019 million, representing an increase of approximately 74.97% over the first half of 2012.
- Basic earnings per share attributable to equity holders of the Company amounted to approximately RMB0.1517, representing an increase of RMB0.065 per share over the first half of 2012.

I. COMPANY RESULTS

The board of directors (the "Board") of Datang International Power Generation Co., Ltd. (the "Company") hereby announces the unaudited consolidated operating results of the Company and its subsidiaries (the "Group") prepared in conformity with International Financial Reporting Standards ("IFRS") for the six months ended 30 June 2013 (the "Period"), together with the unaudited consolidated operating results of the first half of 2012 (the "Corresponding Period Last Year") for comparison. Such operating results have been reviewed and confirmed by the Company's audit committee (the "Audit Committee").

Operating revenue of the Group for the Period was approximately RMB37,010 million, representing an increase of approximately 0.36% as compared to the Corresponding Period Last Year. Net profit attributable to equity holders of the Company was approximately RMB2,019 million, representing an increase of approximately 74.97% as compared to the Corresponding Period Last Year. Basic earnings per share attributable to equity holders of the Company amounted to approximately RMB0.1517, representing an increase of RMB0.065 per share as compared to the Corresponding Period Last Year.

II. MANAGEMENT DISCUSSION AND ANALYSIS

The Group is one of the largest independent power generation companies in the People's Republic of China (the "PRC") and primarily engages in power generation businesses with its main focus on coal-fired power generation. In the first half of 2013, the Group was aware of the changes in the market environment and continued to adhere to the value-focused and efficiency-oriented principles to strive to improve both management and efficiency. During the Period, the Group showed healthy signs of overall development and operational conditions, and achieved a significant year-on-year growth in profits and sustainable and healthy development.

A. Review of Businesses

1. Power Generation Business

The power generation businesses of the Group are primarily distributed across Beijing, Tianjin, Hebei Province, the Inner Mongolia Autonomous Region, Shanxi Province, Liaoning Province, Gansu Province, Jiangsu Province, Zhejiang Province, Yunnan Province, Fujian Province, Guangdong Province, Chongqing, Jiangxi Province, the Ningxia Autonomous Region, Qinghai Province and Sichuan Province.

(1) Maintenance of safe and stable power production. During the first half of 2013, total power generation of the Group amounted to 92.8545 billion kWh, representing a year-on-year decrease of approximately 2.08%. The accumulative on-grid power generation amounted to 87.7776 billion kWh, representing a year-on-year decrease of approximately 2.00%. Utilisation hours of generating units accumulated to 2,421 hours, representing a year-on-year decrease of 95 hours. The decrease of utilisation hours was mainly the result of slower national economic growth and the decrease of water inflow to the basin where the generation units are situated.

During the Period, no casualties or material damage to the facilities occurred to the Group during the course of power production. The equivalent availability coefficient of the operational generating units amounted to 92.16%.

(2) Actively pushed forward project construction. During the Period, the Group executed management responsibilities at each level and actively pushed forward infrastructure projects according to production targets for various power projects so that production project milestones were completed on schedule. Installed capacity increased by 682 MW during the Period. As at 30 June 2013, the installed capacity of generating units managed by the Group amounted to approximately 38,629 MW, among which coal-fired power accounted for 32,269 MW or 83.54%, hydropower accounted for 4,828 MW or 12.50%, wind power accounted for 1,462 MW or 3.78%, photovoltaic power accounted for 70 MW or 0.18%, showing a continuous improvement in power generation structure of the Company.

(3) Preliminary works on projects proceeded steadfastly. Up to the date of this announcement, 7 power generation projects of the Group with a total installed capacity of 3,100 MW were approved by the State, including 2 coal-fired power (gas turbine) projects with total approved capacity of 2,934 MW, 2 wind power projects with total approved capacity of 96 MW, and 3 photovoltaic power projects with total approved capacity of 70 MW. Details of the aforesaid projects are:

    Coal-fired power (gas turbine) project: Fuzhou 2 x 1,000 MW coal-fired Project; Shenzhen Baochang Gas Power 2 x 467 MW project;

    Wind power project: Hebei Xiqiaoliang Phase II 48 MW wind power project; Shanxi Ying County Phase I 16 x 3 MW wind power project;

    Photovoltaic projects: Qinghai Gonghe 20 MW photovoltaic Project; Yunnan Binchuan Phase I (Laoying Yan) 30 MW photovoltaic project; and Inner Mongolia Jiushijiuquan 20 MW photovoltaic project.

    Up to the date of this announcement, power generation projects of total installed generation capacity of approximately 6,000 MW were approved for commencement of preliminary work.

(4) Breakthrough was seen in the nuclear power business. On 15 April 2013, the generating unit no. 1 (1,089 MW) of Fujian Ningde Nuclear Power Company Limited ("Ningde Nuclear Power"), the majority equity interest of which was held by the Company, formally commenced commercial operation.

    The planned installed capacity of Ningde Nuclear Power Project comes from six 1,000 MW generating units, while Phase I consists of four 1,000 MW generating units.

Ningde Nuclear Power Project is the first nuclear power station situated on island chain, as well as the nuclear power station with 1,000 MW-grade generating units that has the highest import substitution rate. The commencement of operation of the power generating unit no. 1 of Ningde Nuclear Power Company is a crucial landmark of the Company's development in nuclear power sector, while the gradual commencement of the generating units of the project will increase the Company's attributable installed capacity, generate steady profit contribution to the Company, and facilitate the sustainable development of the Company.

(5) Steady progress in energy conservation and emission reduction. In the first half of 2013, the Group adhered to management by objective and dynamic benchmarking; focused on economic operation of power generation facilities; and intensified technological renovation on energy conservation and facilities treatment. During the Period, total coal consumption for power supply was 313.65 g/kWh, representing a year-on-year decrease of approximately 4.5 g/kWh. Electricity consumption rate of power plants was 5.50%, representing a year-on-year decrease of approximately 1.26 percentage points. The total desulfurisation facilities operation rate and the total overall desulfurisation efficiency rate amounted to 99.77% and 94.16%, respectively. The Group's emission rate of sulfur dioxide was 0.37 g/kWh, representing a year-on-year decrease of 3.14%; emission rate of nitrogen oxides was 0.96 g/kWh, representing a year-on-year decrease of 24.94%; emission rate of smoke ash was 0.11 g/kWh, same level as the corresponding period in previous year; emission rate of waste water was 0.05 g/kWh representing a year-on-year increase of 8.69%. During the Period, denitrification transformation projects on a total of 40 power generating units of certain power generation enterprises of the Group have been carried out, and the denitrification transformation projects of 16 of such units have been completed.

2. Coal Chemical Business

During the Period, the Duolun Coal Chemical Project with an annual output of 460,000 tonnes of polypropylene, the Keqi Coal-based Natural Gas Project with an annual output of 4 billion cubic meters of natural gas, and the Fuxin Coal-based Natural Gas Project with annual production scale of 4 billion cubic meters of natural gas, being constructed by the Group with controlling interests, proceeded smoothly. Among these projects:

(1) The Duolun Coal Chemical Project: The Duolun Coal Chemical Project, developed and constructed by the Group with controlling interests is located at Duolun County, Xilinguole League, the Inner Mongolia Autonomous Region. It uses lignite coal from the Shengli

Open-cut Coal Mine East Unit 2 in Shengli area of Inner Mongolia as raw materials; and it applies advanced technologies in the world including the technology of vaporising coal ash, the syngas purification technology, the large-scale ethanol synthesis technology, the technology to convert methanol to propylene, and the propylene polymerisation technology to produce chemical by-products. Since December 2012, the construction-in-progress has been successively transferred to fixed assets.

During the Period, the Duolun Coal Chemical Project produced approximately 127,000 tonnes of polypropylene, approximately 3.4 tonnes of BTX aromatics, approximately 25,000 tonnes of liquid petroleum gas.

(2) The Keqi Coal-based Natural Gas Project: The Keqi Coal-based Natural Gas Project with an annual output of 4 billion cubic meters, developed and constructed by the Group with controlling interests, is located in Keshiketeng Qi, Chifeng City, the Inner Mongolia Autonomous Region. Upon its completion, the major supply targets of the project are Beijing and cities along the gas transmission pipeline. As a political, cultural and financial centre of the PRC, Beijing has a strong demand for clean energy such as natural gas, given the city's higher requirement for air quality. The Company believes that following the completion of the Keqi Coal-based Natural Gas Project, it will benefit from the growing demand for clean energy in Beijing and cities along the gas transmission pipeline, thereby increasing the overall profitability of the Company.

As at 30 June 2013, the construction of Series 1 of Phase I of the Keqi Coal-based Natural Gas Project has gone through all the technological processes and produced qualified natural gas, while trial run for Series 2 was completed. Major facilities in the chemical zone of Phase 2 were in operation, with the main structure of the air separation facilities being constructed, while installations for gasifiers at the gasification plant, waste heat boiler and non-standard ancillary facilities were all completed. Lifting and installation of the low-temperature methanol tower washers of the purification plant were all completed, and installation of all facilities were completed. The construction of the main structure of phenol ammonia recovery facility was completed; 50% of the installation work of the methanation facilities completed, and the construction of underground pipeline network was completed. The construction of circulation water system was also basically completed.

(3) The Fuxin Coal-based Natural Gas Project: The Fuxin Coal-based Natural Gas Project with an annual output of 4 billion cubic meters of natural gas, developed and constructed by the Company with controlling interests, is located in Fuxin City, Liaoning Province. The project was approved and commenced construction in 2010. Upon its completion, its natural gas will be mainly supplied to Shenyang City of Liaoning Province and the nearby cities such as Tieling, Fushun, Benxi and Fuxin. Liaoning Province has experienced fast economic growth. With the acceleration of urbanisation, the reform in coal-fired boilers and the development of gas buses and industries using natural gas as raw materials, the supply gap of natural gas in the above cities will grow bigger and bigger day by day. Following the completion of the Fuxin Coal-based Natural Gas Project, the Company will benefit from the growing demand for clean energy in Shenyang and nearby cities which have experienced rapid economic development, thereby increasing the overall profitability of the Company.

As at 30 June 2013, steam supply was furnished to power boiler no. 2 in the no.1 power house for the Fuxin Coal-based Natural Gas Project; steam turbine no. 1 was installed and in oil circulation; 96% of the installation of steam turbine no. 2 were completed; the air separation units met the requirements for a test run; equipment installation in the chemical zone was basically completed; installation of electricity, instruments and control systems was in progress; 97% of the natural gas long-distance transmission pipeline was completed; and 90% of the railway track was laid.

3. The Coal Business

The Shengli Open-cut Coal Mine East Unit 2 in Shengli area of Inner Mongolia, developed and constructed by the Group with a controlling shareholding, is located in the central part of Shengli Coal Mine in Inner Mongolia, with a planned construction scale of annual production of 60 million tonnes. Its coal products will be primarily supplied as raw materials to the coal chemical and coal-based natural gas projects such as the Duolun Coal Chemical Project, the Keqi Coal-based Natural Gas Project and the Fuxin Coal-based Natural Gas Project. Among which, the annual production capacity of – Phase 1 project reached 10 million tonnes; Phase 2 project with an annual production capacity of 20 million tonnes is currently undergoing construction of infrastructure as scheduled. The preliminary development works of the Wujianfang Coal Mine, the Kongduigou Coal Mine and the Changtan Coal Mine carried out by the Group in Inner Mongolia region proceeded in an orderly manner. The successful development of the above-said coal mine projects would also increase the coal self-sufficiency ratio of the coal consumption of the Group's power plants.

As at 30 June 2013, the volume of coal produced by Inner Mongolia Datang International Xilinhaote Mining Company Limited, a controlling subsidiary of the Company, amounted to 3.462 million tonnes; the volume of coal produced by Inner Mongolia Baoli Coal Company Limited amounted to 140,800 tones.

B. Major Financial Indicators and Analysis

1. Operating Revenue

During the Period, the Group realised an consolidated operating revenue of approximately RMB37,010 million, representing an increase of approximately 0.36% over the Corresponding Period Last Year, among which revenue from electricity sales was approximately RMB31,186 million, decreased by approximately RMB1,580 million or approximately 4.82% over the Corresponding Period Last Year. The decrease in electricity sales revenue was mainly attributable to year-on-year decrease of on-grid power generation, and such decrease caused the operating revenue to decrease by approximately RMB1,566 million.

2. Operating Costs

During the Period, total operating costs of the Group amounted to approximately RMB29,738 million, representing a decrease of approximately RMB1,277 million or approximately 4.12% over the Corresponding Period Last Year. Among which, fuel cost accounted for approximately 61.00% of the operating costs, and depreciation cost accounted for approximately 16.42%. Since the unit price of standard coal for power generation decreased by approximately RMB130.06/tonne over the Corresponding Period Last Year, the fuel cost decreased by approximately RMB3,292 million as a result.

3. Net Finance Costs

During the Period, finance costs of the Group amounted to approximately RMB4,083 million, representing a decrease of approximately RMB189 million or approximately 4.43% over the Corresponding Period Last Year. The decrease in finance costs was mainly due to the two-time decreases in the benchmark interest rates for borrowing during mid-2012.

4. Net Profit

During the Period, net profit attributable to equity holders of the Company amounted to approximately RMB2,019 million, representing an increase of approximately 74.97% over the Corresponding Period Last Year. The steady year-on-year increase in the Group's profit was mainly due to decrease in coal prices, substantial rebound of coal-fired power generation business as well as profit contribution from wind power generation and other new energy projects.

5. Financial Position

As at 30 June 2013, total assets of the Group amounted to approximately RMB284,357 million, representing an increase of approximately RMB9,079 million as compared to the end of 2012. The increase in total assets was primarily attributable to increased investments in projects under construction as a result of the Group's implementation of its development strategies.

Total liabilities of the Group amounted to approximately RMB226,798 million, representing an increase of approximately RMB8,180 million over the end of 2012. Of the total liabilities, non-current liabilities increased by approximately RMB13,032 million over the end of 2012. The increase in total liabilities was mainly due to the increased external debt size to support the funding needs for infrastructure projects. Equity attributable to equity holders of the Company amounted to approximately RMB42,077 million, representing an increase of approximately RMB419 million over the end of 2012. Net asset value per share attributable to equity holders of the Company amounted to approximately RMB3.16, representing an increase of approximately RMB0.03 per share over the end of 2012.

6. Liquidity

As at 30 June 2013, the assets-to-liabilities ratio of the Group was approximately 79.76%. The net debt-to-equity ratio (i.e. (loans + short-term debentures + long- term bonds – cash and cash equivalents)/total equity) was approximately 315.35%.

As at 30 June 2013, cash and cash equivalents of the Group amounted to approximately RMB7,382 million, among which deposits equivalent to approximately RMB401 million were foreign currency deposits. The Group had no entrusted deposits and overdue fixed deposits during the Period.

As at 30 June 2013, short-term loans of the Group amounted to approximately RMB19,487 million, bearing annual interest rates ranging from 1.67% to 6.78%. Long-term loans (excluding those repayable within one year) amounted to approximately RMB138,741 million and long-term loans repayable within one year amounted to approximately RMB8,579 million. Long-term loans (including those repayable within one year) were at annual interest rates ranging from 1.00% to 6.55%.

Loans equivalent to approximately RMB1,178 million were denominated in US dollar. The Group paid close attention to foreign exchange market fluctuations and cautiously assessed risks.

7. Welfare Policy

As at 30 June 2013, the staff engaged in the major businesses of the Group totalled 21,952. The Group adopted the basic salary system on the basis of position-points salary distribution, and a variety of incentive mechanisms such as granting of allowances to employees working in nuclear power plants, remote areas with poor working conditions and in the chemical department, as well as to team leaders, and long-term incentive policies for talented employees, in order to create a desirable environment that can attract and retain talents. Concerned about personal growth and occupational training as well as led by the strategy of developing a strong corporation with talents, the Group relied on a three-tier management organisational structure and implemented an all-staff training scheme for various levels.

During the Period, 172,359 employees were arranged by the Group to attend trainings from various tiers, among which 1,028 employees attended professional skill training and on-the-job qualifications and certification training programmes hosted by China Datang Corporation; 1,052 employees attended professional skill training sessions hosted by the Group; and 170,279 employees attended various kinds of training sessions hosted by basic-level enterprises.

C. Outlook for the Second Half of 2013

In the second half of 2013, China's economy will maintain steady growth and development momentum, and it is expected that the installed power generation capacity on a nationwide basis will reach 1.23 billion kw by the end of 2013, and that the utilisation hours of power generation equipment and coal-fired power equipment will be 4,500 hours and 4,900 hours respectively for the whole year of 2013. In the second half of 2013, there will be an overall balance in power supply and demand on a nationwide basis, with a power supply capacity surplus in the northeastern and northwestern part of China, and a tight balance during the peak periods of summer in some provinces in the northern and eastern part of China.

In the second half of 2013, the Group will further optimise its coal-fired power; aggressively expand its hydropower; continuously develop wind power; strategically develop nuclear power; appropriately develop solar energy; select suitable coal operations; steadily develop coal chemical business; speedily develop the high-aluminium pulverised fuel ash integrated utilisation projects; and secure a complementary development of railway, port and shipping operations. The Company will seize new opportunities and build new competitive edges to achieve new breakthroughs; continue to emphasise on economic efficiency, it will also proactively carry out measures to tackle market changes in order to ensure that the annual business targets will be achieved as planned.

1. Further reinforce the management of production safety – complete the establishment of intrinsically safe enterprises and the achievement of standardization for production safety mechanism as well as strengthen the long-term production safety mechanism that covers every business segment to ensure the "Prevention of Nine Types" of casualties and equipment failures for production safety to boost performance enhancement with safe production.

2. Strive to enhance profitability – strengthen the analysis of profitability and push forward the coordination of the prices of electricity, heat, gas and other products for the purpose of increasing efficiency; seize the favourable timing for power generation and strive to establish the best position in regional power markets to ensure benefits of the principal operations; and step up the management of fixed costs and further implement stringent measures for the control of liabilities to enhance the Group's profitability.

3. Seize strategic opportunities – step up the exploration of business resources; continue improving the rational industrial deployment; step up efforts to proceed with the preliminary work of key coal-fired power projects; push forward the preliminary work on gas turbine, photovoltaic, chemical and metallurgical projects in line with the value-focused mindset and efficiency-oriented concepts and strategies; focus on strengthening the power generation businesses and further optimise the non-power businesses related to the major power business.

4. Actively push forward capital operation – actively expand financing channels by consolidating the major bank financing channels, stepping up direct financing and exploring a variety of financing methods to ensure the healthy functioning of the capital chain; and effectively enhance the corporate profitability and improve the financial condition, thereby increasing bargaining power for financing and reducing financing costs with a view to maximising investment returns.

5. Continuously intensify energy conservation and emissions reduction – further enhance the benchmark management of energy consumption; optimise the energy consumption indices; continuously improve the operation rate and overall efficiency of environmental facilities; speed up the progress of desulfurization transformation of coal-fired generating units; and strengthen the management of the operation of environmental facilities for operational generation units, with a view to improving performance in the discharge of pollutants and controlling energy-saving and environmental costs; and

6. Comprehensively strengthen risk prevention and control – the Company will comprehensively implement the State's "Basic Standards for Enterprise Internal Control" as well as their guidelines, so as to fully implement comprehensive planning management, comprehensive budget management, comprehensive risk management and comprehensive accountability management with a view to boosting management upgrade.

III. SHARE CAPITAL AND DIVIDENDS

1. Share Capital

As at 30 June 2013, the total share capital of the Company amounted to 13,310,037,578 shares, divided into 13,310,037,578 shares of a nominal value of RMB1.00 each.

2. Shareholding of Substantial Shareholders

So far as the directors of the Company are aware, as at 30 June 2013, the persons below held the interests or underlying shares or short positions in the shares of the Company which were required to be disclosed to the Company under section 336 of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong):

Name of Shareholder	Class of Shares	Number of shares held *(shares)*	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	4,138,977,414	31.10	41.41	–
	H shares	480,680,000(L)	3.61(L)	–	14.50(L)
Tianjin Jinneng Investment Company	A shares	1,296,012,600	9.74	12.97	–
Hebei Construction Investment (Group) Co., Ltd.	A shares	1,281,872,927	9.63	12.83	–
Beijing Energy Investment (Group) Company Limited	A shares	1,260,988,672	9.47	12.62	–
Blackrock, Inc.	H shares	168,953,852(L)	1.27(L)	–	5.09(L)

(L) = Long Position (S) = Short Position (P) = Lending Pool

3. Dividends

The Board does not recommend the payment of any interim dividend for 2013.

4. Shareholding of the directors and supervisors

As at 30 June 2013, Mr. Fang Qinghai, a director of the Company, was interested in 24,000 A shares of the Company. Save as disclosed above, none of the directors, supervisors and chief executives of the Company nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (as defined in SFO) that were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to 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 of the SFO 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 (the "Model Code") in Appendix 10 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

IV. SIGNIFICANT EVENTS

1. The Company has completed the issuance of "The First Tranche of Datang International Power Generation Co., Ltd.'s Super Short-term Debentures in 2013" (the "First Tranche Super Short-term Debentures") on 18 January 2013. The issuance amount for the First Tranche Super Short-term Debentures was RMB3 billion with a maturity period of 90 days. The unit nominal value is RMB100 and the issuing interest rate is at 3.98%.

2. The Company has completed the issuance of "The First Tranche of Datang International Power Generation Co., Ltd.'s Corporate Bonds in 2012" (the "Current Tranche Bonds") on 29 March 2013. The issuance amount for the Current Tranche Bonds was RMB3 billion with a maturity period of 10 years and will be called on 27 March 2023. The unit nominal value is RMB100 and the issuance interest rate is at 5.10%.

3. In accordance with the 2012 annual profit distribution plan of the Company which was considered and approved at the 2012 annual general meeting convened on 26 June 2013, the Company completed the payment of dividends for the year of 2012 on 16 August 2013. The cash dividends per share paid was RMB0.10 (including tax), and the cash dividends per 10 shares paid was RMB1.0 (including tax).

4. The Company has completed the succession of the Board and the supervisory committee, and the eighth session of the Board and the supervisory committee have taken office on 1 July 2013.

5. The Company has completed the issuance of "The Second Tranche of Datang International Power Generation Co., Ltd.'s Super Short-term Debentures in 2013" (the "Second Tranche Super Short-term Debentures") on 19 July 2013. The issuance amount for the Second Tranche Super Short-term Debentures was RMB3 billion with a maturity period of 270 days. The unit nominal value is RMB100 and the issuance interest rate is at 4.30%.

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

During the Period, the Group did not purchase, sell or redeem any of the listed securities of the Company.

VI. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

To the knowledge of the Board, the Company complied with all the code provisions under the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules for the Period, with the exception of the following.

During the Period, the legal action which the directors may face is covered in the internal risk management and control of the Company. As the Company considers that no additional risk exists, insurance arrangements for directors have not been made as required under code provision A.1.8 of the Code.

During the Period, the Nomination Committee, the Remuneration and Appraisal Committee, the Audit Committee and the Strategic Development and Risk Control Committee set up by the Company carried out their work in accordance with their respective terms of reference. Their terms of reference have covered the responsibilities to be performed as required by the code provisions A.5.2, B.1.2 and C.3.3 of the Code. Only differences in expressions or sequence exist between such terms of reference and the afore-said code provisions.

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

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. 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 as set out in Appendix 10 to the Listing Rules and the Company's code of conduct regarding directors' securities transactions during the Period.

VIII. AUDIT COMMITTEE

The Audit Committee has reviewed the accounting standards adopted by the Group with the management of the Company and the interim results of the Group. They have also discussed matters regarding internal controls and the interim financial statements, including the review of the financial and accounting information of the Group for the Period.

The Audit Committee considers that the 2013 interim financial report of the Group has complied with the applicable accounting standards, and that the Group has made appropriate disclosures thereof.

By Order of the Board
Zhou Gang
Secretary to the Board

Beijing, the PRC, 26 August 2013

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

Chen Jinhang, Hu Shengmu, Cao Jingshan, Fang Qinghai, Zhou Gang, Li Gengsheng, Cao Xin, Cai Shuwen, Liu Haixia, Guan Tiangang, Dong Heyi, Ye Yansheng*, Li Hengyuan*, Zhao Jie*, Jiang Guohua**

* *independent non-executive directors*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2013

	Note	**Six months ended 30 June 2013 RMB'000 *(unaudited)***	Six months ended 30 June 2012 RMB'000 *(unaudited)*
Operating revenue	4	**37,010,016**	36,876,963
Operating costs			
Fuel for power and heat generation		**(15,774,146)**	(20,381,722)
Fuel for coal sales		**(2,366,751)**	(1,532,523)
Depreciation		**(4,882,352)**	(4,368,613)
Repairs and maintenance		**(1,025,691)**	(921,026)
Salaries and staff welfare		**(1,593,483)**	(1,051,181)
Local government surcharges		**(366,275)**	(280,659)
Others		**(3,729,257)**	(2,479,379)
Total operating costs		**(29,737,955)**	(31,015,103)
Operating profit		**7,272,061**	5,861,860
Share of profits of associates		**531,154**	411,377
Share of profits of joint ventures		**46,630**	59,454
Investment income		**223,429**	265,902
Other (loss)/gain		**(16,653)**	1,350
Interest income		**39,958**	40,350
Finance costs	6	**(4,083,093)**	(4,272,263)
Profit before tax		**4,013,486**	2,368,030
Income tax expense	7	**(876,890)**	(446,791)
Profit for the period		**3,136,596**	1,921,239

	Note	Six months ended 30 June	
		2013	2012
		RMB'000	RMB'000
		(unaudited)	*(unaudited)*
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Fair value (loss)/gain on available-for-sale investments		**(135,011)**	37,461
Share of other comprehensive income of associates		**970**	–
Exchange differences on translating foreign operations		**(7,677)**	(6,575)
Income tax on items that may be reclassified to profit or loss		**7,219**	(9,365)
Other comprehensive income for the period, net of tax		**(134,499)**	21,521
Total comprehensive income for the period		**3,002,097**	1,942,760
Profit for the period attributable to:			
Owners of the Company		**2,019,283**	1,154,073
Non-controlling interests		**1,117,313**	767,166
		3,136,596	1,921,239
Total comprehensive income for the period attributable to:			
Owners of the Company		**1,884,784**	1,175,594
Non-controlling interests		**1,117,313**	767,166
		3,002,097	1,942,760
		RMB	RMB
		(unaudited)	*(unaudited)*
Earnings per share			
Basic and diluted	8	**0.1517**	0.0867

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2013

	Note	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**230,260,495**	221,477,314
Investment properties		**475,250**	536,857
Intangible assets		**2,856,962**	2,867,431
Investments in associates		**7,798,297**	7,112,954
Investments in joint ventures		**4,799,199**	4,200,109
Available-for-sale investments		**4,343,436**	6,242,654
Deferred housing benefits		**61,336**	73,822
Long-term entrusted loans to an associate		**736,256**	736,381
Deferred tax assets		**1,878,004**	1,674,551
Other non-current assets		**356,661**	428,720
		253,565,896	245,350,793
Current assets			
Inventories		**3,932,625**	5,215,109
Accounts and notes receivables	9	**9,378,005**	10,356,787
Prepayments and other receivables		**9,475,973**	9,067,279
Short-term entrusted loans to related parties		**576,204**	576,311
Tax recoverable		**45,861**	98,723
Cash and cash equivalents		**7,382,496**	4,612,687
		30,791,164	29,926,896
TOTAL ASSETS		**284,357,060**	275,277,689

	Note	At **30 June** **2013** **RMB'000** ***(unaudited)***	At 31 December 2012 RMB'000 *(audited)*
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	**13,310,038**	13,310,038
Reserves		**24,804,632**	24,494,694
Retained earnings			
Proposed dividends		**–**	1,331,004
Others		**3,962,695**	2,522,646
Equity attributable to owners of the Company		**42,077,365**	41,658,382
Non-controlling interests		**15,481,807**	15,001,249
Total equity		**57,559,172**	56,659,631
Non-current liabilities			
Long-term loans		**138,741,181**	129,445,617
Long-term bonds		**17,389,847**	14,405,026
Deferred income		**1,295,765**	1,382,733
Deferred tax liabilities		**635,020**	702,242
Provisions		**39,599**	41,639
Other non-current liabilities		**8,110,268**	7,202,776
		166,211,680	153,180,033
Current liabilities			
Accounts payables and accrued liabilities	11	**24,304,807**	23,877,250
Taxes payables		**1,090,190**	1,200,395
Dividends payables		**1,595,956**	111,313
Short-term loans		**19,487,189**	22,239,798
Short-term bonds		**4,700,000**	4,400,000
Current portion of non-current liabilities		**9,408,066**	13,609,269
		60,586,208	65,438,025
Total liabilities		**226,797,888**	218,618,058
TOTAL EQUITY AND LIABILITIES		**284,357,060**	275,277,689
Net current liabilities		**(29,795,044)**	(35,511,129)
Total assets less current liabilities		**223,770,852**	209,839,664

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

At 30 June 2013, a significant portion of the funding requirements of the Company and its subsidiaries (collectively referred to as the "Group") for capital expenditures was satisfied by short-term borrowings. Consequently, at 30 June 2013, the Group had net current liabilities of approximately RMB29.80 billion. The Group had significant undrawn borrowing facilities, subject to certain conditions, amounting to approximately RMB258.56 billion and may refinance and/or restructure certain short-term borrowings into long-term borrowings and will also consider alternative sources of financing, where applicable. The directors of the Company are of the opinion that the Group 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.

These condensed financial statements should be read in conjunction with the 2012 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2012.

These condensed financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency, and all values are rounded to the nearest thousand ("RMB'000"), unless otherwise stated.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years except as stated below.

a. Amendments to IAS 1 "Presentation of Financial Statements"

Amendments to IAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to IAS 1 require additional disclosure to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

b. IFRS 13 "Fair Value Measurement"

IFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by IFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of IFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. IFRS 13 has been applied prospectively.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

3. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

The directors estimate the fair value of the Group's long-term loans (including amount due for settlement within 12 months) as at 30 June 2013, using level 2 inputs, by discounting their future cash flows at prevailing market rates offered to the Group for loans with substantially the same characteristics and maturity dates, to be RMB147,320,391 thousand. The discount rates applied as at 30 June 2013 were ranging from 1% to 6.55% per annum.

At 30 June 2013, the fair value of long-term bonds, using level 2 inputs, is estimated to be RMB17,847,406 thousand. The fair values of medium-term notes, non-public debt financing instruments and offshore RMB bonds are derived from discounted future cash flows using bond interest rates with similar terms of 4.38%, 4.78% and 4.93% respectively per annum while the fair value of corporate bonds is derived from quoted price available in the market.

Except as certain available-for-sale-investments amounted to RMB3,747,868 thousand which are carried at cost and long-term loans and long-term bonds as disclosed above, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

Disclosures of level in fair value hierarchy at 30 June 2013:

Description	**Fair value measurements using Level 1:** RMB'000 *(unaudited)*
Recurring fair value measurements:	
Available-for-sale investments	
Equity securities listed in Hong Kong	**525,674**
Equity securities listed outside Hong Kong	**69,894**
Total recurring fair value measurements	**595,568**

4. OPERATING REVENUE

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	*(unaudited)*
Sales of electricity	**31,186,156**	32,766,521
Heat supply	**690,810**	541,097
Sales of coal	**2,496,282**	1,772,923
Sales of chemical products	**1,788,421**	1,416,554
Others	**848,347**	379,868
	37,010,016	36,876,963

5. SEGMENT INFORMATION

Executive directors and certain senior management (including chief accountant) of the Company (collectively referred to as the "Senior Management") perform the function as chief operating decision makers. The Senior Management reviews the internal reporting of the Group in order to assess performance and allocate resources. Senior Management has determined the operating segments based on these reports.

Senior Management considers the business from a product perspective. Senior Management primarily assesses the performance of power generation, coal and chemical separately. Other operating activities primarily include sales of properties and sales of coal ash, etc., and are included in "other segments".

Senior Management assesses the performance of the operating segments based on a measure of profit before tax prepared under China Accounting Standards for Business Enterprises ("PRC GAAP").

Segment profits or losses do not include dividend income from available-for-sale investments and gain or loss on disposals of available-for-sale investments. Segment assets exclude deferred tax assets and available-for-sale investments. Segment liabilities exclude the current tax liabilities and deferred tax liabilities. Sales between operating segments are marked to market or contracted close to market price and have been eliminated at consolidation level. Unless otherwise noted below, all such financial information in the segment tables below is prepared under PRC GAAP.

	Power generation segment	Coal segment	Chemical segment	Other segments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Six months ended 30 June 2013					
Revenue from external customers	**32,198,456**	**2,437,295**	**1,790,382**	**583,883**	**37,010,016**
Intersegment revenue	**389,091**	**9,723,034**	**81,312**	**77,979**	**10,271,416**
Segment profit/(loss)	**3,773,923**	**492,666**	**(519,031)**	**202,958**	**3,950,516**
At 30 June 2013					
Segment assets	**189,125,060**	**28,220,373**	**62,666,433**	**14,063,296**	**294,075,162**
Segment liabilities	**163,071,321**	**18,928,460**	**49,113,974**	**5,395,602**	**236,509,357**

	Power generation segment	Coal segment	Chemical segment	Other segments	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Six months ended 30 June 2012					
Revenue from external customers	33,394,702	1,778,764	1,420,446	283,051	36,876,963
Intersegment revenue	97,390	8,414,081	–	62,985	8,574,456
Segment profit	1,612,998	734,080	100,021	258,754	2,705,853
	(audited)	*(audited)*	*(audited)*	*(audited)*	*(audited)*
At 31 December 2012					
Segment assets	181,945,652	25,647,634	63,388,719	12,674,490	283,656,495
Segment liabilities	160,177,762	16,701,807	48,908,403	941,114	226,729,086

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	*(unaudited)*
Reconciliations of segment profit or loss:		
Total profit or loss of reportable segments	**3,950,516**	2,705,853
Dividend income from available-for-sale investments	**22,539**	79
Elimination of intersegment profits	**(87,594)**	(404,318)
IFRS adjustment on amortisation of monetary housing benefits	**(12,486)**	(13,241)
IFRS adjustment on reversal of general provision on mining funds	**140,511**	79,657
Consolidated profit before tax	**4,013,486**	2,368,030

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	*(unaudited)*
Revenue from major customers:		
Power generation segment		
North China Grid Company Limited	**7,935,912**	9,756,371
Guangdong Power Grid Corporation	**3,124,055**	4,119,354
Jiangsu Electric Power Company	**3,863,071**	2,801,390
State Grid Corporation of China	**3,089,436**	2,996,022
State Grid Jibei Electric Power Company Limited	**2,680,594**	1,346,357

6. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	*(unaudited)*
Interest expense	**5,812,681**	5,723,912
Less: amount capitalised in property, plant and equipment	**(1,757,976)**	(1,502,413)
	4,054,705	4,221,499
Exchange (gain)/loss, net	**(14,021)**	819
Others	**42,409**	49,945
	4,083,093	4,272,263

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	*(unaudited)*
Current tax	**1,100,031**	773,907
Deferred tax	**(223,141)**	(327,116)
	876,890	446,791

Income tax is provided on the basis of the statutory profit for financial reporting purposes, adjusted for income and expense items, which are not assessable or deductible for income tax purposes.

The applicable People's Republic of China ("PRC") Enterprise Income Tax rate of the Company and its subsidiaries is 25% (six months ended 30 June 2012: 25%). Certain subsidiaries located in western region in the PRC enjoyed PRC Enterprise Income Tax rate of 15% before 2021 (six months ended 30 June 2012: 2021) when such income tax rate has changed to 25% thereafter.

In addition, certain subsidiaries are exempted from the PRC Enterprise Income Tax for two years starting from the first year of commercial operation followed by a 50% exemption of the applicable tax rate for the next three years.

8. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of RMB2,019,283 thousand (six months ended 30 June 2012: RMB1,154,073 thousand) and the weighted average number of ordinary shares of 13,310,038 thousand (six months ended 30 June 2012: 13,310,038 thousand) in issue during the period.

Diluted earnings per share

During the six months ended 30 June 2013 and 2012, the Company did not have any dilutive potential ordinary shares. Therefore, diluted earnings per share is equal to basic earnings per share.

9. ACCOUNTS AND NOTES RECEIVABLES

The Group usually grants credit period of approximately one month to local power grid customers and coal purchase customers from the month end after sales and sale transactions made, respectively. The ageing analysis of the accounts and notes receivables is as follows:

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
	(unaudited)	*(audited)*
Within one year	**8,727,051**	9,785,366
Between one to two years	**435,284**	424,823
Between two to three years	**168,967**	68,116
Over three years	**46,703**	78,482
	9,378,005	10,356,787

10. SHARE CAPITAL

	At 30 June 2013 RMB'000 *(unaudited)*	At 31 December 2012 RMB'000 *(audited)*
Registered, issued and fully paid:		
9,994,360,000 (At 31 December 2012: 9,994,360,000) A shares of RMB1 each	**9,994,360**	9,994,360
3,315,677,578 (At 31 December 2012: 3,315,677,578) H shares of RMB1 each	**3,315,678**	3,315,678
	13,310,038	13,310,038

A summary of the movements in the issued share capital of the Company is as follows:

	Number of shares issued *'000*	Nominal value of shares issued *RMB'000*
At 1 January 2012, 31 December 2012 (audited) and 30 June 2013 (unaudited)	13,310,038	13,310,038

11. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	At 30 June 2013 RMB'000 *(unaudited)*	At 31 December 2012 RMB'000 *(audited)*
Accounts and notes payables	**10,784,384**	9,171,402
Other payables and accrued liabilities	**13,520,423**	14,705,848
	24,304,807	23,877,250

The ageing analysis of the accounts and notes payables is as follows:

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
	(unaudited)	*(audited)*
Within one year	**9,754,182**	8,024,728
Between one to two years	**303,438**	578,455
Between two to three years	**726,764**	568,219
	10,784,384	9,171,402

12. EVENT AFTER THE REPORTING PERIOD

The Company completed the issuance of "The Second Tranche of Datang International Power Generation Co., Ltd.'s Super Short-term Debentures in 2013" (the "Current Tranche Super Short-term Debentures") on 19 July 2013. The issuance amount for the Current Tranche Super Short-term Debentures was RMB3 billion with a maturity of 270 days. The unit nominal value is RMB100 and the issuance interest rate is at 4.30%. China Development Bank Corporation and Bank of Communication Co., Ltd. act as the joint lead underwriters for the Current Tranche Super Short-term Debentures. The proceeds from the Current Tranche Super Short-term Debentures will be used for replacement of part of the bank loans of the Company in order to adjust debt structure and lower financing costs, and will also be used to replenish the working capital of the Company.

DIFFERENCES BETWEEN FINANCIAL STATEMENTS
For the six months ended 30 June 2013

The condensed financial statements which are prepared by the Group in conformity with International Financial Reporting Standards ("IFRS") differ in certain respects from China Accounting Standards for Business Enterprises ("PRC GAAP"). Major differences between IFRS and PRC GAAP ("GAAP Differences"), which affect the net assets and net profit of the Group, are summarised as follows:

		Net assets	
	Note	**At 30 June 2013**	At 31 December 2012
		RMB'000 *(unaudited)*	RMB'000 *(audited)*
Net assets attributable to owners of the Company under IFRS		**42,077,365**	41,658,382
Impact of IFRS adjustments:			
Difference in the commencement of depreciation of property, plant and equipment	(a)	**106,466**	106,466
Difference in accounting treatment on monetary housing benefits	(b)	**(61,336)**	(73,822)
Difference in accounting treatment on mining funds	(c)	**(289,785)**	(206,925)
Applicable deferred tax impact of the above GAAP Differences		**1,693**	(385)
Non-controlling interests' impact of the above GAAP Differences after tax		**(4,633)**	6,520
Net assets attributable to owners of the Company under PRC GAAP		**41,829,770**	41,490,236

	Note	Net profit Six months ended 30 June **2013** **RMB'000** ***(unaudited)***	 2012 RMB'000 *(unaudited)*
Profit for the period attributable to owners of the Company under IFRS		**2,019,283**	1,154,073
Impact of IFRS adjustments:			
Difference in accounting treatment on monetary housing benefits	(b)	**12,486**	13,241
Difference in accounting treatment on mining funds	(c)	**(140,511)**	(79,657)
Applicable deferred tax impact of the above GAAP Differences		**2,079**	8,713
Non-controlling interests' impact of the above GAAP Differences after tax		**(4,963)**	(7,284)
Net profit for the period attributable to owners of the Company under PRC GAAP		**1,888,374**	1,089,086

Notes:

(a) Difference in the commencement of depreciation of property, plant and equipment

This represents the depreciation difference arose from the different timing of the start of depreciation charge in previous years.

(b) 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 the retained earnings and statutory public welfare fund after approval by the general 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 remaining average service lives of relevant employees.

(c) Difference in accounting treatment on mining funds

Under PRC GAAP, accrual of future development and work safety expenses are included in respective product cost or current period profit or loss and recorded in a specific reserve accordingly. When such future development and work safety expenses are applied and related to revenue expenditures, specific reserve is directly offset when expenses incurred. When capital expenditures are incurred, they are included in construction in progress and transferred to fixed assets when the related assets reach the expected use condition. They are then offset against specific reserve based on the amount included in fixed assets while corresponding amount is recognised in accumulated depreciation. Such fixed assets are not depreciated in subsequent periods.

Under IFRS, coal mining companies are required to set aside an amount to a fund for future development and work safety through transferring from retained earnings to restricted reserve. When qualifying revenue expenditures are incurred, such expenses are recorded in the profit or loss as incurred. When capital expenditures are incurred, an amount is transferred to property, plant and equipment and is depreciated in accordance with the depreciation policy of the Group. Internal equity items transfers take place based on the actual application amount of future development and work safety expenses whereas restricted reserve is offset against retained earnings to the extent of zero.