



CTGPC
China Three Gorges Corporation

Annual Report 2009





Corporation Information

Company Name: China Three Gorges Corporation

Abbreviation: CTGPC

Legal Representative: Cao Guang jing

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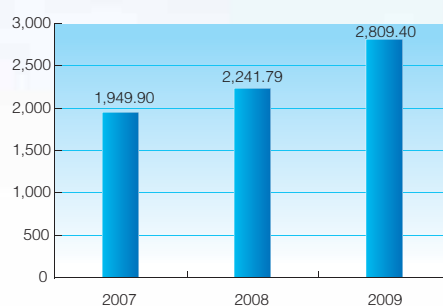
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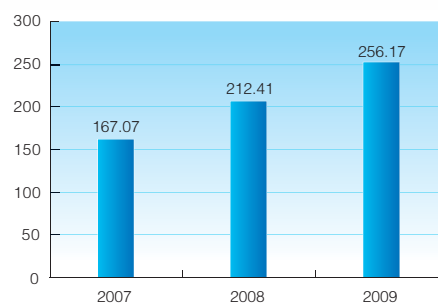
Principal Operating Results

Principal Operating Results in 2009

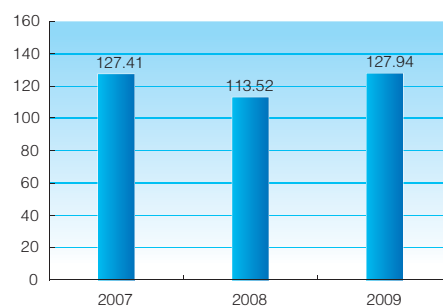
Total Assets
(Per RMB 100 Million)



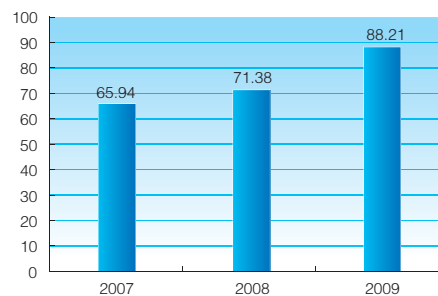
Principal Operating Income
(Per RMB 100 Million)



Total Profits
(Per RMB 100 Million)



Total Taxes Paid
(Per RMB 100 Million)



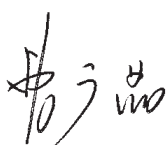
Message from Corporate Leadership

In 2009, CTGPC continued to apply the “Scientific Outlook on Development”, took proactive steps to cope with the financial crisis, and carried out construction and electricity production tasks in a meticulous manner. In the same year, CTGPC produced 97.195 TWh of electricity, recorded operating revenues of RMB 25.617 billion and registered profits of RMB 12.794 billion, reflecting the corporation’s strong growth momentum and significant headway in all operations. Construction tasks set in the initial design of the Three Gorges Project have been completed on schedule, and the project is now delivering comprehensive benefits in flood prevention and drought control, power generation, navigation, and water supply, fulfilling the century-old dream of the Chinese nation. In addition, Moreover, hydropower development on the lower reaches of the Jinsha River has been proceeding in an orderly manner, and the construction of the main structures of the Xiluodu and Xiangjiaba Hydropower Plants has entered the most vital stage. The development of alternative energy, such as wind power, has been accelerating, and international hydropower operations are continuing to expand. In 2009, CTGPC completed the listing of its principal operations in entirety, ushering in a new phase of development.

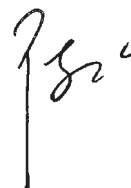
In 2010, CTGPC will continue to strictly follow the guiding principles set at the 17th CPC National Congress and the fourth plenary session of the 17th CPC Central Committee, adhere to the “Scientific Outlook on Development”, operate the Three Gorges Project in accordance with the highest standards, and ensure the hydropower complex continues to deliver social, economic and ecological benefits in a balanced manner. Moreover, CTGPC will adopt new approaches to relocation and speed up cascade hydropower development on the lower reaches of the Yangtze River; it will also push deeper into the wind power, pumped storage and international hydropower industries in order to secure new areas of growth; furthermore, it will continue to build a modern corporate system and improve its management systems and mechanisms as a conglomerate.

Faced with a new situation, we are dedicated to our historic mission of “building the Three Gorges Project and developing the Yangtze River”. We will continue to adhere to the hydropower development principle of “building a first-class hydropower plant to stimulate the growth of the local economy, improve the local environment, and benefit resettled residents”. We will strive to establish our corporation as a large-scale modern energy conglomerate supplying clean energy to the public, preserving the ecological environment, and playing a leading role in utilizing the comprehensive benefits of the Yangtze River. We are committed to making greater contributions to the growth of the national economy and the development of clean energy in China.

Board Chairman & Party Secretary



General Manager & Member of Party Group



Corporate Profile

As part of the initiative to build the Three Gorges Project and develop the Yangtze River, the China Three Gorges Project Corporation was founded on September 27, 1993. On September 27, 2009, the Corporation changed to the name “China Three Gorges Corporation” (with the original acronym CTGPC retained). CTGPC is a wholly state-owned enterprise with registered capital of RMB 111.598 billion. As at December 31, 2009, CTGPC had total assets of RMB 280.94 billion and a state-owned equity of RMB 170.436 billion. It employs a workforce of 14,403 people, including 11,909 in active duty, comprising of 3,698 employees with a bachelor’s degree or higher academic attainment, 2 members of the Chinese Academy of Engineering, 53 experts receiving special government subsidies, and 2 “national-class experts with outstanding contributions” .

CTGPC is strategically positioned to become a clean energy conglomerate specializing in large-scaled hydropower development and operation. CTGPC’s principal operations include hydropower project engineering, construction and management, electricity production, and provision of related technical services. CTGPC’s functional departments include the General Manager’s Work Department, the Planning and Development Department, the Asset and Finance Department, and the Human Resources Department. CTGPC’s engineering and construction management departments include the Three Gorges Hydropower Complex Operation Administration Bureau, the Xiluodu Project Construction Department, the Xiangjiaba Project Construction Department, the Mechanical & Electrical Engineering Department, and the Resident Relocation Administration Bureau. CTGPC has 67 wholly-owned and majority-controlled subsidiaries, including China Yangtze Power Co., Ltd. and China Water Investment Group Corporation.



CTGPC manages the construction and operation of the Three Gorges Project. The construction of the Three Gorges Project was officially launched on December 14, 1994, followed by successful river closure on November 8, 1997. The project’s initial water storage, navigation and power generation targets were fulfilled in 2003. In 2009, except for the ship lift, whose construction was postponed with Central Government’s approval, all construction tasks set in the initial design were completed on schedule, and the project passed the final inspection before water storage reached the 175-meter level. This particular year marked the project’s transition from construction to operation, ushering in the delivery of comprehensive benefits in flood and drought control, power generation, navigation, and water supply.

The Central Government has authorized CTGPC to develop the hydroelectric resources in the mainstream and tributaries of the upper reaches of the Yangtze River and to build four massive hydropower plants at Xiluodu, Xiangjiaba, Wudongde, and Baihetan. The construction of the hydropower plants at Xiluodu and Xiangjiaba began in 2005 and 2006, respectively; these projects are expected to become operational in 2013 and 2012, respectively. Pre-construction surveys and designs are currently underway for the two hydropower plants at Wudongde and Baihetan. The four hydropower plants will have a combined total installed capacity of 385 MW and will produce 175.3 TWh of electricity per year.

Throughout hydropower development and operation, CTGPC is aligned with the “Scientific Outlook on Development” and dedicated to “building a first-class hydropower plant to stimulate the growth of the local economy, improve the local environment, and benefit resettled residents” . It follows the four principles of “long-term partnership, integration into the locality, balancing and comprehensive planning, and mutual benefits” . CTGPC is committed to achieving a balance and unity of social, economic and ecological interests.

Management Team



Cao Guangjing

Vice Director of State Council Three Gorges Construction Committee
Chairman and Party Secretary



Chen Fei

Member of State Council Three Gorges Construction Committee
President & Member of Party Group



Yang Qing

Vice President & Member
of Party Group



Lin Chuxue

Vice President & Member
of Party Group



Yang Chunjin

Vice President & Member
of Party Group



Bi Yaxiong

Vice President & Member
of Party Group



Fan Qixiang

Vice President & Member
of Party Group



Yu Wenxing

Head of Discipline
Inspection Group &
Member of Party Group



Sha Xianhua

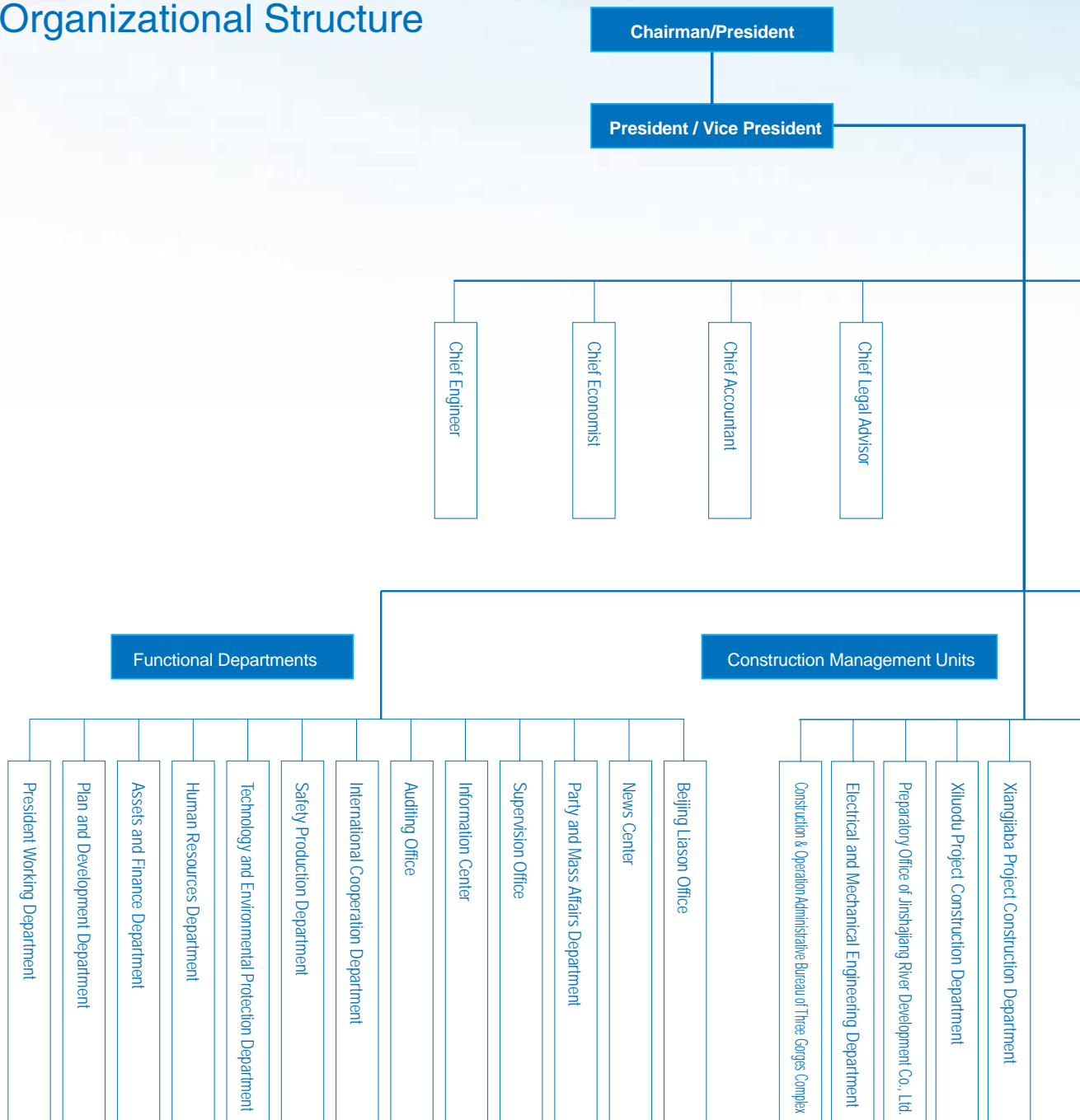
Vice President & Member
of Party Group

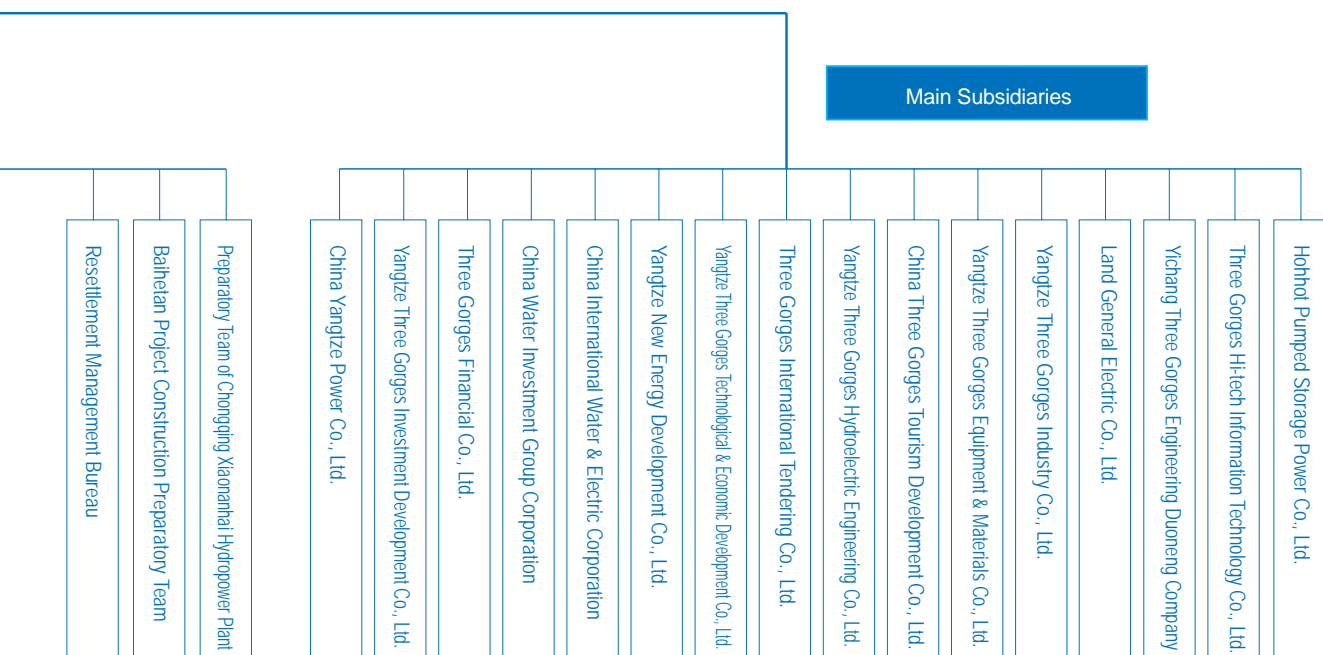
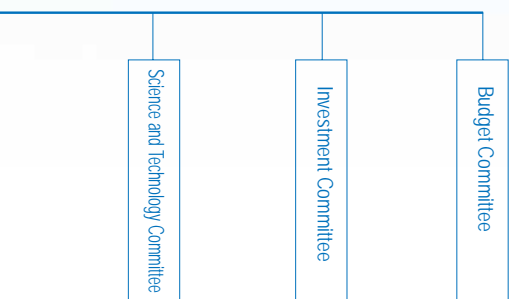


Zhang Cheng

Member of Party Group &
General Manger of China
Yangtze Power Co., Ltd.

Organizational Structure





Note: In January 2010, the Central Authorities has decided to establish the Board in China Three Gorges Corporation, the organization of TGP is regulating.

Development Strategy

Strategic Positioning A clean energy conglomerate specializing in large-scale hydropower development and operation.

Development Strategy To accomplish the mission of “building the Three Gorges Project and developing the Yangtze River” , pursue large-scale hydropower development and operation as core operations, and to develop wind power and other forms of clean energy.

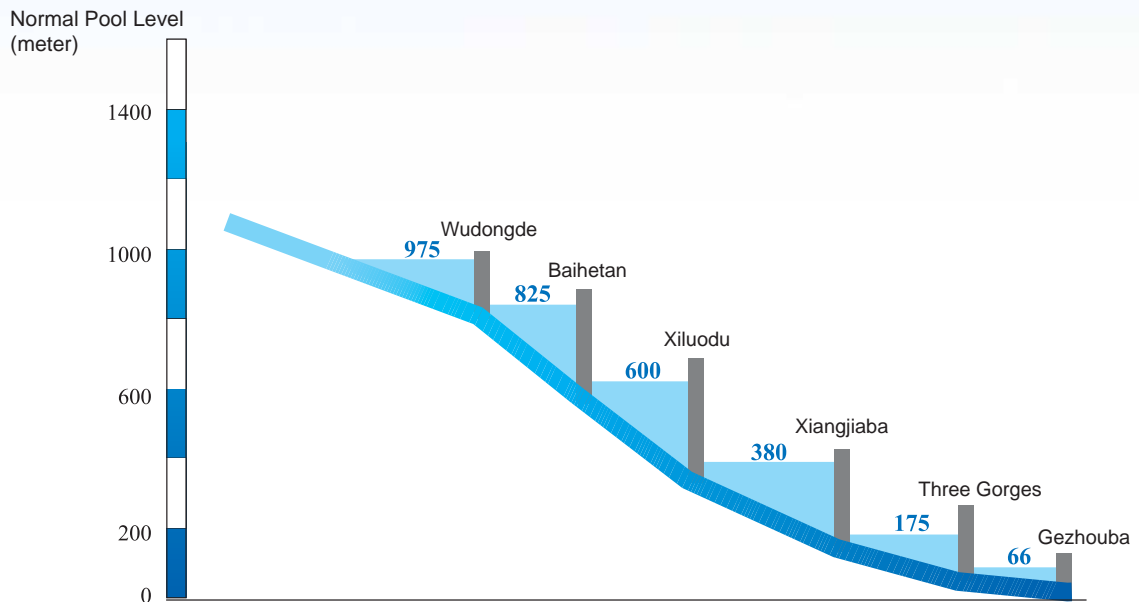
Development Objective To become a world-class large-scale clean energy conglomerate supplying clean energy to the public, preserving the ecological environment, and playing a leading role in utilizing the comprehensive benefits of the Yangtze River.

CTGPC is dedicated to attaining its development objectives and will remain focused on hydropower development. To achieve its objectives, CTGPC proactively pursues development, construction, mergers and acquisitions and implements a development strategy of focusing on hydropower development, an optimization strategy of tapping into new forms of clean energy, and a differentiation competition strategy aimed at achieving excellence and vitality. CTGPC is also taking active steps to consolidate and expand its competitiveness in the construction and management of large-scale hydropower projects, financing and capital operation for large-scale hydropower projects, large-scale hydropower production and marketing, and unified joint operations of cascade hydropower complexes.

To accomplish its historic mission of “building the Three Gorges Project and developing the Yangtze River” , CTGPC implements a new approach to developing hydropower on a continuous basis, endeavors to “building a first-class hydropower plant to stimulate the growth of the local economy, improve the local environment, and benefit resettled residents” and strives to ensure a balance and unity between economic, social and ecological interests.

Large-scale Hydropower Development and Operation

Continuous Development of Cascade Hydropower Plants on the Mainstream of the Yangtze River



No.	Hydropower Plant	Installed Capacity (MW)	Annual Electricity Output (TWh)	Water Level at Dam Front (meter)
1	Gezhouba	2735	15.7	66
2	Three Gorges	22500	88.9	175
3	Xiangjiaba	6000	30.7	380
4	Xiluodu	12600	57.1	600
5	Baihetan	12000	55.9	825
6	Wudongde	8700	39.5	975

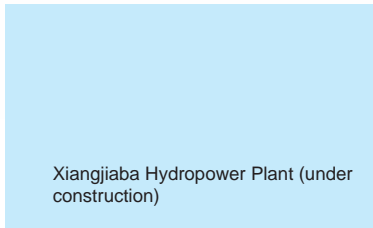
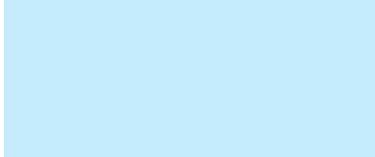
Noted: the indexes of Wudongde and Baihetan power stations listed above are pre-feasibility study data.

Corporate Business and Development

Gezhouba Hydropower Plant (completed)



Three Gorges Hydropower Complex (near completion)



Xiangjiaba Hydropower Plant (under construction)



Xiangjiaba Dam Abutment Concrete Placement



Xiluodu Hydropower Plant (under construction)



Panorama of Xihuodu Project



Baihetan Hydropower Plant (in planning)



Wudongde Hydropower Dam Site (in planning)

Three Gorges Project, the Dream of the Century



In 1918

Mr. Sun Yat-sen made a proposal in his Nation-Building Strategy Part II – Industrial Plan to “improve this upstream section of the river” , suggesting “water gates be built to block the river water, to enable boats to sail upstream and to utilize hydraulic power” .

May 1944

Internationally acclaimed US expert on high dams, Dr. J.L. Savage, surveyed the Three Gorges and presented the Initial Report on the Plan of the Three Gorges on the Yangtze River.

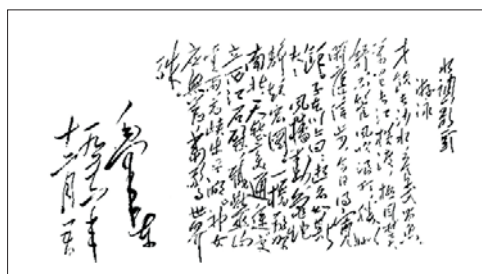


February 1950

Changjiang Water Resources Commission was founded.

1955

Comprehensive planning for the Yangtze River Basin and survey, research and design for the Three Gorges Project started.



1956 Mao Zedong, Chairman of the CPC Central Committee, swam in the Yangtze River at Wuhan and wrote Ode to the River •Swimming, envisioning a project at the Three Gorges that would tame the turbulent river.

December 26,1970

Construction of the Gezhouba Hydro Project on the Yangtze River was approved. The project started power generation in 1981 and was completed in 1989.

February 27 – March 7,1989

The 10th Conference of the Three Gorges Project Feasibility Verification Leadership Group of the Ministry of Water Resources and Electric Power deliberated and adopted the Report on the Feasibility Study of the Three Gorges Hydropower Project on the Yangtze River (Evaluation Version).

April 3,1992

The 5th Session of the 7th National People’s Congress adopted the Resolution to Build the Three Gorges Project on the Yangtze River, marking the completion of the project verification and approval procedures for the Three Gorges Project and the commencement of the implementation phase.

Three Gorges Chronology

Phase I (1993–1997)

- July 29, 1993** The 2nd Conference of the Three Gorges Construction Commission of the State Council was convened. At the conference, the Report on the Preliminary Design of the Three Gorges Project on the Yangtze River (Project) was reviewed and adopted, ushering in the phase of comprehensive construction preparation for the Three Gorges Project.
- September 27, 1993** China Three Gorges Project Corporation was established.
- December 14, 1994** Premier Li Peng declared the official commencement of the Three Gorges Project to the world on the site of the Three Gorges Dam.
- November 8, 1997** River closure was successfully carried out for the Three Gorges Project, signifying the fulfillment of the Phase I construction targets.

Phase II (1998–2003)

- 2000** A total of 5.4817 million m³ of concrete was poured, setting a new world record for the amount of concrete placed in a hydropower project in one year.
- November 6, 2002** River closure for the open diversion channel was successfully completed.
- June 1, 2003** The TGP Reservoir started water impoundment. The water level reached el.135m on June 10.
- June 16, 2003** Trial navigation of the dual-line five-stage ship lock was successfully completed. On June 18, the ship locks were formally opened to traffic.
- July 10, 2003** The first generating unit in the left-bank powerhouse of TGP was officially integrated into the power grid and started operations.

Phase III (2004–2009)

- September 16, 2005** The last generating unit in the left-bank powerhouse of TGP was put into operation. With this, the 14 generating units in the left-bank powerhouse became fully operational one year ahead of schedule.
- May 20, 2006** The TGP Dam was completely topped out.
- June 6, 2006** The TGP Phase III roller-compacted concrete cofferdam was removed and the TGP Dam started blocking water across the river; thus, TGP started to provide flood control benefits two years ahead of schedule.
- October 27, 2006** The TGP Reservoir realized its goal of el. 156m water impoundment in the initial phase one year ahead of schedule.
- May 1, 2007** The dual-line five-stage ship lock was completed, significantly boosting the navigational efficiency and benefits of the golden waterway of the Yangtze River.
- June 2007** The first generating unit in the right-bank powerhouse of TGP became operational. The powerhouse set a world record by putting an installed capacity of 5,000,000 KW into operation the same year.
- February 19, 2008** Base-plate concrete placement works were completed for the Three Gorges Ship Lift.
- February 24, 2008** Excavation was completed for the main plant of the Three Gorges Underground Powerhouse.
- October 11, 2008** A contract was signed in Yichang for the civil work of the main body of the Three Gorges Ship Lift and for the installation of certain equipment.
- October 29, 2008** All 26 generating units in the right and left bank powerhouses in the initial design of the Three Gorges Project were completed and became operational. On October 30, all of the units began commercial operations.
- After flood season of 2008** Trial impoundment was conducted for the Three Gorges. On November 4, the water level at the dam site rose to 172 meters, completing the trial impoundment task set for 2008.
- July 1, 2009** The daily electricity output of the Three Gorges Hydropower Plant exceeded 400 million kWh, setting a new record.
- August 29, 2009** The third phase of the Three Gorges Project passed the final inspection for normal impoundment to 175 meters, making the completion of all construction tasks set in the project's initial design (except for the ship lift, whose construction was postponed with approval).
- October 4, 2009** The world's first fully artificial-propagated Chinese Sturgeon fry hatched at the Three Gorges Dam area, marking a major technical breakthrough in research on the preservation of Chinese Sturgeon.

Three Gorges Project Delivers Increasingly Significant Comprehensive Benefits

Significant Benefits for Flood Control At the normal water storage level of 175 meters, the Three Gorges Reservoir has a flood storage capacity of 22.15 billion cubic meters and a total storage capacity of 39.3 billion cubic meters, and can reduce flood peak flow by 27,000 to 33,000 cubic meters per second. With the completion of its trial storage, the reservoir's flood storage capacity is now largely in place, the Three Gorges has begun to serve its flood control functions, and the frequency of large floods on the Jingjiang River section of the Yangtze River has been lessened from once every 10 years to once every 100 years. The Three Gorges Project has been delivering increasingly significant benefits in flood and drought control. In 2009, the Three Gorges Project reduced peak flood peak flow by 15,000 cubic meters per second, easing flood control pressure on the middle and lower reaches of the Yangtze River.



Dual-line Five-step Ship Lock

Improved Navigation Conditions With the completion of the Three Gorges Project, the backflow of the reservoir has reached the city of Chongqing, making a 660-kilometer stretch of the river more navigable; as a result, annual one-way passage capacity has been increased from 10 million to 60 million tons and freight costs have been reduced by one-third. The Three Gorges Ship Lock was officially opened to commercial freighters free of charge on June 18, 2003. The higher water level has improved the navigation conditions from Sichuan to Yichang and the shipping industry along the Yangtze River has surged forward. In 2009, the amount of freight passing through the Three Gorges Dam rose to a record 74.26 million tons, up 8.5% from the previous year. Since its trial operation in 2003, the

Three Gorges Ship-Lock has given passage to 360 million tons of freight, contributing remarkably to the prosperity of the shipping industry along the Yangtze River and to economic development in China's central and western regions.

Ecological Water Replenishment for the Middle and Lower Reaches of the River In dry seasons when the level of incoming water drops, the Three Gorges Reservoir increases its discharge to replenish water downstream, which not only improves the navigation conditions downstream of Gezhouba, but also increases water supply on the middle and lower reaches of the Yangtze River. In the dry season of 2009, the Three Gorges Reservoir provided a replenishment of 12.73 billion cubic meters on the middle and lower reaches of the river, ensuring a sufficient water depth for navigation and adequate water supply for enterprises and residents. During impoundment period, the Three Gorges Reservoir increase the water discharge and slow down the water storage, thus greatly easing droughts in the middle and lower reaches of the river.

Supply of Clean Energy to the Public As a form of clean energy, hydropower can save substantial amounts of resources and reduce environmental pollution. When the Three Gorges Project is fully operational, it will produce 84.7 TWh of electricity annually (excluding the amount of electricity from the underground powerhouses), equivalent to the amount of electric power produced by burning more than 40–50 million tons of coal, leading to a decrease of more than 100 million tons of CO₂ emissions, 1.2–2 million tons of SO₂ emissions, 10,000 tons of carbon monoxide emissions, and 370,000 tons of nitrogen oxide emissions, as well as enormous amounts of waste water and slag. Thus, the Three Gorges Project can also help to reduce environmental pollution and acid rain caused by the emission of harmful gases. In 2009, the Three Gorges-Gezhouba Cascade Hydropower Complex produced a total of 96.096 TWh of electricity, including 5.06 TWh from saved water, with the river's hydro energy utilization rate being raised by 5.6%.



Full line of Left-bank Powerhouse

Jinsha River Hydropower Development

The State Council has authorized CTGPC to build four massive hydropower plants at Wudongde, Baihetan, Xiluodu, and Xiangjiaba on the lower reaches of the Jinsha River on a continuous basis.

The Xiluodu Hydropower Plant is located at the Jinsha River Gorge on the border between Leibo County, Sichuan Province and Yongshan County, Yunnan Province, 184 kilometers upstream from Yibin City. Construction officially began in December 2005, with full river closure achieved in November 2007.



The Xiangjiaba Hydropower Plant is the last step in the cascade hydroelectric development of the Jinsha River basin, and is situated at the exit of the Jinsha River Gorge on the border between Leibo County, Sichuan Province and Yongshan County, Yunnan Province. Construction officially began in November 2006, with full river closure achieved in December 2008.



In 2009, both projects overcame major geological challenges, and construction progressed from foundation excavation to concrete placement on the dam sites and from concrete placement to the installation of permanent mechanical and electrical equipment in the underground powerhouses. The progress of the Xiangjiaba project is largely on schedule, and the progress on key lines meets the requirements set in the annual plan. The progress of dam construction for the Xiluodu project is slightly behind

schedule due to a number of geological flaws. However, by putting in extra resources and optimizing construction arrangements, the project is expected to progress at a faster pace so as to ensure the overall water storage and power generation targets are met. Dedicated research has been conducted into the major technical issues relating to the main bodies of the two hydropower plants, and major construction schemes and techniques have been finalized, laying down solid foundations for high-intensity construction of the massive main bodies in the next stage.

Wind Power Development

In 2009, CTGPC and the government of the Inner Mongolia Autonomous Region entered into a framework strategic partnership agreement to develop clean energy in Inner Mongolia by pursuing pumped storage and wind power. The agreement has allowed CTGPC to gain access to wind farms of 4490 MW augmenting CTGPC's wind power reserves for development in the near future. In addition, CTGPC has completed the Offshore Wind Power Research Project under the nation's 11th Five-Year Science and Technology Support Plan, the installation of the 2MW experimental wind turbine off the coast of Xiangshui in Jiangsu Province, and the preliminary feasibility studies for two offshore wind farms in Zhejiang and Jiangsu Provinces, thus technologically preparing CTGPC for the development of wind power on the sea in the future.



Restructuring

To deepen the reform and ensure the sustainable development, in May 2008, with the approval of the State Council and the strong support of the State-owned Assets Supervision, Administration Commission, the China Securities Regulatory Commission and other national authorities, CTGPC set out to pursue the comprehensive public listing of its principal operations. CTGPC injected the Three Gorges Project's power generation assets and its equity in related specialized companies, valued at RMB 107.3 billion, into Yangtze Power, but retained the project's public-interest assets, whose operations, management and maintenance would continue to be CTGPC's responsibility. The transfer of assets from CTGPC to Yangtze Power was completed on September 28, 2009. The listing of CTGPC's principal business in entirety enables the Three Gorges Project to deliver comprehensive benefits, reduces the routine related-party transactions between CTGPC and its listed arm, enhances the quality of the listed company, promotes the balanced development of both Yangtze Power and CTGPC and facilitates the maintenance and growth of the value of state-owned assets.



In addition, CTGPC completed the restructuring of and merger with the former the China Water Investment Group, with the corporation split into two subsidiaries—China Water Investment Group Corporation and China International Water & Electric Corp.

International Hydropower Projects

The Murum Project in Malaysia, undertaken by CTGPC under an EPC contract, is proceeding smoothly, and has been dubbed “an exemplary project for hydropower development” by the local media. CTGPC's first BOOT project, the Nam Lik Hydropower Plant in Laos, has begun water storage. The Merowe Hydropower Plant in Sudan, undertaken by CTGPC, is now in operation.



Heightening of Mangla Dam in Pakistan



Nam Lik Hydropower Projects 1-2 in Laos



Sarawak Energy Bhd

Operating Report

Key Financial Data

Item	2007	2008	2009
Installed capacity (MW)	16,835	21,085	21,380
Power generation (TWh)	77.066	97.903	97.195
Total assets (RMB billion)	194.99	224.179	280.94
Equities belonging to the owner of the parent company (RMB billion)	120.813	141.221	170.436
Revenue (RMB billion)	16.707	21.241	25.617
Gross profit	12.741	11.352	12.794
Gross profit margin (%)	60.34	54.82	50.20
EBITDA (RMB billion)	18.9	18.955	21.457
Return on equity (%)	6.00	5.37	5.5
Total liabilities (RMB billion)	50.061	42.019	67.367
EBITDA to interest multiple (X)	7.11	7.82	8.09
Total liabilities / EBITDA (X)	2.65	2.22	3.14
Total liabilities / (total liabilities + net asset) (%)	26.86	21.29	26.08
Asset liability ratio (%)	30.08	30.69	32.04

Audit Report

ASCENDA Shen (2010) NZ Zi No. 010306

China Three Gorges Corporation:

We have audited the attached financial statements of the China Three Gorges Project Corporation (hereinafter referred to as your company), including the Balance Sheet and the Consolidated Balance Sheet as of Dec.31, 2009, the Income Statement and the Consolidated Income Statement, the Cash Flow Sheet and the Consolidated Cash Flow Sheet, Statement of Changes in Shareholders' Equity, the Consolidated Statement of Changes in Shareholders' Equity and Notes to the Financial Statements for the year 2009.

I. Responsibility of the Management on Financial Statements

The management of your company is responsible for the preparing and compiling of financial statements in accordance with the Accounting Standard for Business Enterprises issued by the Ministry of Finance. The responsibilities include (1) designing, implementing and maintaining the internal controls in regard to the preparation of financial statements to ensure that there is no major misstatement in the financial statements due to negligence or malpractice; (2) selecting and applying appropriate accounting policies; and (3) conducting proper accounting evaluations.

II. Responsibility of CPA

We are responsible for issuing audit opinions on financial statements on the basis of our auditing. We have conducted our audit in accordance with the provisions in the Auditing Standards for Chinese Certified Public Accountants. The aforementioned standards require us to observe occupational ethics and plan and implement the audit in order to obtain reasonable assurance about whether or not the financial statements are free of material misstatement.

The audit involves implementing audit procedures to obtain audit evidence of the amounts and disclosures of the related financial statements. Audit procedures are selected at the discretion of the certified accountant, including the evaluation of the risk of material misstatement in the financial statements due to malpractice or negligence. In risk evaluation, we have taken the internal controls regarding the preparation of financial statements into consideration, so as to aid us in designing appropriate audit procedures. However, it is not our intent to comment on the effectiveness of these internal controls. An audit also includes an assessment of the suitability of the accounting principles chosen and the rationality of the accounting estimates made by the management, as well as an evaluation of the overall layout of the financial statements.

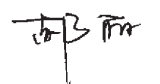

We are confident that we have obtained adequate and proper audit evidence constituting the basis for our audit opinions.

III. Audit Opinions

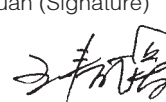

We consider that the financial statements of your company have been prepared in accordance with the Accounting Standard for Business Enterprises issued by the Ministry of Finance, which fairly reflect the financial status of your company as of December 31, 2009 in all important respects as well as the operation achievements and cash flows of 2009.



China Certified Accountant
Hao Lijiang (Signature)

China Certified Accountant
Wang Chunyuan (Signature)

April.29.2010

Balance Sheet

Unit: RMB Yuan

Item	Parent Company		Consolidation	
	Ending Balance	Beginning Balance	Ending Balance	Beginning Balance
Current assets:				
Cash and cash equivalents	6,930,625,167.08	4,226,887,526.90	10,862,850,564.59	12,650,028,285.75
△ Deposit Reservation for Balance	0.00	0.00	0.00	0.00
△ Lendings to Banks and Other Financial Institutions	0.00	0.00	0.00	0.00
Held for trading financial assets	0.00	0.00	1,070,030,211.54	332,467,194.72
Notes receivable	0.00	875,891,778.95	1,159,647,994.72	1,791,414,232.17
Accounts receivable	0.00	894,506,769.10	1,973,608,208.63	2,447,797,215.76
Accounts prepaid	248,015,805.78	243,854,073.41	652,616,176.87	768,593,766.98
△ Premiums Receivable	0.00	0.00	0.00	0.00
△ Reinsurance Accounts Receivable	0.00	0.00	0.00	0.00
△ Reserves for Reinsurance Contract Receivable	0.00	0.00	0.00	0.00
Accrued interests receivable	480,530.41	1,458,000.00	692,402.62	270,777.21
Accounts receivable—others	12,872,057,547.56	558,161,585.16	1,738,321,255.88	916,706,085.84
△ Buying back the sale of financial assets	0.00	0.00	0.00	0.00
Inventory	152,427.11	120,263.21	1,028,127,117.34	887,217,476.61
Include: Raw materials	0.00	0.00	276,009,756.01	194,062,658.33
Stock goods (finished goods)	0.00	0.00	43,391,616.73	314,611,381.62
Noncurrent assets due within one year	0.00	0.00	133,342,980.87	224,194,457.10
Other current assets	1,392,700.00	2,001,392,700.00	11,651,345.90	40,738,494.83
Total current assets	20,052,724,177.94	8,802,272,696.73	18,630,888,258.96	20,059,427,986.97
Noncurrent assets:				
△ Loans and advances	0.00	0.00	1,235,886,696.00	148,832,080.45
Available-for-sale investment	31,231,827,994.56	6,074,161,008.76	36,749,231,216.54	6,740,192,962.05
Hold-to-maturity investments	45,000,000.00	0.00	10,000,000.00	10,000,000.00
Long-term account receivable	0.00	0.00	1,197,573,680.83	868,799,027.52
Long-term equity investments	46,530,664,286.65	23,874,312,961.02	12,426,444,844.77	10,413,159,929.95
Investment real estate	0.00	0.00	129,505,943.46	134,356,846.51
Original prices of the fixed assets	38,352,920,727.17	120,948,739,800.37	177,928,270,211.02	172,765,962,490.77
Less: Accumulative impairment	6,148,472,793.89	10,716,589,348.41	26,297,182,025.10	20,147,643,470.10
Net value of the fixed assets	32,204,447,933.28	110,232,150,451.96	151,631,088,185.92	152,618,319,020.67
Less: Provision for impairment loss on fixed assets	0.00	0.00	21,166,714.38	21,290,366.97
Net value of the fixed assets	32,204,447,933.28	110,232,150,451.96	151,609,921,471.54	152,597,028,653.70
Construction in progress	43,094,782,712.84	36,813,513,125.65	45,642,091,107.27	37,899,437,955.13
Project materials	740,808,390.59	690,105,693.13	740,808,390.59	690,105,693.13
Disposal of the fixed assets	0.00	0.00	0.00	363,806.59
Producing biological assets	0.00	0.00	0.00	0.00
Oil and gas assets	0.00	0.00	0.00	0.00
Intangible assets	477,429,661.19	132,221,777.30	707,195,817.95	249,070,585.49
Development expenses	0.00	0.00	8,181,365.50	870,104.41
Goodwill	0.00	0.00	2,245,057,495.46	2,245,057,495.46
Long-term deferred expenses	0.00	0.00	197,402,992.11	69,751,683.45
Deferred income tax assets	212,046,104.28	171,644,627.20	6,689,321,212.16	636,689,712.38
Other noncurrent assets	33,364,212,410.19	1,076,556,117.94	2,720,979,049.59	2,852,261,233.40
Include: Approved preparatory materials	0.00	0.00	0.00	0.00
Total noncurrent assets	187,901,219,493.58	179,064,665,762.96	262,309,601,283.77	215,555,977,769.62
Total assets	207,953,943,671.52	187,866,938,459.69	280,940,489,542.73	235,615,405,756.59

Balance Sheet (Continued)

Unit: RMB Yuan

Item	Parent Company		Consolidation	
	Ending Balance	Beginning Balance	Ending Balance	Beginning Balance
Current liabilities:				
△ Short-term borrowing	0.00	0.00	3,082,614,595.91	5,557,635,451.54
△ Loans from central bank	0.00	0.00	0.00	0.00
△ Receipt of deposits and deposits from other banks	0.00	0.00	1,644,058,490.78	202,069,532.31
△ Loans from other banks	0.00	0.00	0.00	0.00
Transaction monetary liabilities	0.00	0.00	0.00	0.00
Notes payable	0.00	0.00	14,718,856.24	26,030,505.30
Accounts payable	117,372,676.99	3,687,242.18	746,814,121.17	661,105,395.34
Accounts received in advance	6,009,118.51	0.00	1,305,421,123.90	846,266,713.08
△ Financial assets sold for repurchase	0.00	0.00	1,736,621,500.00	794,000,000.00
△ Fees and commission payable	0.00	0.00	0.00	0.00
Employees' remuneration payable	327,079,792.50	332,499,922.32	483,749,853.71	519,928,609.83
Include: Salaries payable	320,882,273.77	328,742,273.77	455,957,510.30	491,940,580.17
Welfare payable	0.00	0.00	2,786,430.87	3,936,878.40
#include: employee bonus and welfare fund	0.00	0.00	0.00	0.00
Taxes and fees payable	958,329,388.90	541,207,134.84	1,683,089,893.32	1,430,880,154.04
Include: Taxes payable	929,691,090.77	170,495,763.88	1,626,970,262.45	1,051,892,198.59
Interest payable	411,156,164.39	466,954,023.72	1,050,316,461.43	682,699,703.71
Other payables	11,093,089,369.84	22,166,512,860.76	10,946,522,310.02	21,781,785,025.16
△ Payable reinsurance accounts	0.00	0.00	0.00	0.00
△ Insurance contract provisions	0.00	0.00	0.00	0.00
△ Acting trading securities	0.00	0.00	0.00	0.00
△ Acting underwriting securities	0.00	0.00	0.00	0.00
Noncurrent liabilities due within one year	0.00	2,730,230,942.06	8,910,489,687.20	2,730,230,942.06
Other current liabilities	0.00	0.00	14,241,342.67	30,603,446.85
Total current liabilities	12,913,036,511.13	26,241,092,125.88	31,618,658,236.35	35,263,235,479.22
Noncurrent liabilities				
Long-term borrowing	0.00	6,421,874,276.66	19,712,960,268.82	13,351,827,500.38
Bonds payable	15,405,774,276.20	21,432,622,621.37	35,660,681,911.67	25,380,348,954.71
Long-term accounts payable	0.00	0.00	31,053,644.47	31,041,775.56
Special accounts payable	0.00	0.00	63,258,808.65	75,629,168.24
Estimated liabilities	0.00	0.00	82,291,969.64	79,467,969.64
Deferred income tax liabilities	105,632,439.35	94,464,391.55	1,493,552,067.94	903,901,756.11
Other noncurrent liabilities	1,312,424,517.73	885,264,277.59	1,346,029,547.76	885,814,277.59
Include: Approved preparatory funds	0.00	0.00	0.00	0.00
Total noncurrent liabilities	16,823,831,233.28	28,834,225,567.17	58,389,828,218.95	40,708,031,402.23
Total liabilities	29,736,867,744.41	55,075,317,693.05	90,008,486,455.30	75,971,266,881.45
Owners' equities (or shareholders' equities):				
Paid-in capital (share capital)	137,458,121,623.42	113,661,192,586.38	137,458,121,623.42	113,661,192,586.38
National capital	137,458,121,623.42	113,661,192,586.38	137,458,121,623.42	113,661,192,586.38
Collective capital	0.00	0.00	0.00	0.00
Legal person capital	0.00	0.00	0.00	0.00
Include: State-owned legal person capital	0.00	0.00	0.00	0.00
Collective legal person capital	0.00	0.00	0.00	0.00
Individual capital	0.00	0.00	0.00	0.00
Foreign capital	0.00	0.00	0.00	0.00
#less: returned investments	0.00	0.00	0.00	0.00
Paid-in capital (share capital) net total	137,458,121,623.42	113,661,192,586.38	137,458,121,623.42	113,661,192,586.38
Capital reserves	5,407,382,829.87	6,229,488,686.46	8,072,020,499.53	11,719,297,049.88
Less: Treasury share	0.00	0.00	0.00	0.00
Special reserves	0.00	0.00	0.00	0.00
Surplus reserves	4,066,833,441.13	1,768,423,243.13	4,008,179,530.68	1,769,564,103.90
Include: Legal common reserve fund	4,031,123,699.93	1,732,713,501.93	3,971,328,928.71	1,732,713,501.93
Other reserve funds	35,709,741.20	35,709,741.20	35,709,741.20	35,709,741.20
# Reserve funds	0.00	0.00	0.00	0.00
# Enterprise expansion fund	0.00	0.00	0.00	0.00
# Investment returned	0.00	0.00	0.00	0.00
△ Normal risk reserves	0.00	0.00	0.00	0.00
Undistributed profits	31,284,738,032.69	11,132,516,250.67	20,902,496,883.01	17,656,063,849.44
Converted difference in foreign currency statements	0.00	0.00	-4,490,399.97	-6,822,447.50
Total equities belonging to the owners of the parent company	178,217,075,927.11	132,791,620,766.64	170,436,328,136.67	144,799,295,142.10
*Equities belonging to minority shareholders	0.00	0.00	20,495,674,950.76	14,844,843,733.04
Total owners' equities	178,217,075,927.11	132,791,620,766.64	190,932,003,087.43	159,644,138,875.14
Total liabilities and owners' equities	207,953,943,671.52	187,866,938,459.69	280,940,489,542.73	235,615,405,756.59

Note: In this table, items with "*" are used exclusively for the consolidated financial statements; items with "△" are used exclusively for corporations implementing the new Accounting Standard for Business Enterprises, and other corporations need not complete them; items with "#" are used exclusively for corporations implementing the Accounting System for Business Enterprises, corporations implementing the new Accounting Standard for Business Enterprises need not complete them.

Income Statement

Unit: RMB Yuan

Item	Parent Company		Consolidation	
	2009	2008	2009	2008
I.Total Operating income	10,030,564,932.98	11,662,855,608.39	25,908,002,201.99	25,383,799,360.44
Include: operating income	10,030,564,932.98	11,662,855,608.39	25,754,284,482.77	25,232,129,264.02
Include: main operating income	9,980,939,723.18	11,634,692,144.90	25,617,445,623.35	25,149,194,378.87
Other operating income	49,625,209.80	28,163,463.49	136,838,859.42	82,934,885.15
△ Interest revenue	0.00	0.00	135,129,886.18	126,964,002.40
△ Earned premium	0.00	0.00	0.00	0.00
△ Fees and commission revenue	0.00	0.00	18,587,833.04	24,706,094.02
II.Total Operating costs	5,977,661,292.41	7,130,310,925.63	17,250,594,361.62	16,373,536,823.91
Include: Operating costs	4,381,790,705.69	5,613,107,072.39	12,458,600,121.36	12,868,987,493.46
Include: Main operating cost	4,371,029,962.49	5,596,049,146.21	12,367,755,974.94	12,824,563,582.57
Other operating cost	10,760,743.20	17,057,926.18	90,844,146.42	44,423,910.89
△ Interest expense	0.00	0.00	43,426,389.39	45,637,669.93
△ Fees and commission expense	0.00	0.00	25,423,563.65	30,047,624.71
△ Surrender value	0.00	0.00	0.00	0.00
△ Net amount of compensation payout	0.00	0.00	0.00	0.00
△ Net amount of insurance contract provisions	0.00	0.00	0.00	0.00
△ Expenditures dividend policy	0.00	0.00	0.00	0.00
△ Reinsurance expenditure	0.00	0.00	0.00	0.00
Operating tax and surtaxes	143,880,271.20	159,003,452.19	423,470,481.25	386,873,126.11
Sales cost	150,773.83	143,757.56	49,911,671.06	43,647,712.12
Administrative cost	554,395,835.60	321,236,603.38	1,328,261,607.07	933,804,131.08
Include: Business entertainment	7,764,605.43	8,434,966.72	33,230,111.32	25,074,776.03
Research and development cost	231,295,135.77	13,087,290.12	239,438,195.10	15,663,852.09
Financial expense	876,973,081.77	1,033,076,281.85	2,324,175,574.33	1,962,872,478.22
Include: Interest expense	1,149,503,564.41	1,430,040,733.08	2,351,062,400.12	2,230,057,352.24
Interests income	206,499,256.10	35,066,770.16	39,048,266.89	59,863,464.71
Net exchange loss (net exchange income shall be indicated by the mark “-”)	-1,646,572.23	-362,700,537.51	47,757,481.33	-253,896,376.57
Asset impairment loss	20,470,624.32	3,743,758.26	597,324,953.51	101,666,588.28
Others	0.00	0.00	0.00	0.00
Add: Fair value gains from available-for-sale investment (such loss shall be indicated by the mark “-”)	0.00	0.00	23,007,142.62	-119,040,854.88
Investment income (such loss shall be indicated by the mark “-”)	2,369,958,021.47	2,008,871,323.63	1,965,105,579.00	943,319,228.88
Include: Income from investing in associated enterprises and joint ventures	74,271,171.81	66,041,511.70	965,999,314.24	319,225,215.07
Exchange gain (such loss shall be indicated by the mark “-”)	0.00	0.00	0.00	0.00

Income Statement (Continued)

Unit: RMB Yuan

Item	Parent Company		Consolidation	
	2009	2008	2009	2008
III. Profit from operation (Such loss shall be indicated by the mark “-”)	6,422,861,662.04	6,541,416,006.39	10,645,520,561.99	9,834,540,910.53
Add: Non-operating income	25,593,451,531.63	1,182,640,463.12	2,230,492,898.54	1,931,600,291.00
Include: Income from disposing non-current assets	24,409,422,360.18	44,556.20	29,560,271.99	2,315,815.65
Income from exchanging non-monetary assets	0.00	0.00	0.00	0.00
Government subsidize (subsidize income)	1,184,029,171.39	1,182,569,612.92	2,015,818,405.89	1,912,353,940.71
Income from the debt restructuring	0.00	0.00	0.00	0.00
Less: Non-operating cost	66,743,427.91	62,305,043.55	82,358,561.96	81,623,634.49
Include: Loss of disposing non-current assets	58,959.48	4,610,078.25	9,429,235.68	12,200,318.25
Loss from exchanging non-monetary assets	0.00	0.00	0.00	0.00
Loss from the debt restructuring	0.00	0.00	0.00	0.00
IV. Total profit (total loss shall be indicated by the mark “-”)	31,949,569,765.76	7,661,751,425.96	12,793,654,898.57	11,684,517,567.04
Less: Income tax expenses	7,704,525,519.84	1,522,122,588.61	3,151,681,674.82	2,880,447,964.13
V. Net profit (net loss shall be indicated by the mark “-”)	24,245,044,245.92	6,139,628,837.35	9,641,973,223.75	8,804,069,602.91
Net profit belonging to owners of the parent company	24,245,044,245.92	6,139,628,837.35	7,888,398,438.46	7,278,503,842.90
*Profit and Loss of minority shareholders	0.00	0.00	1,753,574,785.29	1,525,565,760.01
VI. Earning per share:				
Fundamental earning per share	0.00	0.00	0.00	0.00
Diluted earning per share	0.00	0.00	0.00	0.00
VII. Other comprehensive income	33,504,143.41	181,413,445.56	1,949,457,618.08	-5,336,106,411.20
VIII. Total comprehensive income	24,278,548,389.33	6,321,042,282.91	11,591,430,841.83	3,467,963,191.71
Total comprehensive income belonging to owners of the parent company	24,278,548,389.33	6,321,042,282.91	9,175,512,025.86	3,757,436,079.98
*Total comprehensive income belonging to minority shareholders	0.00	0.00	2,415,918,815.97	-289,472,888.27

Note: In this table, items with “*” are used exclusively for consolidated financial statements; items with “△” are used exclusively for corporations implementing the new Accounting Standard for Business Enterprises, other corporations need not complete

Cash Flow Sheet

Unit: RMB Yuan

Item	Parent Company		Consolidation	
	Ending Balance	Beginning Balance	Ending Balance	Beginning Balance
I. Cash flow from the operating activities				
Cash from selling commodities or providing services	13,497,086,779.28	12,969,678,146.62	29,896,344,818.17	28,173,288,126.56
△Net increase of client deposits and other bank deposits	0.00	0.00	1,441,988,958.47	-2,515,386.12
△Net increase of loans from central bank	0.00	0.00	0.00	0.00
△Net increase of loans from other financial institutions	0.00	0.00	0.00	0.00
△Premiums received from original insurance contracts	0.00	0.00	0.00	0.00
△Net cash received reinsurance business	0.00	0.00	0.00	0.00
△Net increase of policy holder deposits and investment funds	0.00	0.00	0.00	0.00
△Net increase from disposal of tradable financial assets	0.00	0.00	0.00	0.00
△Interest, handling charges and commission received	0.00	0.00	153,823,874.22	154,778,741.42
△Net increase of loans from other banks	0.00	0.00	0.00	0.00
△Net increase in repurchase business funds	0.00	0.00	942,621,500.00	794,000,000.00
Refund of taxes and fees received	1,077,298,648.57	950,004,824.28	1,942,391,798.15	1,691,189,275.47
Other cash received related to the operating activities	665,008,769.62	472,991,702.18	1,329,211,895.12	1,118,289,998.40
Subtotal of the cash inflow from the operating activities	15,239,394,197.47	14,392,674,673.08	35,706,382,844.13	31,929,030,755.73
Cash paid for commodities or services	1,173,385,675.10	1,753,799,511.04	5,546,447,677.26	5,463,774,779.49
△Net increase in client loans and advances	0.00	0.00	1,098,034,965.20	-265,253,719.99
△Net increase in deposits with central bank and other financial institutions	0.00	0.00	0.00	0.00
△ Compensation payments or original insurance contracts	0.00	0.00	0.00	0.00
△ Interest, fees and commission paid	0.00	0.00	55,947,260.10	68,193,474.64
△ Policyholder dividend paid	0.00	0.00	0.00	0.00
Cash paid to and for employees	112,920,573.78	86,684,277.37	1,438,834,649.12	1,220,950,354.25
Taxes and fees paid	5,122,368,271.89	4,078,444,996.58	8,759,464,748.93	7,645,541,325.93
Other cash paid related to the operating activities	255,251,393.86	193,517,301.82	1,168,464,273.32	1,607,125,521.65
Subtotal of the cash outflow from the operating activities	6,663,925,914.63	6,112,446,086.81	18,067,193,573.93	15,740,331,735.97
Net cash flow from the operating activities	8,575,468,282.84	8,280,228,586.27	17,639,189,270.20	16,188,699,019.76

Cash Flow Sheet (Continued)

Unit: RMB Yuan

Item	Parent Company		Consolidation	
	Ending Balance	Beginning Balance	Ending Balance	Beginning Balance
II. Cash flow from the investing activities:				
Cash from investment withdrawal	8,223,339,731.55	13,303,696,557.43	13,065,788,073.35	28,303,147,769.88
Cash from investment income	1,774,928,166.54	2,014,545,381.55	355,853,425.04	599,904,502.99
Net cash from disposing fixed assets, intangible assets and other long-term assets	23,544,749,071.12	121,108.45	41,678,937.08	74,291,473.94
Net cash from restructuring the subsidiaries and other business units	0.00	0.00	67,000.00	24,240,917.03
Other cash received related to the investing activities	0.00	0.00	20,581,077.68	37,991,319.27
Subtotal of the cash inflow from the investing activities	33,543,016,969.21	15,318,363,047.43	13,483,968,513.15	29,039,575,983.11
Cash paid for purchasing or constructing fixed assets, intangible assets and other long-term assets	21,654,564,189.41	19,835,458,185.65	23,547,499,143.60	21,479,271,306.22
Cash paid for investment	67,094,936,441.86	16,185,265,641.65	43,057,972,089.63	28,829,943,272.54
△ Net increase in pledge loans	0.00	0.00	0.00	0.00
Net cash received from the subsidiaries and other business units	0.00	0.00	0.00	9,390,000.00
Other cash paid related to the investing activities	884,697,500.00	9,179,854.18	902,412,764.86	10,219,322.16
Sub-total of cash outflow for investment activities	89,634,198,131.27	36,029,903,681.48	67,507,883,998.09	50,328,823,900.92
Net cash flows from investment activities	-56,091,181,162.06	-20,711,540,634.05	-54,023,915,484.94	-21,289,247,917.81
III. Cash flow from financing activities:				
Cash received from accepting investment	19,333,169,237.04	19,131,600,882.44	19,333,169,237.04	19,240,861,161.44
Including: Cash received from accepting the investment from the minority shareholders by the subsidiaries	0.00	0.00	0.00	17,550,000.00
Cash from borrowings	37,100,000,000.00	1,652,030,317.44	40,360,677,090.11	8,446,105,795.65
△ Cash received from issue of bonds	0.00	0.00	0.00	0.00
Other cash received related to the financing activities	0.00	0.00	5,709,676.78	3,001,983.26
Subtotal of the cash inflow from the financing activities	56,433,169,237.04	20,783,631,199.88	59,699,556,003.93	27,689,968,940.35
Cash paid for debt	3,197,665,821.79	8,091,764,810.16	19,918,011,260.15	15,313,974,053.17
Cash paid for dividends, profits or interest	2,930,032,895.85	3,963,389,414.31	5,090,745,837.96	6,061,172,482.78
Include: Dividends or profits paid to the minority shareholders by the subsidiaries	0.00	0.00	785,742,710.52	1,061,563,792.16
Other cash paid related to the financing activities	86,020,000.00	0.00	87,118,450.17	23,213,458.45
Subtotal of the cash outflow from the financing activities	6,213,718,717.64	12,055,154,224.47	25,095,875,548.28	21,398,359,994.40
Net cash flow from the financing activities	50,219,450,519.40	8,728,476,975.41	34,603,680,455.65	6,291,608,945.95
IV. Influence of exchange rate change on cash and cash equivalents	0.00	0.00	-6,131,962.07	-13,919,570.25
V. Net increase of the cash and cash equivalents	2,703,737,640.18	-3,702,835,072.37	-1,787,177,721.16	1,177,140,477.65
Add: Balance of cash and cash equivalents at the beginning of the period	4,226,887,526.90	7,929,722,599.27	12,650,028,285.75	11,472,887,808.10
VI. Balance of the cash and cash equivalents at the end of the period	6,930,625,167.08	4,226,887,526.90	10,862,850,564.59	12,650,028,285.75

Note: In this table, items with “*” are used exclusively for consolidated financial statements; items with “△” are used exclusively for corporations implementing the new Accounting Standard for Business Enterprises, other corporations need not complete them.

Notes to Financial Statements

I. Basis of Preparation

These financial statements have been prepared on the basis of going concern, with all actual transactions and events recognized and measured in accordance with the Enterprise Accounting Standards.

II. Statement of Compliance with Enterprise Accounting Standards

These financial statements present fairly, in all material respects, the Corporation's financial position, operating results and cash flows in accordance with the Enterprise Accounting Standards.

III. Significant Accounting Policies and Estimates

(I) Current accounting standards and policies implemented by the corporation

The Corporation follows the Enterprise Accounting Standards promulgated by the Ministry of Financial in 2006.

Upon the consolidation of financial statements, the financial statements of the non-banking financial institutions affiliated with the Corporation are converted into enterprise financial statements in accordance with the State-owned Assets Supervision and Administration Commission's [2008] No. 261 Circular on the Conversion of the Format of Final Financial Settlement Statements of Non-commercial Institutions Affiliated with Centrally Administered Enterprise after the Enterprise Accounting Standards Become Effective.

Upon the consolidation of financial statements, the financial statements of the non-commercial institutions affiliated with the Corporation are converted into enterprise financial statements in accordance with the State-owned Assets Supervision and Administration Commission's [2008] No. 262 Circular on the Conversion of the Format of Final Financial Settlement Statements of Financial Enterprises Affiliated with Centrally Administered Enterprise.

(II) Accounting Year

The Corporation's accounting year is determined based on Gregorian calendar, which begins in each year on January 1 and ends on December 31 of the Gregorian calendar.

(III) Currency in bookkeeping system

The Corporation uses RMB as the recording currency for accounting purpose.

(IV) Accounting basis and measurement attributes

The accounting basis of the corporation is on an accrual basis. The Corporation generally adopts historical cost as the measurement basis for accounting elements. If accounting elements are measured at other measurement attributes such as replacement cost, net realizable value, present value or fair value in accordance with the Accounting Standards, the corporation will give specific explanations.

(V) Foreign Currency Translation Method

Foreign currency transactions are converted into the functional currency (RMB) using the mean exchange rate on the transaction date quoted by the China Foreign Exchange Trading Center with the authorization of the People's Bank of China.

At the balance sheet date, the Corporation accounts for foreign currency monetary items and foreign currency non-monetary items in accordance with the following methods:

(1) Foreign currency monetary items are converted using the mean exchange rate quoted by the People's Bank of China, and the resulting exchange gains or losses are included into profit or loss, except those directly attributable to the purchase or production of assets in conformance with capitalization conditions and thus capitalized and included into the costs of the asset.

(2) Foreign currency non-monetary items measured at historical cost are converted using the mean exchange rate quoted by the People's Bank of China on the date of conversion, without changing its amount in the functional currency. Foreign-currency non-monetary items measured at fair value are converted using the spot exchange rate on the date of the determination of the fair value; the difference between the resulting amount in the functional currency and the amount in the original functional currency is included into profit or loss as a change in fair value.

(VI) Criteria for Determining Cash Equivalents

Cash equivalents represent short-term highly-liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(VII) Financial Assets

1. Classification, Recognition and Measurement of Financial Assets

Financial assets are classified as the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets, and held-to-maturity investments. The classification depends on the intention and ability of the Corporation and its subsidiaries to hold the financial assets.

(1) Financial Assets at Fair Value through Profit or Loss

Financial assets in this category include financial assets held for trading and those directly designated upon initial recognition as at fair value through profit or loss, with the related transaction expenses included into profit or loss. If the payment made includes cash dividends which have been declared but have not been paid or bond interest which has become due but has not been collected, they are separately recognized as receivables. The Corporation recognizes interests or cash dividends

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obtained from such financial assets as investment income. At the balance sheet date, the Corporation includes changes in the fair value of such financial assets into profit or loss. Upon the disposition of an asset, the difference between the asset's fair value and its initial carrying amount is recognized as investment income, and the profit or loss from the change in fair value is adjusted accordingly.

(2) Receivables

The Corporation's receivables (including accounts receivable and other receivables) are initially recognized at contract agreement value, and are recorded as bad loan losses in the following circumstances: the debtor has become insolvent and the amounts due remain uncollectible after the statutory liquidation process has been completed; the debtor has died, leaving behind no assets for liquidation or statutory heir, making the amounts due practically uncollectible; or the debtor has failed to pay the amounts due within the prescribed timeframe, and they are waived after being approved through a legal process.

At the balance sheet date, the Corporation performs impairment testing on individual receivables of substantial amounts, and when there is objective evidence indicating that a financial asset is impaired, provision for impairment is made based on the shortfall between carrying amounts and respective present value of estimated future cash flows. Bad account provisions should also be accrued.

Individual receivables which have not been impaired, along with receivables of non-substantial amounts, are organized into several combinations according to similar credit risk characteristics, and impairment loss is computed and provision for doubtful accounts is made according to the certain percentage of the balance of the receivable combinations at balance sheet date. The percentages of provision are as follows, depending on the selling model of the products or the credit risk rating of the customer:

Age of Account	Percentage of Provision	
	Accounts Receivable	Other Receivable
Below 1 year	0.3%	0.3%
1 – 2 years	5%	5%
2 – 3 years	20%	20%
3 – 4 years	50%	50%
4 – 5 years	80%	80%
Above 5 years	100%	100%

When the Corporation transfers, pledges or discounts its rights to receivables with banks and other financial institutions for financial purposes, according to the provisions of the relevant contract, if the debtor fails to pay the amounts due and if the Corporation has the obligation to repay to the financial institution, such rights to receivables are accounted for as pledged loans; if the Corporation has no obligation to repay to the financial institution, such rights to receivables are accounted for as transfers and the gain or loss from the transfer is recognized. When the Corporation collects the receivable, the difference between the proceeds and the carrying amount of the receivable is included into profit or loss.

(3) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity which the Corporation has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognized as the sum of the fair value upon acquisition and related transaction expenses. If the payments made include bond interest which has become due but has not been collected, such interest is separately recognized as receivables. The interest income of held-to-maturity investments during the period of holding is recognized at amortized cost and effective interest rate and included into investment income. Effective interest rate is determined upon the acquisition of a held-to-maturity investment and remains unchanged in subsequent periods. Where the difference between effective interest rate and nominal interest rate is insignificant, interest income is computed at nominal interest rate and included into investment income. Upon the disposition of a held-to-maturity investment, the difference between the proceeds and the carrying amount of the investment is recognized as investment income.

At the balance sheet date, if there is objective evidence indicating that a held-to-maturity investment is impaired, the shortfall between its carrying amount and present value of estimated future cash flows is recognized as impairment loss; if, after the provision is made, there is objective evidence indicating that the amount has been restored, the previously recognized impairment loss may be reversed and included into profit or loss to the extent that the carrying amount of the reversal does not exceed the amortized cost of the financial asset at the reversal date had no provision been made.

If the Corporation's intention and ability to hold a certain investment to maturity has changed, making it unsuitable to continue to regard the investment as a held-to-maturity investment, the investment is reclassified as an available-for-sale financial asset and is subsequently measured at fair value. At reclassification date, the difference between the carrying amount and fair value of the investment is included into owner's equity, and is removed from equity and included into profit or loss when the available-for-sale asset is determined to be impaired or derecognized.

(4) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are designated as available for sale upon initial recognition; in other words, they are financial assets which have not been classified by the Corporation as at fair value through profit or loss, held-to-maturing investments, or loans and receivables.

Available-for-sale financial assets are initially recognized as the sum of the fair value upon acquisition and related transaction expenses. If the payment made includes bond interest which has become due but has not been collected or cash dividends which have been declared but have not been paid, they are separately recognized as receivables. The Corporation recognizes interests or cash dividends obtained from such financial assets during their holding as investment income. At balance sheet date, available-for-sale financial assets are measured at fair value, and changes in fair value are included into "Capital Reserves-Other Capital Reserves".

For an available-for-sale financial asset, if there is a significant and prolonged decline in its fair value and the decline is expected to be non-temporary, impairment loss is recognized at the asset's

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initial investment cost after deducting the recovered principal, amortized amount and current fair value. When provision for impairment loss is made, cumulative losses arising from the decline of fair value which was previously recognized in owner's equity are removed and included into "Asset Impairment Losses".

Upon disposition of an available-for-sale financial asset, the difference between the proceeds and the carrying amount of the asset is included into investment income, and the corresponding amount of the disposition in the cumulative amount of changes in fair value previously recognized in owner's equity are removed and included into investment income.

2. Determination of Fair Value of Financial Instruments

When an active market exists for a financial instrument, fair value is determined based on quoted prices in the active market. When no active market exists, fair value is determined by using valuation techniques. Valuation techniques include making reference to the prices used by knowledgeable and willing parties in a recent transaction, the current fair value of other financial assets that are the same in substance, discounted cash flow method and option pricing model, etc.. When applying valuation techniques, the Corporation should use market parameters to the fullest extent possible and use specific parameters of the Corporation and its subsidiaries as little as possible.

(VIII) Initial expenses of the project

Initial expenses of the project refers to the survey and design fee, feasibility fee and other fees directly related to the project, which are incurred prior to the formal establishment of the project. As to the initial expenses of general construction projects, those incurred prior to the formal approval and establishment of projects are recorded in the current administrative expenses; and those incurred after the formal approval and establishment of projects are recorded in the project cost.

As to the initial expenses of large-scale construction engineering projects, those incurred prior to the approval and establishment of projects by the State are recorded in "The initial expense of the project" as sub-items respectively; those incurred after the approval and establishment of projects by the State are recorded in two ways: the incurred part of the initial expenses included in the approximate sum shall be transferred into corresponding project costs of the construction in process; the incurred part of the initial expenses not included in the approximate sum shall be recorded in the current administrative expenses.

The balance of the initial expenses of the project should be checked at the end of each accounting period. If there are indications that the project will be cancelled, the initial expenses of the project shall be transferred into the current administrative expenses on a lump-sum basis.

(IX) Borrowing costs

Where the borrowing costs incurred to a corporation can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, they shall be capitalized and recorded into the costs of relevant assets. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses. The term "assets eligible for capitalization" shall refer to the fixed assets, investment real estate, inventories

and other assets, of which a long period of acquisition and construction or production may be required for the intended use or sale to be arrived at.

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements: (1) The asset disbursements have already incurred, which shall include the cash, transferred non-cash assets or interest bearing debts paid for the acquisition and construction or production activities for preparing assets eligible for capitalization; (2) The borrowing costs have already incurred; and (3) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

For specific borrowings for the acquisition or construction of an asset eligible for capitalization, the capitalized amount of interests in each accounting period during capitalization is determined based on the interest expense incurred after deducting any interest income earned from the deposits or investment income from the temporary investment funded by the unused borrowing balance. For general borrowings used for acquisition or construction of an asset eligible for capitalization, the capitalized interest is determined by multiplying the weighted average excess of accumulated capital expenditure over specific borrowings by the capitalization rate of such general borrowings. The capitalization rate is determined according to the weighted average interest rate of the general borrowings. The capitalized amount of interests does not exceed the amount of interest actually incurred by related borrowings during the relevant period.

If the acquisition or construction of an asset is interrupted abnormally for more than three months, the capitalization of the borrowing costs is suspended. The borrowing costs incurred during the period of interruption are recognized as expenses and included into profit or loss until acquisition or construction activities are resumed. If the interruption is a necessary procedure for make the asset under acquisition or construction and eligible for capitalization ready for the intended use or sale, the capitalization of the borrowing costs will continue.

The capitalization of the borrowing costs is ceased when the asset under acquisition or construction and eligible for capitalization is ready for the intended use or sale.

The calculation method of the capitalized amount of borrowing costs for large-scale construction engineering projects:

(1) Specifically borrowed loan

The to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment.

Where the main asset of the project is not ready for the intended use, incurred borrowing costs of annual specifically borrowed loans shall be recorded into the costs of construction in process; where part of the main asset of the project is ready for the intended use, for borrowing costs of annual specifically borrowed loan incurred during period which construction and operation are going on simultaneously, the corporation shall calculate a sound to-be-capitalized rate to determine amount of capitalization into the costs of construction in process; where the project is ready for the intended use, the borrowing costs shall be recorded into the current profits and losses.

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(2) General borrowing

Where it is proved that a general borrowing is used for the project and the amount can be identified directly, the corporation shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

Where it is difficult to identify whether a project uses the general borrowing when various large-scale construction projects are undertaken, and when construction and operation are carried out at the same time, the corporation shall determine the capitalized amount into the cost of construction in process according to the following regulation, and apportion among hydro-electric construction projects, the un-capitalized borrowing costs are recorded into current financial expenses:

The sum of capitalized borrowing costs = accumulated amount of borrowing used by the construction engineering in process \times capitalization rate

Note: construction engineering in process includes three parts: construction-process, construction materials and construction temporarily receipts and payments (the same hereinafter).

Accumulated amount of borrowing used by the construction engineering in process = Σ (the monthly amount of borrowing used by the construction engineering in process \times 1 / number of months of the accounting period)

The monthly amount of borrowing used by the construction engineering in process = the weighted average of accumulative disbursements of the construction engineering in process in the month / total asset value at the beginning of the month \times total borrowing at the beginning of the month

Note: the total asset value at the beginning of the month shall deduct such assets which can be identified as not using the borrowing (the same hereinafter).

The weighted average of accumulative disbursements of the construction engineering in process in the month = the book balance of the construction engineering in process at the beginning of the month + total disbursements of the construction engineering in process in the month / 2

Capitalization rate = the weighted average interest rate of the borrowing

The weighted average interest rate = (Σ current interests incurred / the weighted average borrowing principal) \times 100%

The weighted average borrowing principal = Σ [the principal amount of each borrowing \times (number of days or months for each used borrowing / number of days or months of the accounting period)]

Capitalized borrowing costs of a construction project = total capitalized borrowing costs \times (accumulative disbursements of a construction engineering in process at the beginning of the month / accumulative disbursements of total construction engineering in process at the beginning of the month)

(X) Comprehensive administrative expenses

Expenses which can be directly identified as the construction administrative expenses of a construction project (including the administrative expenses of each construction department and the scientific, research and consultation fees directly related to the construction project) shall be directly recorded into the project cost of construction in process; the comprehensive administrative expenses which can not be directly identified as the construction administrative expenses of a construction project (such as the fee of construction administrative institutions in multiple projects) shall be apportioned based on the following principles and recorded into the construction in process:

1. The administrative fee, apportioned fee and costs incurred by the construction project administrative institution in charge of more than two construction projects in process simultaneously and the overseas institution directly serving for the construction projects shall be apportioned among all construction projects. The apportioned rate is the proportion of the book balance of each construction engineering in process at the beginning of the period to the book balance of all construction engineering in process at the beginning of the period.

2. The apportioned fee related to multi-project development such as the hydrographical, meteorology, geology and earthquake examination undertaken simultaneously for more than two construction projects in process and un-established projects shall be apportioned among the cost of each engineering project in process by the proportion of the designed installed capacity of each project.

IV. Statement of Changes in Accounting Policies and Estimates and Correction of Significant Prior Period Errors

(I) Changes in Accounting Policies

No accounting policy of the Corporation changed during the current reporting period.

(II) Changes in Accounting Estimates

The Board of Directors of one of the Corporation's subsidiaries, Three Gorges Nengda Electric Co., Ltd., resolved that in light of changes in the market and operating modes, no provision would be made for after-sale service fees from January 1, 2008. This accounting estimate change affected RMB 1,183,900 of the total profits of the relevant period.

(III) Correction of Significant Prior Period Errors

The Corporation does not have any prior period errors to correct during the current period.

Science & Technology and Innovation

Serving the Innovation-Oriented National Construction, Pursuing Independent Innovation, and Enhancing the Standard of Domestically Produced Major Electric Power Equipment

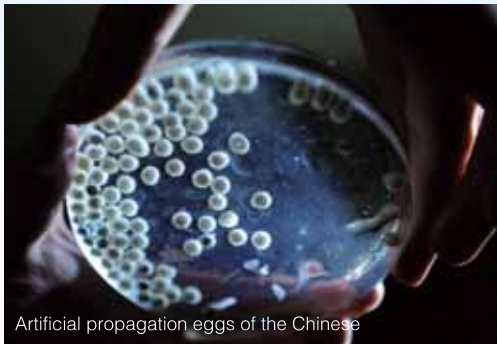
The Three Gorges Hydropower Plant is the largest hydropower plant in the world, unmatched in terms of engineering scale, installed capacity and technological advancement. TGHP is designed to house thirty two 700MW water turbine generating units. The fourteen generating units at the left-bank powerhouse were designed and manufactured by foreign companies in collaboration with domestic enterprises, and were 50 percent domestically produced. Eight of the twelve generating units at the right-bank powerhouse are domestically produced, incorporating Chinese proprietary intellectual properties. The last generating unit for the right-bank powerhouse was officially integrated into the power grid and started power generation on October 30, 2008, marking the commencement of the commercial operations of all of the 26 generating units at the left and right bank powerhouses, a year ahead of schedule. All of the eight domestically produced generating units with Chinese proprietary intellectual properties have been in operation ever since. Operating indicators so far show that all units' power output exceeds the level specified in the contract, and that all of them have been running reliably. During the course of manufacturing the generating units, by absorbing, digesting and renovating overseas technologies, the domestic industry acquired the core technologies and key processes for designing and manufacturing super-sized generating units and achieved remarkable breakthroughs in hydropower technology. The Three Gorges Project has not only exerted a stimulatory effect on technical innovation for major projects in China, but also opened up a path to introduce, absorb, digest and renovate overseas technology, thereby contributing to the rapid improvement of the technological standard of China's hydropower equipment and the nation's domestic innovation capabilities. The domestic manufacturing of the generating units for the Three Gorges Project is considered as a paragon for the advancement of the national manufacturing industry.



Financial Input in Science & Technology Covering Engineering & Construction, Electric Power Production and Other Fields

CTGPC is among China's first innovative enterprises recognized by the Ministry of Science and Technology, the State Council's State-owned Assets Supervision and Administration Commission, and the All-China Federation of Trade Unions. In 2009, CTGPC injected RMB 676 million or 2.64 percent of its principal operating incomes, into scientific research. The funds were primarily spent on construction technology research, dedicated engineering research, ecological environment research and

compensation, initial project survey and design, and feasibility research. Funds of RMB 223 million was devoted to electric power production technologies, which were mostly spent on river basin hydropower planning, cascade operations, reservoir storage scheme design, and production technology renovation.



Artificial propagation eggs of the Chinese

At 2:58 PM on October 4, 2009, the world's first completely artificially propagated Chinese sturgeon fry was successfully hatched by the Chinese Sturgeon Research Institute on the site of the Three Gorges Dam, marking a major breakthrough in the technology for the preservation of Chinese sturgeons.

In 2009, a number of research projects under the nation's 11th Five-Year Science and Technology Support Plan which are undertaken by CTGPC proceeded smoothly, notably the Research of Key Technologies for High-efficiency Operation and Safety of Super-sized Cascade Hydraulic and Hydroelectric Complex Engineering and Construction, Site Selection for Offshore Wind Farms and Technology Development for Wind Turbine Operation and Maintenance, and the Research and Manufacturing of Special Equipment for Construction and Testing of Offshore Wind Turbines. The research achievements have been demonstrated at the Xiangshui Wind Farm.

In 2009, CTGPC completed the formulation of the Code of Offshore Wind Power Engineering and Construction, a set of national standards, and the submittal draft of the Code of Hydroelectric and Hydraulic Project Construction Management (in both Chinese and English), a set of standards for the electric power industry and the first of its kind in China. During the same year, CTGPC commenced with the formation of the Code of Wind Power Generation Engineering and Construction and Acceptance Inspection, a set of national standards, and the Code of Hydraulic Concrete Construction, a set of standards for the electric power industry.

CTGPC has also forged strategic partnerships with the Chinese Academy of Sciences, the University of Hong Kong, Hohai University, and many other prestigious institutions around the world to conduct in-depth research into science and technology in relation to hydraulic and hydroelectric project construction and management, high-efficiency utilization of water resources, development of alternative energy, and preservation of the ecological environment.



Corporate Culture

Core Value System

Promote the “TGP Spirit”

Execute the Three Gorges Project for the benefit of the whole nation

Be devoted and outdo ourselves

Persist in innovation and build first-class projects

Engage in fair competition and work closely together

Respect science and seek truth from facts



Practice the Defined Hydropower Development philosophy

Building a first-class hydropower plant to stimulate the growth of the local economy, improve the local environment, and benefit resettled residents

Corporate Culture

Corporate Culture Buiding Proceeding in an Orderly Manner

In 2009, CTGPC organized a wide variety of events for employees to study the “Scientific Outlook on Development” ; as a result, the “Three Gorges Spirit” centered on “building the Three Gorges Project for the benefit of the whole nation” and the commitment to “building a first-class hydropower plant to stimulate the growth of the local economy, improve the local environment, and benefit resettled residents” have won more hearts, and the Corporation’s cohesiveness and creativity have been further strengthened.



CTGPC also launched the “Build a Learning Organization and Become a Knowledgeable Employee” initiative, which has enhanced employees’ commitment to lifelong learning. Moreover, CTGPC held a “Read Books Recommended by the President” initiative for the employees, and organized a reading and writing contest among female employees to enhance their devotion to reading and commitment to greater contributions to the Corporation. Furthermore, CTGPC took proactive steps to solicit comments and suggestions from all employees and organized writing, photography and animation competitions among the employees on the Jinsha River projects.



In addition, CTGPC continued to organize labor skills competitions on various national priority projects, including the Three Gorges, Xiluodu and Xiangjiaba Hydropower Projects, from which a significant number of national and provincial-class model workers and outstanding groups have emerged.

CTGPC increased its efforts to build employee cultural and sports associations. More than 10 associations for tennis, badminton, tai chi, bridge, angling, photography, calligraphy and painting, and Peking opera hold events on a regular basis. CTGPC also made strong efforts to organize a vast diversity of small-scaled cultural and sports events that involved all employees in their leisure time. Besides, CTGPC successfully hosted a large-scale orchestral choir concert in celebration of the 60th anniversary of the founding of the PRC and organized a cultural show for employees working on the Jinsha River projects.



Comprehensive Fulfillment of Social Responsibility

Honoring Tax Obligations and Reward the Society

Diligent Fulfillment of Tax Obligation: CTGPC's tax obligations for 2009 amount to RMB 9.073 billion, of which RMB 8.821 billion has been paid, with the outstanding amounts to be paid in 2010.

Financial Support for the Reservoir Area: As required by the Ministry of Finance, each year CTGPC withdraws a certain percentage of its proceeds from electricity sales and contributes them to the Three Gorges Reservoir Area Foundation, the Gezhouba Reservoir Area Foundation, the Three Gorges Foundation for Relocated Residents, and the Three Gorges Reservoir Area Electric Power Support Foundation. In 2009, CTGPC contributed RMB 635 billion to the Three Gorges Reservoir Area Foundation, RMB 128 million to the Gezhouba Reservoir Area Foundation, and RMB 40 million to the Three Gorges Foundation for Relocated Residents. The funds are paid to the Ministry of Finance and the Hubei Provincial Government on a monthly basis and are devoted by national authorities to the improvement of the livelihood and production conditions of the resettled residents and local infrastructure.



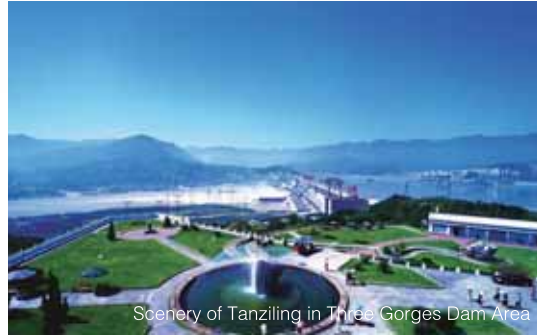
Poverty Relief and Financial Aid in Target Areas: CTGPC makes constant efforts to explore new approaches and methods for poverty relief. CTGPC follows the principles of “combining provision of financial aids with encouragement of self-development, near term with long term, and aids with partnership” in providing manpower and intellectual support, assistance for projects, and aid for residents in need. CTGPC has increased support and aids for its target counties set by the CPC Central Committee and the Central Government and for areas around the Three Gorges, Xiluodu and Xiangjiaba dams. In 2009, CTGPC provided RMB 77 million in support of livelihood improvement and employment promotion projects in poverty-stricken areas, contributing to the stability of the frontier regions and the economic growth of underdeveloped areas, creating a harmonious and stable external environment for the long-term safe operations of the Three Gorges Project and for hydropower development on the lower reaches of the Jinsha River. In 2009, CTGPC was honored by the State Council Three Gorges Project Construction Committee as an outstanding organization in training residents relocated from the Three Gorges Project.

Ecological Environment

Significant Ecological and Environmental Benefits of the Three Gorges Project

Since 1993, when construction preparations commenced for the Three Gorges Project, the Central Government has consistently afforded high priority to ecological development and environmental protection in the reservoir area, and has increased financial input for such efforts, and adopted a wide variety of integrated response and protection measures. Monitoring results since June 2003, when the reservoir started to impound water, indicate that the project's impact on the ecological environment has largely been in line with the predictions stated in the feasibility study report.

The water quality of the mainstream in the Three Gorges Reservoir Area has remained stable, with no significant changes compared with the water quality prior to water impoundment. In general, the water quality meets or exceeds the Category III water quality standard. Since the commencement of water impoundment, the amount of sediment from the upper reaches of the Yangtze River has dropped remarkably, and no major geological hazards or personal casualties have occurred in the reservoir area. Since the commencement of water impoundment, the number of earthquakes recorded in the reservoir area has slightly increased, but few are above magnitude 2, posing no threat to the reservoir area or the dam.



Scenery of Tanziling in Three Gorges Dam Area

The preservation of biodiversity in the reservoir area has consistently received strong support from national authorities and the company, and substantial measures have been taken to strengthen the preservation. Over the past decade, a number of preservation initiatives have been implemented, including the Dalaoling Plant Protection Zone in Yichang, Hubei; the Longmen River Evergreen Broadleaf Forest Protection Zone and the Ancient Woods Protection Project in Xingmen, Hubei; the Chinese Sturgeon Nature Reserve Project in Yichang, Hubei; and the Yangtze Estuary Chinese Sturgeon Nature Reserve Project in Shanghai. Moreover, construction will soon begin on a rescue center on the upper reaches of the Yangtze River for endangered and unique fish species. Moreover, the Chinese Sturgeon Research Institute and the Jinsha River Release Station have been designated by the China Association of Science and Technology as “a national popular science education base” in the category of scientific research institutes and in the category of production facilities, respectively.



Scenery in the Three Gorges Reservoir Region



Environmental Protection in the Project Management Area

CTGPC implements eco-friendly construction practices on its worksites and uses its best endeavors to minimize the occupation of land plots and control pollutant discharge. CTGPC has also increased spending on pollution treatment facilities, strengthened integrated utilization of engineering and construction equipment and materials, and adopted dust precipitation, slope protection, retaining walls, water interception and drainage, slag yard greening and other measures

to minimize the generation of wastewater, dust, noise and solid waste during construction. Advanced radial-flow precipitation and mechanical filtering-style dewatering treatment processes have been adopted for wastewater treatment for the aggregate processing system at Tangfangping near the Xiluodu Hydropower Plant, thereby achieving largely zero discharge. The Xiangjiaba Hydropower Plant uses the DH high-efficiency spiral-flow purification process to treat wastewater arising from the concrete mixing system, with substantial results achieved. Ecological restoration is in full swing across the worksite of the Three Gorges Project, and the ecological environment is being further improved. In 2009, the Xiluodu Project Construction Division was named “an outstanding organization in water and soil conservation” by the Ministry of Water Resources.



Construction camp of Xiluodu



Construction area of Xiluodu

The electric power production and operations of the Three Gorges-Gezhouba Hydropower Complex are managed in accordance with the GB/T24001-2004 Environmental Management System Standards. An extensive range of initiatives has been carried out to inspect environmental protection and renovate equipment prone to oil leakage.



Ecological Environment



Xiangjiaba Domestic Sewage Treatment Plant



Xiluodu Majiaheba Aggregate Processing Wastewater Treatment System

Energy Conservation and Emission Reduction

In 2009, CTGPC was able to generate extra power from water saved by implementing the following measures: strengthening monitoring of equipment's set values and control process, boosting the reliability of automated equipment, and optimizing the machine booting process; increasing the inspection frequency of pressure differences at the trash racks of the generating units, and bringing down the cleaning limits for trash rack jamming; adjusting the amount of cooling water for the generating units and the amount of secondary cooling water for the main transformer and pure water while assuring the safe operations of the generating units; continuing to implement the achievements of indigenous technological innovation, and reducing shop power consumption. In the same year, the Three Gorges –Gezhouba Cascade Hydropower Complex produced an extra 5.056 TWh of electricity from water saved by improving the accuracy of water regime forecasting, optimizing reservoir operations, raising water utilization efficiency, strengthening equipment maintenance management, increasing the rate of successful booting and halting of the generating units, and introducing other intensive management methods.

CTGPC also launched a drive to promote energy conservation, emissions reduction and scientific development. Publicity campaigns were launched among the employees through bulletin boards, banners, Web videos, and collective signing to raise awareness of the significance of energy conservation and emission reduction, disseminate knowledge of energy conservation and emission reduction, and demonstrate the results of energy conservation and emission reduction, thereby boosting the popularity of the notions of energy conservation and emission reduction.

So far, the Three Gorges – Gezhouba Cascade Hydropower Complex has produced 96.096 TWh of electricity, equivalent to the amount of electricity produced by burning about 36 million tons of standard coal, leading to a decrease of about 82 million tons of CO₂ emissions, 980,000 tons of SO₂ emissions, and 420,000 tons of nitrogen oxide emissions.

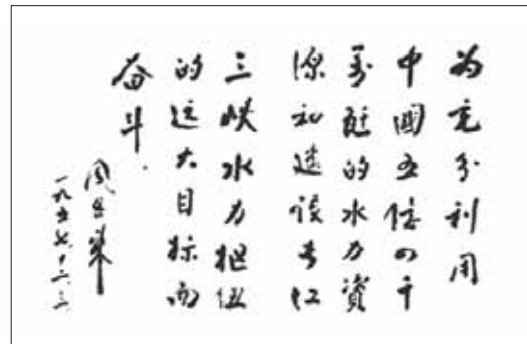
Several Generations of China's Leaders Have Shown Affection to the Three Gorges Project



On March 30, 1958, Chairman Mao Zedong inspected the Three Gorges by boat.



In March, 1958, Premier Zhou Enlai reached Zhongbao Islet, Sandouping and studied the optimal dam site scheme of Three Gorges Project together with the accompanying experts.



On December 3, 1957, Premier Zhou Enlai wrote the inscriptions for the National Power Conference: "Let us strive to make full use of the 540 GW of water resources in China and construct the Yangtze River Three Gorges Hydropower Complex."



In May, 1960, Chairman Liu Shaoqi visited Sandouping to inspect the geological structure of the dam site of the Three Gorges Project.

Support by Leadership



In July 1980, Deng Xiaoping, Vice-Chairman of the CPC Central Committee and Vice Premier of the State Council, went by boat towards the east from Chongqing, he inspected the dam site of TGP, the site of Gezhouba as well as the Jingjiang Levee and listened to the report on TGP.

On November 24, 1982, Deng Xiaoping, Vice Premier of the State Council, listened to the report prepared by the State Development Planning Commission. When he heard that “it is necessary to construct the Three Gorges Project because China’s industry and agriculture will develop and power will be inadequate in the next 20 years”, he said, “I agree to the low dam plan, and we should never turn back once we are sure that something must be done.



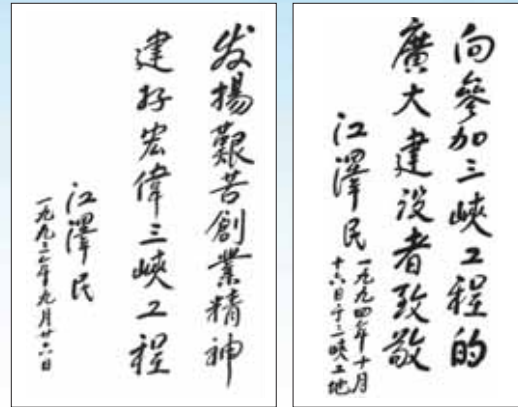
In September 1991, Li Ruihuan, member of the Standing Committee of the Political Bureau of the Central Committee of the Communist Party of China and Chairman of the Chinese People’s Political Consultative Conference, inspected the dam site of the Three Gorges Project.



In 1992, Qiao Shi, member of the Standing Committee of the Political Bureau of the Central Committee of the Communist Party of China and Chairman of the Standing Committee of the National People’s Congress, inspected the dam site of Three Gorges Project.



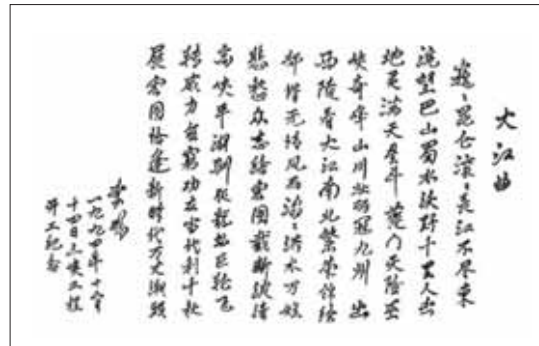
In October 1994, Jiang Zemin, General Secretary of the CPC Central Committee, inspected the Three Gorges Project.



Jiang Zemin made an inscription for the Three Gorges Project



On December 14, 1994, Premier Li Peng addressed the initiation ceremony of the Three Gorges Project.



In December 1994, on the way to the TGP dam site to attend the initiation ceremony by boat, Premier Li Peng wrote the "Ode for the Large River" celebrating the Three Gorges Project.



On October 30, 1997, Hu Jintao, as a member of the Standing Committee of the Political Bureau of the CPC Central Committee and Secretary of the Secretariat of the CPC Central Committee with his suite inspected the TGP site.

Support by Leadership



On November 8, 1997, Central Government leaders such as Jiang Zemin, Li Peng, Zeng Qinghong and Luo Gan were present at the River Closure Ceremony of the Three Gorges Project.



On December 28, 1998, Premier Zhu Rongji, who was also a member of the Standing Committee of the Political Bureau of the Central Committee of the Communist Party of China and Chairman of the State Council Three Gorges Project Construction Committee, inspected the reservoir area and the dam site of the Three Gorges Project.



In October 2003, Premier Wen Jiabao, also a member of the Standing Committee of the Political Bureau of the Central Committee of the Communist Party of China and Chairman of the State Council Three Gorges Project Construction Committee, inspected the reservoir area and the construction site of the Three Gorges Project.



In April 2004, Wu Bangguo, member of the Standing Committee of the Political Bureau of the Central Committee of the Communist Party of China and Chairman of the National People's Congress, inspected the Three Gorges Project.



In November 2004, Jia Qinglin, member of the Standing Committee of the Political Bureau of the Central Committee of the Communist Party of China and Chairman of the Chinese People's Political Consultative Conference, inspected the Three Gorges Project.



On July 9, 2009, Li Keqiang, Member of the Standing Committee of the Political Bureau of the CPC Central Committee, Vice Premier of China, and Chairman of the State Council Three Gorges Project Construction Committee, presided over an engineering conference on the site of Three Gorges Dam, and inspected the hydropower complex and reservoir area.

Principal Subsidiaries

China Yangtze Power Co., Ltd.

China Yangtze Power Co., Ltd. (CYPC, stock code: 600900) is a joint-stock limited-liability company incorporated on September 29, 2002 on the initiative of China Three Gorges Project Corporation after being approved by the State Council upon filing by the former State Economic and Trade Commission, which issued the Reply Regarding the Approval to Establish China Yangtze Power Co., Ltd (Guo Jing Mao Qi Gai [2002] No. 700).

On October 28, 2003, CYPC launched an IPO of RMB-denominated 2,326,000,000 common shares at a price of RMB 4.30 per share, raising net capital of RMB 9.826 billion. On August 15, 2005, CYPC instituted a reform of its shareholder structure to float non-tradable shares; as a result, its total stock increased from 7,856,000,000 shares to 8,186,737,600 shares. Between May 18–24, 2007, Yangtze Power CWB1 subscription warrants, issued by CYPC, were successfully exercised, adding 1,225,347,857 shares to its total stock. On September 28, 2009, CYPC completed a substantial asset restructuring, raising its total stock to 11,000,000,000 shares.

CYPC is currently China's largest public-listed hydropower company, specializing in hydropower development. At the end of 2009, CYPC owned the Gezhouba Hydropower Plant and all generating units already in operation on the Three Gorges Project, with a total installed capacity of 21035 MW. CYPC also holds an 11.189% interest in Guangzhou Development Industry (Holdings) Co., Ltd. (GDIH), which has an installed capacity of about 2298.6 MW; an 8.77% interest in Shanghai Electric Power Co., Ltd. (SEPC), which has an installed capacity of about 6007.7 MW; a 41.69% interest in Hubei Energy Group Co., Ltd. (HEGC), which has an installed capacity of about 4527.7 MW.

China Water Investment Group Corporation

China Water Investment Group Corporation (CWI) is a large-scale state-owned investment enterprise affiliated with CTGPC. Its antecedent is the Integrated Hydraulic Engineering Company of the Ministry of Water Resources founded in 1980. The company was renamed China Water Resource Industrial Development Company in September 1985, China River Hydraulic and Hydroelectric Development Company in December 1991, and China Water Investment Company in December 1997. In November 1998, the company was de-linked with the Ministry of Water Resources and placed under

the administration of the Central Government. In December 2004, the State-owned Assets Supervision and Administration Commission obtained an approval from the State Council to incorporate China International Water & Electric Corp. into China Water Investment Company as a wholly-owned subsidiary. In August 2006, China Water Investment Group was formed, and the company's name was changed to China Water Investment Group Corporation. In October 2008, the State-owned Assets Supervision and Administration Commission obtained an approval from the State Council to incorporate China Water Investment Group into CTGPC as a wholly-owned subsidiary.

CWI is one of the water investing and operating arms of the Central Government; its principal activities include wind power investment and asset management, technology R&D, trade, and services.

CWI has sizable investments in various fields, including small and medium-sized development of hydropower, wind power and other forms of clean and renewable of energy, manufacturing of wind power equipment, and urban water supply.

Following the restructuring, CWI is now CTGPC's arm of wind power business and equity investment.

China International Water & Electric Corp.

China International Water & Electric Corp. (CWE), a wholly-owned subsidiary company of CTGPC, is originally a foreign aid arm of the former Ministry of Hydropower. In 1955, it began to undertake overseas hydraulic and hydroelectric projects funded by the Chinese government as foreign aid projects, and in 1980, it started to contract international projects and export labor services; it was one of the first eight international project contracting companies approved by the State Council. In August 1983, with the approval of the former Ministry of Foreign Trade and Economic Cooperation, the China International Water & Electric Corp. was officially established, responsible for international aid programs, importation of complete sets of equipment, international project contracting, and provision of labor services for China's hydraulic and hydroelectric industry.

CWE has completed over 700 international contracts and aid projects in more than 60 countries and regions, with total contract value exceeding US\$ 7 billion, contributing tremendously to the global development of Chinese enterprises'. CWE has been ranked among the world's top 225 international project contractors for 20 years in a row, among the world's top 200 international project consulting

Principal Subsidiaries

and designing companies for nine consecutive years, and among China's top 30 international project contractors selected by the Ministry of Commerce for 15 consecutive years. CWE has also been named an outstanding Chinese enterprise in international project contracting for two straight years. In both 2007 and 2008, CWE was rated as one of the "Top 10 International Chinese Contractor Brands in the International Market" by the United Nations World Confederation of Productivity Science.

As an important vehicle for the implementation of the "Go Global" strategy of CTGPC, CWE will focus on international hydropower project engineering, design and EPC contracting and development and investment of international resources and technology with a view to gradually realizing the development strategy of CTGPC in the international clean and renewable energy field.

Three Gorges Financial Co., Ltd.

Three Gorges Financial Co., Ltd. (TGFC), incorporated in November 1997 with the approval of the People's Bank of China, is a non-bank financial institution dedicated to the provision of services for CTGPC, the construction of the Three Gorges Project, and the development of hydropower resources on the upper and middle reaches of the Yangtze River. It has a registered capital of RMB 2.4 billion.

Charged with the mission of serving its group corporation and the Three Gorges Project, TGFC strictly

adheres to its operating philosophy of standardization, prudence, endeavor and innovation. Under the supervision and administration of the China Banking Regulatory Commission, TGFC is engaged in a wide range of businesses within the limits of the law. At present, TGFC provides deposit, loan, trusted assets management, valuable securities investment, and electricity fee collection agency services, and has formed considerable competitiveness in the issuance of bonds as an agent, electronic settlement services, and bank consortium loans, playing a significant role in facilitating the construction of the Three Gorges Project and promoting the group corporation's centralized capital management.

Yangtze Three Gorges Technological & Economic Development Co., Ltd.

Yangtze Three Gorges Technological & Economic Development Co., Ltd. (YTEDC), a wholly-owned subsidiary of CTGPC, has its roots in the CTGPC Shisanling Engineering & Construction Company,

which was founded in January 1989; it has been repeatedly renamed and is the result of the merger of several supervisory and consulting firms. YTEDC was officially registered with the State Administration for Industry & Commerce in 1998 after restructuring.

YTEDC is one of China's first enterprises to provide supervisory services for hydraulic and hydroelectric projects, specializing in the provision of supervisory services for such projects and undertaking international and domestic engineering technology consultancy and services, project management, and project general contracting.

YTEDC has provided construction supervision and engineering consultancy for various projects and obtained multiple Class A supervisory qualification certificates from the Ministry of Construction, the Ministry of Water Resources and other ministries and commissions, in addition to Class A engineering consultancy qualifications from the National Development and Reform Commission. YTEDC has accumulated a wealth of experience in project management by providing supervisory services for the Shisanling Pumped Storage Power Station, Three Gorges Hydropower Complex, Xiluodu Hydropower Plant, Xiangjiaba Hydropower Plant, and Sichuan Huaneng Cascade Development Hydropower Plant, as well as the National Aquatics Center for the 2008 Beijing Olympic Games and the Hainan National Defense Project. YTEDC has also obtained remarkable achievements in hydraulic and hydroelectric project management, especially on the Three Gorges Project, where YTEDC has accumulated extensive experience and formed unique advantages in the supervision of the manufacturing and installation of large-scale water turbine generating units and supervision of roller-compacted concrete placement and dam concrete placement.

China Three Gorges Tourism Development Co., Ltd.

China Three Gorges Tourism Development Co., Ltd. (CTGTD), a wholly-owned subsidiary of CTGPC, is responsible for the management, development and operation of the Three Gorges Dam Industrial Tourism Zone.

CTGTD has four principal businesses: scenic areas, hotels, travel agencies, and transportation. Its core operating areas are the Three Gorges Dam Tourist Area and the Jiuwan Creek Scenic Area. In addition, CTGTD has a flagship hotel, the Three Gorges Project Hotel, which operates five hotels, including the Three Gorges Dongshan Hotel, the Three Gorges Xiba Hotel, Gedian Hotel, the Chinese Language Office, and the Training Center. The Three Gorges Dam Tourist Area is an AAAAA-class tourist site and the most visited tourist attraction on the shores of the Three Gorges.

Principal Subsidiaries

Yangtze New Energy Development Co., Ltd.

Yangtze New Energy Development Co., Ltd. (YNED) is a wholly-owned subsidiary of CTGPC, founded for the purpose of implementing CTGPC's development strategy and boosting its development intensity in the new energy sector. YNED was incorporated in Shanghai on March 30, 2006.

YNED is dedicated to the investment and development, production, operation and sales of new energy, such as wind power. At present, YNEDC owns the rights to develop the Jiangsu Xiangshui and Zhejiang Cixi Wind Farms. YNEDC is also actively engaged in the development of other wind power projects.

Three Gorges International Tendering Co. Ltd.

Three Gorges International Tendering Co. Ltd. (TGIT) is a professional tendering company registered with the State Administration for Industry and Commerce on June 13, 1996. TGIT was founded by CTGPC at the instruction of former Chinese Premier Li Peng and with approval from the State Council Three Gorges Project Construction Committee, for the purpose of taking stock of the public tendering experience of the Three Gorges Projects since the launch of construction and for facilitating modern project management and standardizing the tendering process. TGITC is primarily engaged in conducting international and domestic tendering as an agent and executing contracts, and also provides economic and trade consultancy and training services. It is majority-controlled by Yangtze Power (holding a 95% interest).

As the tendering center for CTGPC, TGIT undertakes public tendering in relation to construction, installation, mechanical and electrical equipment, metal structures, materials, and consulting services for the construction of the Three Gorges Project, the hydropower development of the Jinsha River, and the development of new energy.

In 1997, TGIT became a member of the China Council for the Promotion of International Trade (CCPIT) and the China Chamber of International Commerce (CCOIC). In 2000, TGIT obtained "Class A International Tendering Agency Qualifications" from the Ministry of Foreign Trade and Economic Cooperation. In 2001, TGIT became a member of the Construction Market and Tendering Branch of the China Civil Engineering Society. In 2002, TGIT secured "Class A Engineering Tendering Agency

Qualifications” from the Ministry of Construction. In 2003, TGIT was awarded “Class A Equipment Tendering Agency Qualifications for Technological Renovation Projects” by the State Economic and Trade Commission and obtained ISO9000 Quality Management System Certification. In August 2005, TGIT was given an AAA international credit rating by China Chengxin International Credit Rating Co., Ltd. In 2006, TGIT was qualified by the Ministry of Finance as a Class A agency for government procurement. In 2007, TGIT won tendering qualifications for investment projects by the Central Government from the National Development and Reform Commission.

Yangtze Three Gorges Equipment & Materials Co., Ltd.

Yangtze Three Gorges Equipment & Materials Co., Ltd. (YEMC) is a wholly-owned subsidiary of CTGPC. YEMC provides the following specialized services for CTGPC’s project construction and electric power production: commercial agency for equipment and material contracts, warehousing and logistics, transport of heavy-duty machines, and operation and management of gas stations and oil depots. YEMC’s scope of business includes: lease of engineering equipment independently or as an agent; sale of mechanic and electronic equipment, building materials and chemicals (excluding hazardous explosives), lubricants and office automation equipment as an agent; metal fabrication and installation; installation, maintenance and warehousing of mechanical equipment and devices; general freight transport; new product development and technology consultancy services; property management; gasoline and diesel retail (limited to branches); and other business services.

Yangtze Three Gorges Industrial Co., Ltd.

Yangtze Three Gorges Industrial Co., Ltd. (YTGI) is a wholly-owned subsidiary of CTGPC.

It holds Class I qualifications for property management, Class II qualifications for gardening and landscaping, and Class III qualifications for mechanical and electrical equipment installation, architectural decoration and furnishing, building waterproofing, corrosion-proofing and preservation, and city and road lighting.

YTGI is the long-term manager of the productive properties of the Three Gorges and Gezhouba Hydropower Complexes. It also provides property management services for the offices and living quarters of CTGPC and Yangtze Power, and is responsible for the fabrication and erection of billboards

Principal Subsidiaries

in the Three Gorges Dam Area, as well as gardening and landscaping. Moreover, it provides property management services for ongoing hydropower plant construction in the Jinsha River Valley.

Yangtze Three Gorges Hydroelectric Engineering Co., Ltd.

Yangtze Three Gorges Hydroelectric Engineering Co., Ltd. (YHEC) is a wholly-owned subsidiary of CTGPC.

YHEC specializes in construction power and water supply, telecommunication operation management, and construction of auxiliary works for CTGPC's hydropower projects. At present, YHEC is responsible for supplying construction and domestic power and water, managing telecommunication operations and performing auxiliary construction for the Three Gorges, Xiluodu and Xiangjiaba worksites; supplying water to the generating units of the Three Gorges Hydropower Plant; and supplying water to the generating units of the Gezhouba Hydropower Plant and residents nearby.