



**中国三峡**  
China Three Gorges Corporation



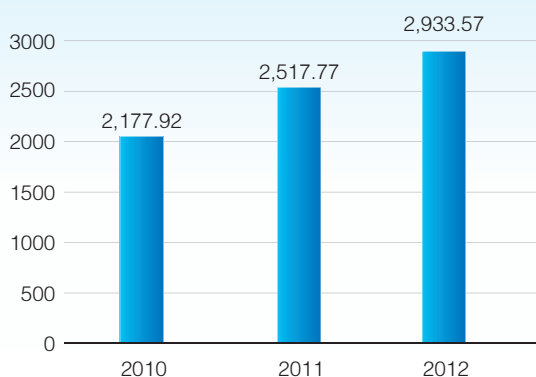
**Annual Report 2012**



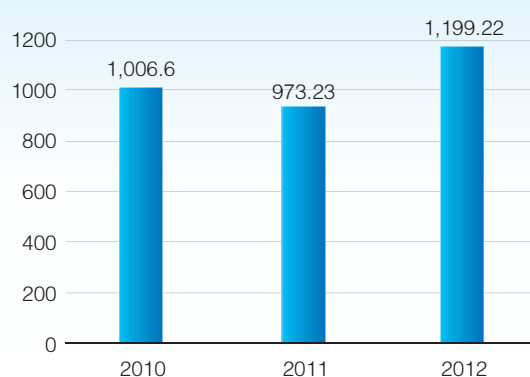
# Key Performance Indicators in 2012

## (Corporate consolidated financial statements)

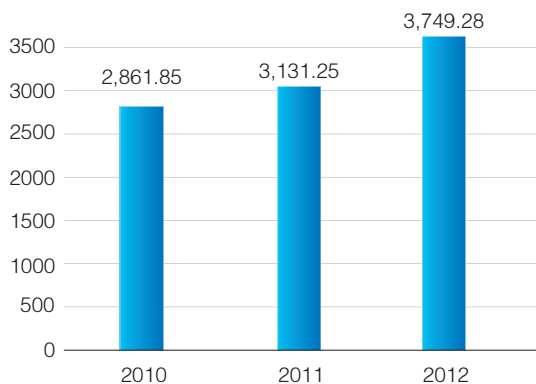
Installed capacity (in ten thousand kilowatts)



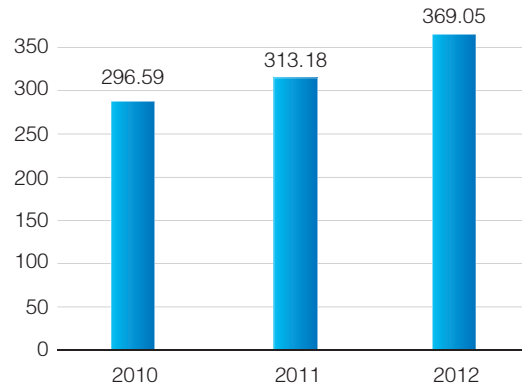
Electricity generated (in one hundred million KWh)



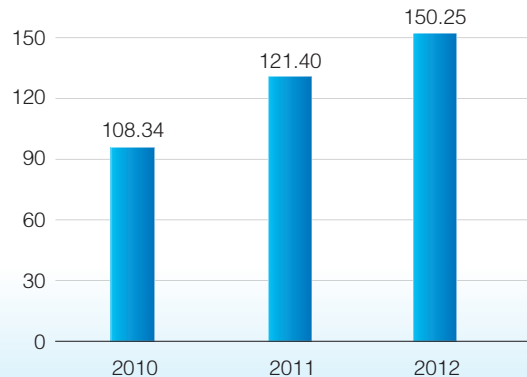
Total assets (in RMB 100 Million)



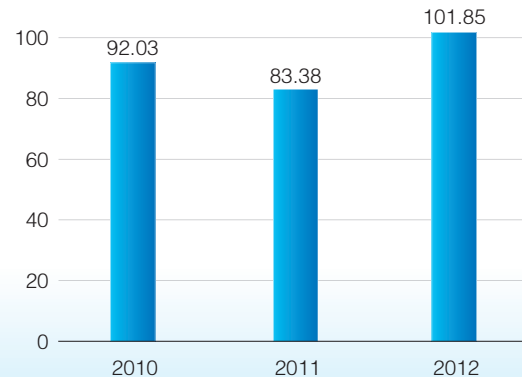
Operating revenue (in RMB 100 Million)



Net profit after tax (in RMB 100 Million)



Total taxes paid (in RMB 100 Million)



## Basic Information

Chinese Name: 中国长江三峡集团公司

English Name: China Three Gorges Corporation

Abbreviation: CTG

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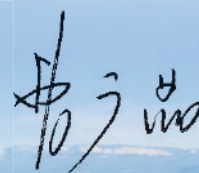
## Message from Board Chairman



China Three Gorges Corporation ( “CTG” ) is strategically positioned as a clean energy group focusing on large-scale hydropower development and operation, delivering on its commitments to building the Three Gorges, exploiting Yangtze River and providing clean energy. While having built, operated, managed the Three Gorges Project– Gezhouba Dam effectively and efficiently, we are now actively promoting the development of hydropower downstream of Jinsha River, with total installed capacity of four power stations under construction or to be built (i.e., Xiluodu Plant, Xiangjiaba Plant, Wudongde Plant and Baihetan Plant) exceeding 44, 000 MW. CTG takes opportunities brought by the global energy development movement, actively promotes the development of clean energy such as wind power and solar, responds to the go-global call of Chinese government and expands overseas business, in a bid to make our corporate standard a world-class one.

In 2012, faced with the complicated economic landscape worldwide, CTG seized the opportunities, fought through adversities and accomplished annual milestones with a view to working towards a world-class clean energy company by following the guidelines of steady business growth. With all economic performance indicators hitting a historic high, the company’s overall strength and core competitiveness have been further enhanced, laying a solid foundation for the achievement of all objectives of the 12th five-year plan.

At present, the global environmental and energy issues become increasingly challenging, and exploitation and utilization of renewable energy sources have become a shared choice for all countries to respond to climate change, ensure energy security and achieve sustainability. The Chinese government is now committed to driving an energy production and consumption revolution by supporting the energy-efficient and low-carbon industry and development of new and renewable energy sources in an effort to build an upgraded version of Chinese economy. Nature has its own order, and only by abiding by this order can we prosper. The change in global energy sector and the economic restructuring in China provide CTG with unprecedented opportunities. On this historic occasion, we need to follow the guideline of scientific outlook on development, explore new ways of doing business, improve our management practices, intensify anticorruption efforts, constantly enhance the quality and effectiveness of business development and work towards building a world-class clean energy business and contribute to the construction of a well-off Chinese society and a beautiful China.



## Message from President



The year 2012 is the starting point of a daunting challenge to China Three Gorges Corporation ( “CTG” ). All of CTG people improved the way of doing and managing business and implemented the 12th five–year plan step by step, bearing in mind the scientific outlook on development and the corporate culture as well, exceeding the annual business performance targets defined by the State–owned Assets Supervision and Administration Commission ( “SASAC” ). In particular, 119.9 billion kWh of electricity was produced, and business income of 36.9 billion Yuan and total profits of 19.35 billion Yuan were achieved, a YOY increase of 23.2%, 18% and 23% respectively, all of which are historic records.

In the past year of 2012, with a view to building a world–class clean energy business, CTG carefully built and operated the Three Gorges Project, advanced the development of hydropower downstream of Jinsha River, tapped new energy business and actively went global, with new progresses made. The Three Gorges Project withstood the test of the biggest flood peak of 71,200 cubic meters/second and the biggest flood clipping of 28,200 cubic meters/second, thus ensuring the personal safety of the residents and safety of properties in the middle and lower reaches of Yangtze River. The Underground Powerhouse of Three Gorges Power Plant was put into full operation, increasing the design installed capacity of Three Gorges Power Plant to 22.50 million kWh. The Three Gorges Power Plant produced 98.1 billion kWh in 2012, the historic record ever set since the commencement of operation. The Three Gorges Reservoir successfully achieved the experimental impoundment objective of 175 meters for three years in a row. Significant breakthrough was made in the hydropower development downstream of Jinsha River, as Xiangjiaba Hydropower Plant started generating power as scheduled and the first group of three units was put into operation, with year–round total power output of 1.57 billion kWh. Xiluodu Hydropower Plant successfully achieved conversion of diversion method. Because of the difficulties in permitting, connection to grid and financing, 600,000 kW of approved wind power generation unit and 200,000 kW of approved photovoltaic units were added in the year 2012; 1.14 million kW of wind power generation units and 220,000 kW of photovoltaic units began construction, with 340,000 kW of wind power generation units and 20,000 kW of photovoltaic units built in place and put into operation. International contracting business continued making remarkable progress despite the global financial crisis, generating annual business income of 8.19 billion Yuan, a YOY increase of 1.8%. Newly executed international contracts totaled 9.32 billion Yuan, 43% higher than the annual target, which cover over 30 countries and regions.

The year 2013 is a period of consequence for CTG. We will implement the decisions made at the 18th CPC Congress, forge ahead with a spirit of innovation and continuous improvement and quicken our efforts to build a world–class clean energy business and make further contribution to the construction of a well–off Chinese society, all while bearing in mind the scientific outlook on development and focusing on improving the quality and effectiveness of business development.

A handwritten signature in black ink, appearing to be 'Feng' followed by a stylized flourish, positioned over the bottom right of the page.

## About us

As part of the initiative to build the Three Gorges Project and exploit the Yangtze River, China Three Gorges Project Corporation was founded on September 27, 1993. On September 27, 2009, the Corporation was renamed “China Three Gorges Corporation” (“CTG”). In January, 2010, CTG established the Board of Directors with Cao Guangjing as Board Chairman and Secretary of Party Committee, and Chen Fei as the Director and President.

CTG is a wholly state-owned enterprise with registered capital of RMB 149.535 billion. By the end of 2012, the corporate consolidated assets reached RMB 374.928 billion, and net assets RMB 225.002 billion. There are 15,866 employees in total, including 15,639 incumbent employees, 1,260 with master’s degree and above, 2 academicians and 77 employees enjoying special government allowance from by the State Council.

CTG is strategically positioned as a clean energy conglomerate specializing in large-scaled hydropower development and operation with principal operations including hydropower project engineering, construction and management, power generation, and provision of related technical services. CTG takes full responsibility for construction and operation of the Three Gorges Project. With the approval of the Chinese Government, CTG works to develop the hydroelectric resources in the mainstream and tributaries of the upper reaches of the Yangtze River, build four giant hydropower plants at Xiluodu, Xiangjiaba, Wudongde and Baihetan respectively, develop new energy sources such as wind power, and implement its go-global strategy, in an effort to build a world-class clean energy business. According to CTG’s 12th five-year plan, by the end of 2015, the installed capacity of the company will reach 55,000 MW. By the end of 2011, CTG owned a controllable installed capacity of 29,335,700 kW, including installed hydropower capacity of 27,951,200 kW and installed wind power capacity of 1,335,500 kW. In 2012, CTG reaped business income of RMB 36.905 billion and total profits of RMB 19.346 billion, both of which were historic records and earned the company the 11th spot among the major SOEs in terms of total net profits.

In light of its operational needs and business dynamics, CTG established a management headquarters in Beijing in charge of coordination and management, a production headquarters in Yichang (Hubei Province) in charge of electricity production and construction, operation and management of Three Gorges Complex, and a construction headquarters in Chengdu (Sichuan Province) in charge of construction, operation and management of power stations downstream of Jinsha River. CTG runs ten wholly owned and majority-owned subsidiaries such as China Yangtze Power Co., Ltd (a majority-owned, listed company), CWE Investment Corporation, China Three Gorges New Energy Co., Ltd and China International Water & Electric Corp.



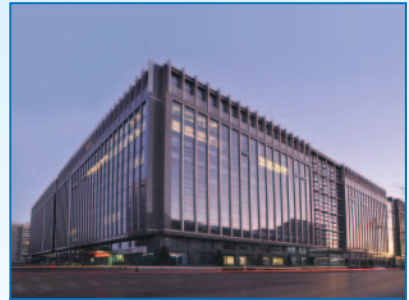




The construction headquarters in Chengdu



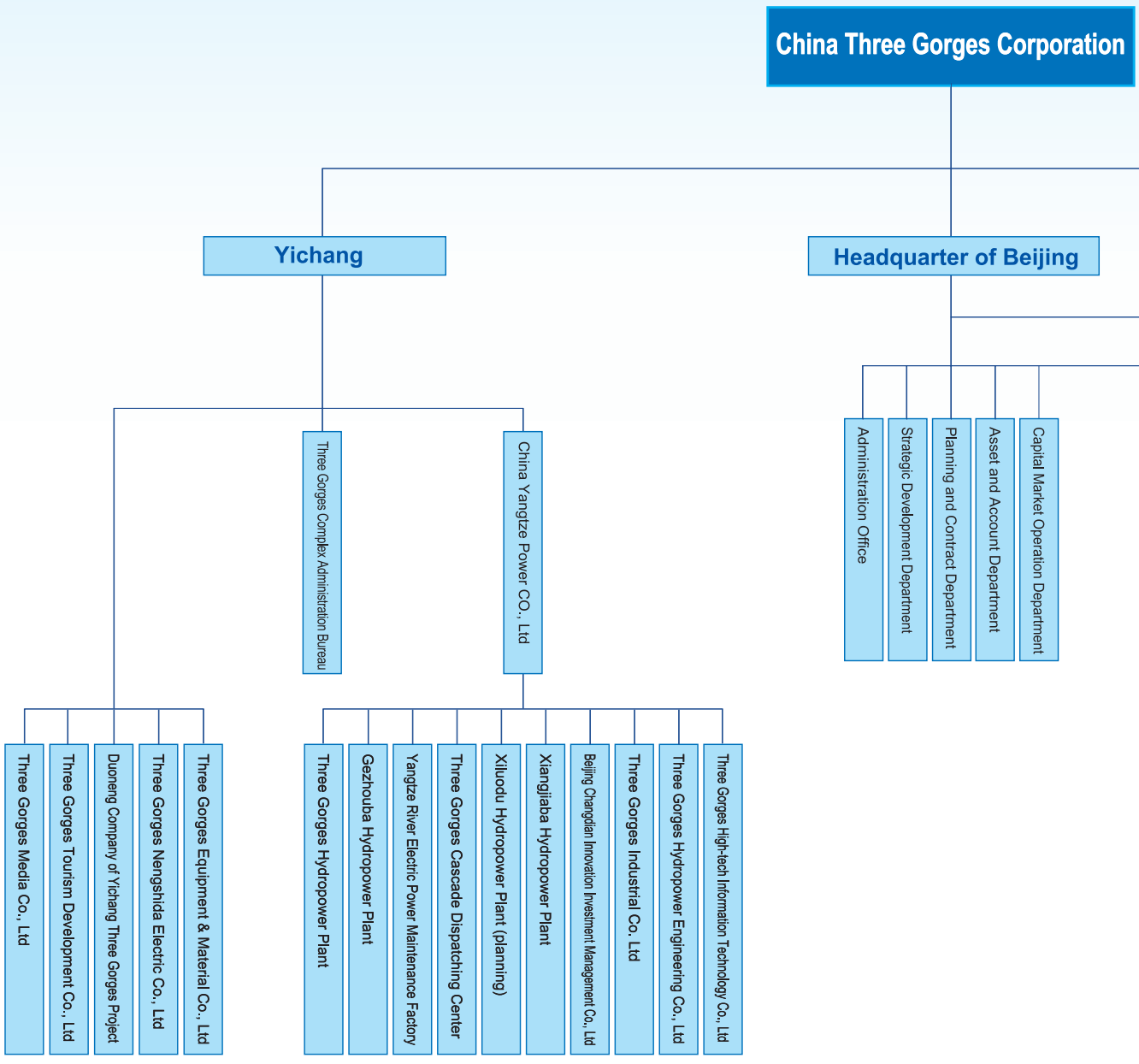
The production headquarters in Yichang

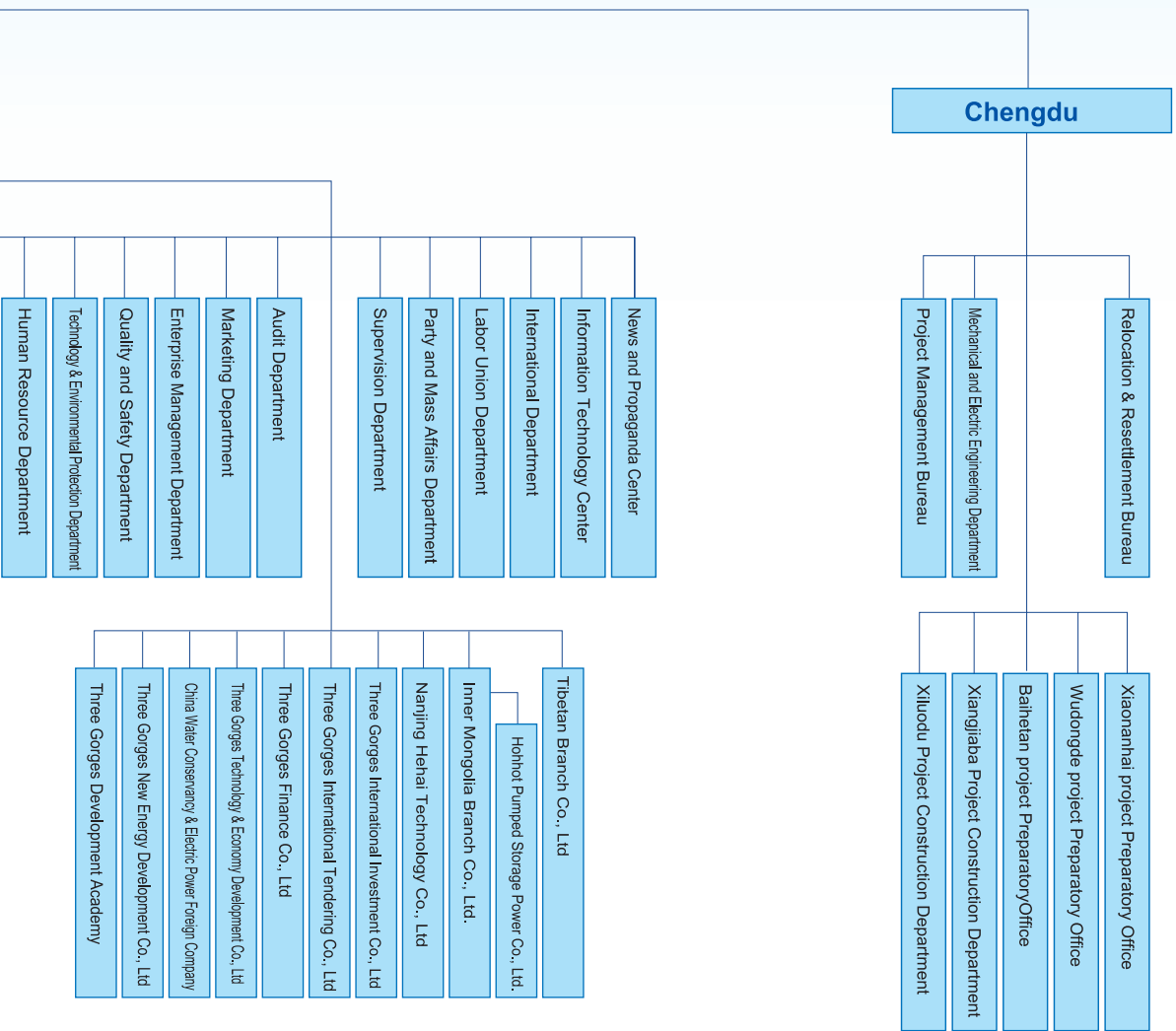


The management headquarters in Beijing



# Organizational structure





## Board of Directors



**Cao Guangjing**  
Chairman



**Chen Fei**  
Director



**Yu Wenxing**  
Director



**Ma Zhigeng**  
External Director



**Liu Zhi**  
External Director



**Shi Jinqun**  
External Director



**He Muyun**  
External Director



**Wu Xiaogen**  
External Director



**Yao Yuanjun**  
Staff Director

## Management Team



**Cao Guangjing**

Deputy Director of State Council  
Three Gorges Construction Committee,  
Board Chairman and  
Secretary of Party Committee



**Chen Fei**

Member of State Council Three  
Gorges Construction Committee,  
Director, President, Member of  
Party Committee



**Lin Chuxue**

Vice President,  
Member of Party Group



**Bi Yaxiong**

Vice President,  
Member of Party Group



**Fan Qixiang**

Vice President,  
Member of Party Group



**Yu Wenxing**

Director, Head of Disciplinary  
Inspection Team and Member  
of Party Group



**Sha Xianhua**

Vice President, Member  
of Party Group



**Zhang Cheng**

Vice President, Member of  
Party Group, President of  
China Yangtze Power Co., Ltd



**Yang Ya**

Member of Party Group,  
Chief Accountant

## Business strategy

### Statement of strategy

CTG has reached a critical stage of business growth. Now and in the coming period, we'll seize the strategic opportunities brought about by the transformation of way of growth, the energy sector restructuring and greater international cooperation, follow the scientific outlook on development, accelerate the strategic transformation, deepen enterprise reform, improve the management practice, make full use of company-owned resources, constantly enhance the competitiveness and build a world-class clean energy business fast and sound.

### Vision

To become a major clean energy business focusing on hydropower generation and operation.

### Objectives:

A world-class clean energy business playing an important role in exploiting the overall benefits of Yangtze River watershed, providing clean energy and existing in harmony with ecological environment.

### Approach to business growth

Actively develop new energy sources such as wind and solar energy and tap the international market steadily, bearing in mind the mission to develop the Three Gorges and exploit Yangtze River by focusing on large-sized hydropower development and operation in Yangtze River watershed; giving priority to clean energy business and ensuring all business units operate professionally and pursue business diversification.



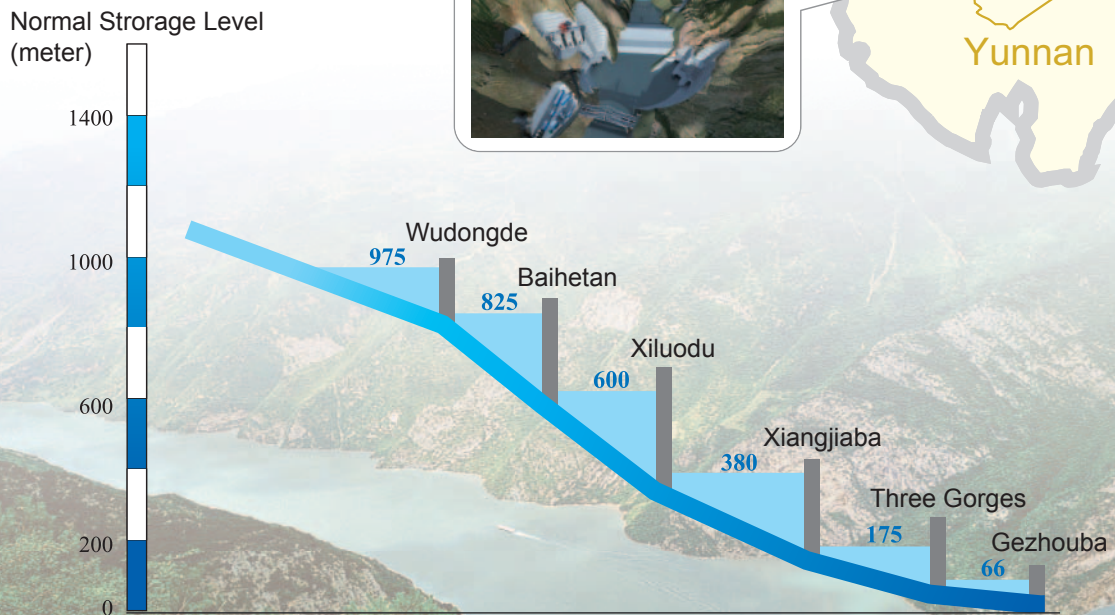


### Focusing on five core capabilities

<b>Strategic Thinking</b>	From a long-term and global perspective and in light of resources, markets, externalities and internalities, capable to make well-informed judgment about industry trend and market situation and formulate business strategy accordingly
<b>Ability to formulate innovative business policy</b>	Constantly improve the adaptability and timeliness of company policies, and make adjustments based on targets, resources, market and physical circumstances. Implement business strategy through innovation and effective implementation of company policies in support of the achievement of strategic objectives.
<b>Team Building</b>	Explore new approaches to employee development and create an environment for every employee to achieve career success; build a market-oriented and professionally competent team with international vision and background, cultivate foster professional managers, business management, economic techniques and operating skills.
<b>Ability to set standards</b>	Improve technical and economic management practices and productivity; develop in-house R&D capabilities and strengthen innovation activities surrounding hydropower development and establish a corporate standard, endeavor to make corporate standard an international yardstick for improved corporate image and sustainable competitive edge in the international and domestic markets.
<b>Cost Control</b>	Set up a science-based and effective cost management system, implement participatory, end-to-end cost control process, and intensify budget control and performance rating and motivation efforts. Intensify project implementation costing and resettlement costing control during construction activities to ensure the per unit electricity investment and per-kW cost are lower than the industry average; improve cost control practices in six aspects during operation and management to ensure the per unit electricity cost will be the lowest in the industry.

# Large-scale Hydropower Development and Operation

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







No.	Hydropower Plant	Installed Capacity(GW)	Annual Electricity Output(TWh)	Water Level at Dam Front(meter)
1	Gezhouba	2735	16.241	66
2	Three Gorges	22500	88.200	175
3	Xiangjiaba	6400	30.747	380
4	Xiluodu	13860	64.060	600
5	Baihetan	14040	60.241	825
6	Wudongde	8700	39.070	975

Note: the parameters of Wudongde and Baihetan hydropower stations listed above are pre-feasibility study data.

## Three Gorges Project, a Century-Long Dream



**In 1918**

Mr. Sun Yat-sen made a proposal in his Nation-Building Strategy II -Industrialization Plan to "improve this upstream section of Yangtze River", suggesting "water gates be built to block the river and enable ships to sail upstream and utilize hydraulic power".

**May 1944**

World-famous US expert on high dam Dr. J.L Savage surveyed the Three Gorges and presented the Preliminary Report on the Plan of the Three Gorges on the Yangtze River.

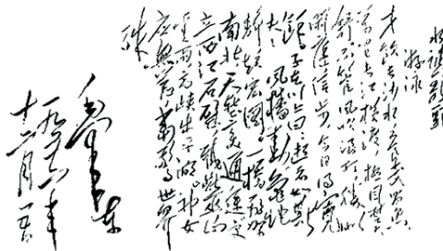


**February 1950**

Yangtze River Water Resources Commission was founded.

**1955**

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



In 1956, Mao Zedong, Chairman of the CPC Central Committee, swam in the Yangtze River nearby Wuhan and wrote Ode to the River-Swimming, envisaging an ambitious blueprint for the Three Gorges project.

**December 26,1970**

The plan for construction of the Gezhouba Hydro Plant on the Yangtze River was approved. The plant started producing electricity in 1981 and was completed in 1989.

**February 27 – March 7,1989**

The 10<sup>th</sup> Conference of the Three Gorges Project Feasibility Study Leadership Group of Ministry of Water Resources and Electric Power discussed and adopted the Feasibility Study Report on the Three Gorges Hydropower Project on the Yangtze River.

**April 3,1992**

The 5<sup>th</sup> Session of the 7th National People's Congress adopted the Resolution to Build the Three Gorges Hydropower Complex, marking the end of permitting process and the commencement of the implementation phase.



## Three Gorges Chronology

Phase I (1993–1997)	
July 29, 1993	The 2nd Conference of the Three Gorges Project Commission of the State Council was held to review and approve the Preliminary Design Report on the Three Gorges Project, ushering in the phase of project preparation;
September 27, 1993	China Three Gorges Development Corporation was established.
December 14, 1994	Official commencement of the Three Gorges Project.
November 8, 1997	River closure was successfully completed for the Three Gorges Project, completing the Phase One of the project.
Phase II (1997–2003)	
2000	A total of 5.4817 million m <sup>3</sup> of concrete was poured, setting a new world record in the global hydropower industry.
June 1, 2003	The TGP Reservoir started impounding. The water level reached an elevation of 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.
Phase III (2004–2009)	
September 2005	14 generating units in the left–bank powerhouse became fully operational one year ahead of schedule.
May 2006	The TGP Dam was completely topped out.
October 2006	The TGP Reservoir's water level reached 156m one year ahead of schedule.
May 2007	The dual–line five–stage ship lock was completed, significantly boosting the navigational efficiency and benefits of the prime 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.
October 2008	12 generating units in the left–bank powerhouse became fully operational one year ahead of schedule.
September 27, 2009	The normal impoundment level of 175 meters at Three Gorges Complex passed the acceptance check, marking the completion of preliminary design of the Three Gorges Project except for the construction of ship lift that was approved to be postponed.
Oct 26, 2010	A trial water impoundment reached a 175m, beginning to generate benefits in terms of flood control, drought–relief, power–generation, shipping and water replenishment.
Nov. 26, 2010	The contract on procurement of ship–lifting equipment of the Three Gorges was signed.
Dec. 31, 2010	The contract on ship–lifting equipment of the Three Gorges was signed.
May 24, 2011	Annual power generation by the Three Gorges – Gezhouba cascade complex hit 100.61 billion kwh.
Sep. 21, 2011	The first group of power generating units in the Three Gorges underground power station became operational and passed the acceptance check.
August 29, 2012	The last unit No. 27 to be put into operation at Three Gorges Underground Power Station passed the acceptance check, meaning all power generating units in the underground station became operational.



## Comprehensive benefits from Three Gorges Project

As a critical, backbone project of harnessing and exploiting Yangtze River, the Three Gorges Project has many benefits in terms of flood control, drought relief, water supply, navigation, ecological protection and power generation, making it a major water conservancy project that ensures and improves people's livelihood. CTG has been working with a scientific outlook on development and with a view to the maximum social benefits, fulfilling its political responsibility for flood control, drought relief and water supply, social responsibility for navigation, fishing and tourism and economic responsibility for power generation. CTG carefully coordinates the relation among flood control, drought relief, water supply, navigation, ecological protection and power generation through best operation practice and science-based dispatching, thus ensuring the Three Gorges Complex operates safely and efficiently as a contributor to the socioeconomic sustainability in local areas.

### (1) Flood control

Flood control along Yangtze River is the primary purpose of the Three Gorges Project. During the flood season in 2012, the Three Gorge Reservoir was used for flood control five times, including four flood processes each exceeding 50,000 m<sup>3</sup>/s. On July 24, the Three Gorges Complex withstood the biggest-ever inflow flood with the peak flood flow of 71200 m<sup>3</sup>/s, peak clipping of 40% and the maximum peak clipping of 28200 m<sup>3</sup>/s. A total of 22.84 billion m<sup>3</sup> of flood was impounded. Thanks to



the flood retention and peak shifting with the help of the reservoir, the maximum outflow from the reservoir was kept under 45000m<sup>3</sup>/s, thus ensuring the guaranteed water level in four rivers in southern Hubei Province was not exceeded, the warning water level at the downstream Shashi Station was not exceeded and the guaranteed water level at Chenglingji Station was not exceeded. The economic benefits generated from flood control in 2012 by the Three Gorges Project approximated 28 billion Yuan, if the reduced inundation loss is measured as the flood control benefits.

### (2) Drought relief

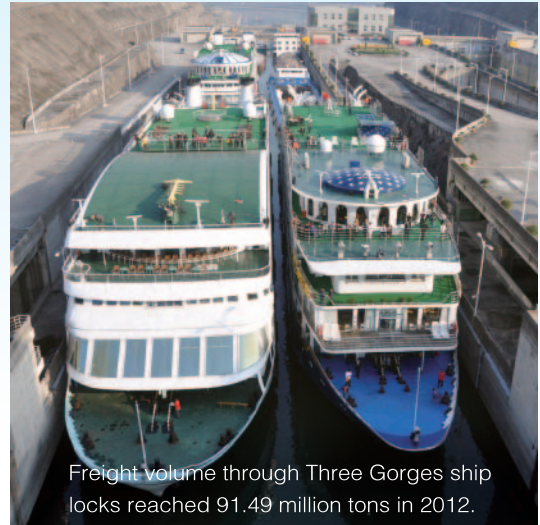
Yangtze River watershed is an area where droughts are commonplace, so CTG works hard to leverage the Three Gorges Dam's role in drought relief and water replenishment. In light of the water available upstream of Yangtze River and the water demand in the middle and lower reaches of the river, the Three Gorges Reservoir started increasing the water outflow from upstream to replenish water downstream on December 28, 2011 for a 150-day replenishment operation. 21.5 billion cubic meters of water was replenished and the water depth of navigation channels increased by about 1 meter on average, thus effectively addressing the water shortage for domestic, productive and ecological purposes.



### (3) Improving navigation conditions

After the Three Gorges Reservoir was built in place, the reservoir area reached Chongqing City and greatly improved about 660 km of navigation course while reducing the transport costs by one third on the per-ton per-km basis.

Three Gorges Reservoir ship locks are important navigational buildings at the Three Gorges Complex. In 2012, these ship locks operated 9,713 times, with a throughput of 44,000 ships, 244,000 passengers and 86.11 million tons of goods, including 53.45 million tons of upward cargo, meaning the design one-way throughput capacity of 50 million tons was exceeded for two years in a row. Since the ship locks were opened to public traffic on July 18, 2003, as of December 31, 2012, 550 million tons of cargos have passed through these ship locks, which, coupled with the transshipped goods over the dam, increased the total freight volume passing through the cross section of the Three Gorges Complex to 650 million tons, 3.1 times larger than the total through-lock freight volume of 210 million tons at Gezhouba Dam's ship locks for 22 years of operation before the impoundment of the Three Gorges Dam.



Freight volume through Three Gorges ship locks reached 91.49 million tons in 2012.

To make full use of the navigational role of the Three Gorges Dam and ensure safe and efficient operation of the ship locks, CTG has produced what became the first ship lock operation manual in China, adopting a modular approach to ship lock maintenance. In 2012, with many innovative technologies and controls, the annual overhaul of ship locks along the southern section of the Three Gorges was successfully completed for the first time and within 20 days using an unprecedented method, thus minimizing the downtime and calling into full play the navigational role of Three Gorges Dam.

### (4) Ecological protection

In order to facilitate the natural reproduction of the four major common fish species, Three Gorges Reservoir launched two ecological initiatives between May 25–31 and June 20–27, 2012, artificially creating flood process of hydrologic and hydraulic conditions required for reproduction of these four fish species. The reservoir outflow was first reduced step by step before being subjected to increased control. According to the monitoring data, the spawning grounds for these four fish species in the section from Yichang to Yidu achieved a capacity of 460 million eggs during the operation, thus effectively facilitating the natural reproduction of four common fish species.

### (5) Providing clean energy

In 2012, as all generating units in the Three Gorges underground power plant became operational, the total number of 700MW units at the Three Gorges Power Plant reached 32, increasing the total installed capacity to 22,500MW if the 100MW installed capacity of the service power plant was taken in account. The generating units have been running reliably thanks to precise dispatching, careful maintenance and lean operation, as a result of which 98.107 billion kWh electricity was generated at the Three Gorges Power Plant throughout 2012, the highest level ever hit since the power plant was put into operation, thus effectively addressing the power undersupply afflicting central and east China and Guangdong Province and contributing to the economic development of the country.

In 2008–2012, given the average per unit coal consumption of thermal plants across the country, 98.107 billion kWh electricity generated at the Three Gorges Power Plant in 2012 means combustion of 32.80 million tons of standard coal was avoided, thereby significantly reducing the consumption of primary fossil fuel. Meanwhile, emissions of 73.10 million tons of CO<sub>2</sub>, 0.9 million tons of SO<sub>2</sub> and 0.43 million tons of NO<sub>x</sub> were thus avoided, discharge of huge amounts of wastewater and slag reduced and acid rain and other hazards due to environmental pollution and emission of harmful gases were mitigated, all in line with the Chinese government's call for energy saving and emission reduction.

## Hydropower plants along Jinsha River

Jinsha River is the largest hydropower complex ever built in China, ranking top among “China’s thirteen major hydropower complexes”. Bearing in mind long-term partnership, community engagement, balanced approach and mutual benefit, CTG accelerated the construction of Xiluodu, Xiangjiaba, Wudongde and Baihetang power plants. The design installed capacity of those four stations totals 4,400GW, the size of two Three Gorges power plants. With a combined annual output of about 1,900 TWh, these four power plants are the backbone of the project of power transmission from West China to East.

### The first array of generating units at Xiangjiaba Power Plant put into operation

After nine years’ painstaking efforts, the first group of three generating units at Xiangjiaba Power Plant was put into operation after overcoming such technical challenges as depth sliding stability, penetration control under complicated hydrological and geological conditions, construction under a large span and manufacture and installation of high-volume water-turbine generating units.

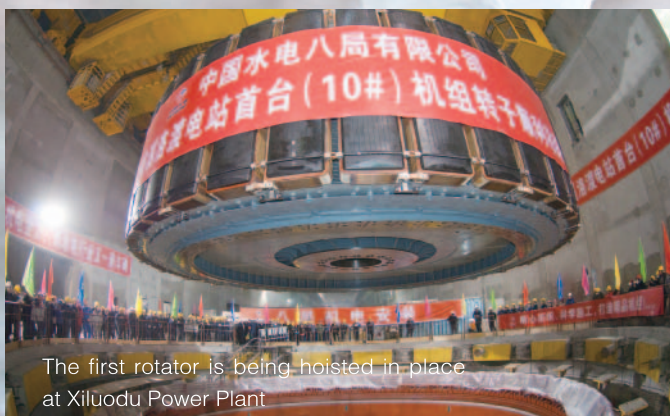
Xiangjiaba Power Plant successfully put the first group of generating units into operation according to the requirements of seamless interfacing and integration between construction and management, with 15.7 TWh electricity generated in 2012 through stable operation of 0.8 million kWh water-turbine generator set, the largest capacity of a single generating unit in the world.



Xiangjiaba Hydropower Plant began impounding water

### Electromechanical installation at Xiluodu Power Plant reaches the final stage

The Xiluodu Power Plant project reached the stage of concrete placement, grouting and electromechanical installation, where the dam reached the maximum height of 602 meters and the joint grouting and curtain grouting were completed ahead of schedule. The diversion tunnels #1, 2, 5 and 6 were successfully put into operation to block the water across the dam. Five generating units were assembled in place and another one underwent waterless test. The resettlement and reservoir clearing below the water level of 465 meters across the reservoir were completed.



The first rotator is being hoisted in place at Xiluodu Power Plant

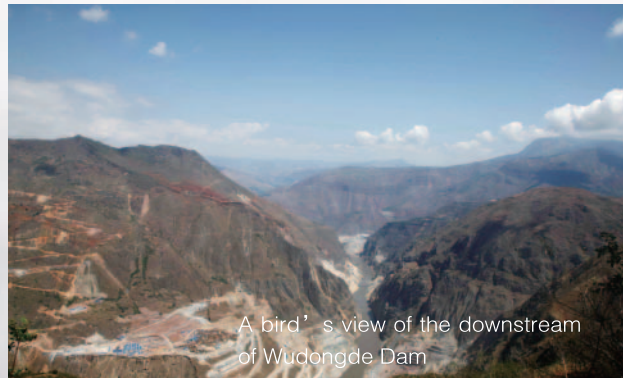
## Preparation for Wudongde and Baihetan hydropower stations well underway

Wudongde and Baihetan hydropower stations are part of the phase II of the cascade development of downstream Jinsha River. The feasibility study reports on these two stations were approved by National Development and Reform Commission in 2010, giving green light to the commencement of construction of these two power plants.

CTG communicated with Sichuan and Yunnan provincial governments as well as local governments, and established a multi-level coordination mechanism. In 2011, both provincial governments of Sichuan and Yunnan issued a circular on prohibition of new construction projects and immigration on the project site and inundation area. In 2012, the baseline survey and administrative confirmation of Baihetan and Wudongde power plants were completed, with resettlement willingness survey and selection of resettlement site well underway. The land requisition and resettlement plan for these two power plants was prepared.

CTG pays great attention to environmental protection and technology development surrounding hydropower projects. In 2012, the Ministry of Environmental Protection approved the Environmental Impact Assessment Report on Progressive Development of Hydropower Downstream of Jinsha River and Environmental Impact Assessment Report on Three Connections and One Leveling Works, and the Ministry of Water Resources approved the Soil Retention Plan for Three Connections and One Leveling Works, meaning that the feasibility study reports of these two power plants were confirmed to have met the administrative requirements.

In 2012, CTG conducted technical exchanges with respect to the design and configuration of electromechanical equipment at these two power plants, including the second technical exchange on water-turbine generating units at Wudongde and Baihetan Power Plants, technical exchange on 550kV SF6 gas insulation line (GIL) and bridge cranes and technical exchange on isolated-phase bus (IPB) at Baihetan Hydropower Plant.



A bird's view of the downstream of Wudongde Dam

## New Energy Development

In 2012, bearing in mind the strategic objectives of new energy development and by improving its business portfolio, geographic coverage and pace of business growth, CTG managed to advance its new energy business steadily with an indomitable spirit. As of the end of 2012, new energy business of CTG covered 23 provinces and 60 subsidiary companies, and the combined



installed capacity of such new energy sources as wind, solar and small hydroelectric projects in operation or under construction exceeded 2 million kWh, generating profits from all projects in operation. 1.726 billion Yuan of business income and total profits of 302 million Yuan were generated throughout 2012, increasing the total assets of CTG to 19.722 billion Yuan at the end of 2012. CDM income hit 97.1487 million Yuan despite the fluctuations in the carbon trading market.

### Optimizing business portfolio by making progress in wind power generation business



In 2012, while solidifying its market position in north China, CTG extended into central, east and south China where the connection to power grid and power consumption are promising, by tapping the south China market in Yunnan, Hubei and Guizhou and by engaging in offshore wind power generation business. In the past year, through in-house and cooperative development, equipment-for-market approach and technology demonstration, CTG made greater efforts to acquire resources and expedited project permitting and implementation process. Throughout the year, 1.137 million kWh of new wind farms came under construction and an installed capacity of 338500 kWh of wind farms was added to the business portfolio in the year, thus increasing the installed capacity of wind farms in operation to 1.338 million kWh. Inland wind farms saw continuously improved construction and management practices. Huade Wind Farm built in 2011 in Inner Mongolia set a record in the industry in terms of per Kw cost. High-altitude experimental wind turbines were built in place in support of development of wind resources in high-



altitude areas; Xiangshui Offshore Wind Farm's 200,000 kW demonstration project proceed with the project preparation phase after being approved by the competent authorities; the average availability of wind turbines exceeded 98% and such renovation works as the low-voltage ride through and reactive power compensation at the wind farms were well underway.

## Solar energy development

While advancing wind power generation business, CTG worked hard to exploit solar energy. The solar energy business of CTG covers 14 provinces and is reaching out into such light-rich areas as Tibet. In particular, the 20000 kW second phase of Germu Photovoltaic Power Plant in Qinghai Province was put into operation in December 2012 and the photovoltaic projects under construction have a combined capacity of 180000 kW, with nearly 4 million kW of photovoltaic resources in reserve.



Golmud 10 MW Photovoltaic Power Station



## Go-global strategy

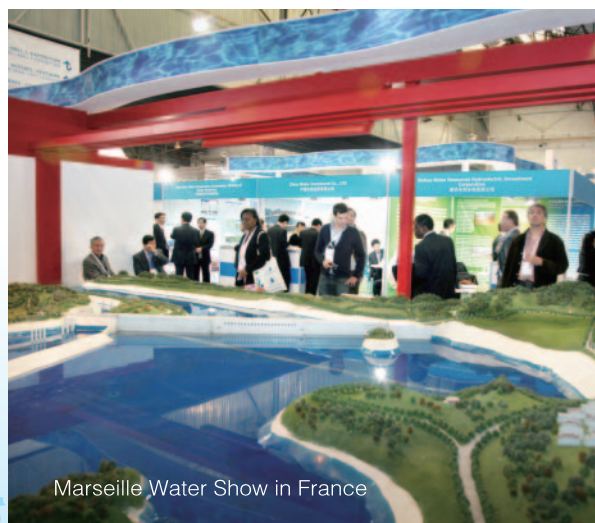
CTG has been actively implementing its go-global strategy by making full use of its technical expertise in investment, construction, operation and consultancy, planning and expanding international business, deploying capital, human, technological and marketing resources across the globe and seeking international competitiveness through differentiation strategy. In 2012, CTG worked hard to build an overseas business portfolio using its business reputation earned through high-quality deliverables of the Three Gorges Project and tremendous comprehensive benefits, investing in the international clean energy field. After a year of painstaking efforts, international investment business was fruitful and breakthroughs made in overseas contracting business.

To effectively implement the go-global strategy, CTG has established an international operation and business management system where CTG serves as the decision maker, CWE Investment Corporation and China Yangtze Power Co., Ltd act as investors and China International Water & Electric Co., Ltd takes responsibility for international project contracting and implementation of small or medium-sized investment projects.

### A continuously improved overseas business portfolio

In 2012, CTG made greater efforts to analyze and profile its overseas business portfolio and deployed its resources in the clean energy markets in neighboring countries and the US and EU, with focus on further development of existing markets. Currently, CTG has tapped and is tapping such neighboring markets as Burma, Pakistan, Thailand, Laos and Nepal, new energy markets including Portugal, Greece, Brazil and some of East European countries, as well as Australian market.

In 2012, CTG signed a contract with China Development Bank on joint planning and research of power system in Southern Africa, and had domestic hydropower experts complete this planning and research job in preparation for future development of power investment market in Southern Africa. After a year's efforts, CTG's overseas investment market became more reasonably structured and market development activities more self-paced, with remarkable results.



Marseille Water Show in France

### International contracting business booming

In 2012, CTG's international contracting business grew rapidly. As at the end of 2012, CTG's international contracting business covered 26 countries and regions, with 77 projects in progress. In 2012, business income of 1.3 billion dollars was generated from international contracting business and 16 international construction contracts were signed, including 6 each with a contract price of over 100 million dollars. These new international project contracts are worth 1.5 billion dollars in total.

In 2012, CTG reasonably restructured its presence in the international contracting market through improved control over project size, with focus on large-sized EPC projects, government assistance, high-quality loans and export credit projects. Despite the increasingly fierce competition, CTG tapped the traditional markets while steadily reaching out into new markets, with three operating arms established abroad, i.e., CTG Guinea Co., Ltd, CTG South Sudan Co., Ltd and a representative office in Kazakhstan. Meanwhile, CTG continued tapping the traditional markets and maintained its market share of international business.

葡萄牙

加纳

喀麦隆

苏丹

老挝

马来西亚

菲律宾

Murum Hydropower Plant project in Malaysia is the first EPC project of CTG and the first overseas project ever undertaken by CTG. Situated in Sarawak State, Borneo Island, Malaysia, the project involved installed capacity of 944,000 kW, a total contract price of 1.07 billion dollars and a construction period of 67 months. In 2012, this project progressed steadily, with all auxiliary works well underway and expected to be ready for impoundment at the end of March 2013.

## Steady progress in overseas investment

In 2012, CTG made its way into such clean energy investment markets as Laos, Philippines, Indonesia, Nepal, Pakistan, Jordan and Greece by using its presence and connection established in the international contracting market as well as its brand image and technical expertise, with focus on small and medium-sized clean energy projects involving small investment, short construction period and promising return on investment. In 2012, CTG acquired 21.35% stake in Energias de Portugal, thus becoming the largest shareholder of the Portuguese company. Nam Lik Hydropower Plant 1–2 built by CTG on the basis of BOOT in Laos generated 538 million kWh in 2012; Nam



Cao Guangjing signed a contract with Energias de Portugal on behalf of CTG at Diaoyutai Hotel, Beijing

Ngiep Hydropower Plant 2 in Laos began construction at full scale on the basis of BOOT, the first phase of a wind farm project in Pakistan started and a solar energy project in Greece was put into operation by the end of 2012; The feasibility study of Mongton Hydropower Plant in Burma is underway after the China–Burma–Thailand tripartite consortium agreement was signed. At the end of 2012, CTG had a total of over 20 projects abroad either under construction or at the preparation phase, with a combined installed capacity of 34 million kWh, covering hydropower, wind, solar and nuclear energy in several major continents of Europe, Americas and Asia.

## Other international business continued

Power plant operation and consultancy are two major aspects to the overseas business portfolio of CTG. In 2012, CTG completed the planning and consultancy job for joint development of power industry in Southern Africa upon the request of China Development Bank and is now in the process of providing consulting services to power generation projects in Burma and Pakistan.

In addition, CTG has completed the preparation for consultancy on operation and maintenance of Bakun Hydropower Station in Malaysia and is preparing the O&M plan for Murum Hydropower Plant according to the project schedule and commissioning plan. During the 12th five-year plan period, CTG will rely upon its overseas hydropower development projects, consider the possibility of participating in operation and management of overseas power plants, duplicate the good production management practice of “integration between construction and management and seamless interfacing” and “precise deployment, lean operation and efficient maintenance”, in an effort to develop a highly competent team with international background and vision and enable the operation and management and technical consultancy of overseas hydropower stations.

## Key Financial Data

Item	2010	2011	2012
Total assets ( RMB billion )	286.185	313.125	374.928
Ownership interest attributable to the parent company ( RMB billion )	185.307	192.515	203.486
Business income ( RMB billion )	29.659	31.318	36.905
Gross profit (RMB billion)	14.256	15.806	19.346
Gross profit margin of main business ( % )	49.1	43.93	48.7
EBITDA ( RMB billion )	22.531	24.550	29.268
Return on equity ( % )	5.5	5.79	6.87
Total interest-bearing liabilities ( RMB billion )	62.107	84.626	132.442
EBITDA interest coverage ( X )	8.12	8.10	5.15
Total interest-bearing liabilities / EBITDA (X)	2.76	3.45	4.53
Total interest-bearing liabilities / ( total interest-bearing liabilities + net assets ) (%)	23.16	28.00	37.05
Asset liability ratio (%)	27.98	32.14	39.99

## Auditor' s Report

Dahua Shen Zi (2012) No.4332

To all shareholders of China Three Gorges Corporation:

We have audited the attached financial statements of the China Three Gorges Corporation ( "CTG" ), including the Balance Sheet and the Consolidated Balance Sheet as of Dec. 31, 2012, the Income Statement and the Consolidated Income Statement, the Cash Flow Statement and the Consolidated Cash Flow Statement, Statement of Change in Equities, the Consolidated Statement of Change in Equities and Notes to the Financial Statements for the year 2012.

### I . Management responsibility for financial statements

The management of CTG is responsible for preparation and fair presentation of financial statements. The responsibilities include (1) preparation and fair presentation of financial statements according to the provisions of Accounting Standards for Business Enterprises; and (2) design, implementation and maintenance of the internal controls required to ensure the financial statements are free of any misstatements due to negligence or error.

### II . Responsibility of CPA

The certified public accountants are responsible for providing audit opinions on financial statements on the basis of audit work. We have conducted the audit in accordance with the provisions of the Auditing Standards for Chinese Certified Public Accountants. The aforementioned standards require us to observe professional ethics, and plan and carry out audit in order to obtain reasonable assurance that the financial statements are free of any significant misstatement.

The audit involves implementing auditing procedures to obtain audit evidence of the amounts and disclosures contained in the related financial statements. The selection of auditing procedures depends upon the judgment of the public certified accountants, including the assessment of the risk of material misstatement in the financial statements due to negligence or error. In conducting risk assessment, we have taken into consideration the internal controls regarding the preparation and fair presentation of financial statements in order to design appropriate auditing procedures, but not for the purpose of giving any opinions on the effectiveness of these internal controls. . The audit also includes an assessment of the appropriateness of the accounting policies selected and the reasonableness of the accounting estimates made by the management, as well as the overall presentation of the financial statements.

We believe that we have obtained adequate and appropriate audit evidence to provide the basis for our audit opinions.

### III . Audit Opinions

We believe that the financial statements of CTG have been prepared in all material respects in accordance with the Accounting Standards for Business Enterprises and fairly reflect the financial status of CTG as of December 31, 2012 as well as the business performance and cash flow of CTG for the financial year 2012.

Da Hua CPAs (Special General Partnership)



China Certified Accountant  
Hao Lijiang (Signature)



China Certified Accountant  
Wang Peng (Signature)



Reporting date: April 25, 2013

## Balance Sheet

Prepared by China Three Gorges CorporationAs of December 31, 2012

Unit: RMB Yuan

Item	Note	Parent Company		Consolidation	
		EOY Balance	BOY Balance	EOY Balance	BOY Balance
<b>Current assets:</b>					
Cash and cash equivalents	1	6,270,057,146.81	7,571,846,449.34	10,951,266,720.78	13,733,059,700.96
△Deposit Reservation for Balance					
△Lending to Bank and other Financial Institutions					
Financial assets held for trading	2			534,950,023.36	206,517,819.28
Notes receivables	3			321,090,521.45	812,486,680.19
Accounts receivable	4/a	514,350,169.23	15,180,962.27	3,391,387,499.62	2,429,376,133.78
Advances	5	1,076,700,124.46	1,136,160,708.64	2,598,793,115.90	7,335,356,954.98
△Premiums Receivable					
△Reinsurance Accounts Receivable					
△Reserves for Reinsurance Contract receivable					
Accrued interests receivable	6	82,375,418.28	93,174,460.33	8,383,244.92	4,581,977.21
Dividend receivable	7			6,435,000.00	
Accounts receivable—others	8/b	1,067,665,663.08	5,354,892,535.56	2,636,076,267.30	1,965,327,585.61
△Buying back the sale of financial assets					
Inventory	9	149,982.85	153,332.06	1,904,622,188.46	1,592,213,909.13
Wherein: Raw materials				501,516,229.94	518,437,479.53
Stock goods (finished goods)				102,060,780.51	197,570,179.17
Noncurrent assets due within one year			24,000,000,000.00	226,155,610.83	153,852,502.57
Other current assets	10	36,213,738,945.21	19,380,000,000.00	216,939,245.21	384,762,203.03
<b>Total current assets</b>		<b>45,225,037,449.92</b>	<b>57,551,408,448.20</b>	<b>22,796,099,437.83</b>	<b>28,617,535,466.74</b>
<b>Noncurrent assets:</b>					
△Loans and advances	11			862,400,000.00	1,876,994,457.19
Available-for-sale investment	12	8,912,298,920.86	5,471,593,986.00	15,431,438,686.52	12,602,848,531.83
Held-to-maturity investments	13	28,000,000.00	28,000,000.00	10,000,000.00	10,000,000.00
Long-term account receivable	14			1,752,116,357.12	1,765,706,979.28
Long-term equity investments	15/c	75,663,021,193.89	60,969,766,227.68	43,859,973,074.30	16,514,110,900.24
Investment real estate	16			286,226,624.10	286,169,501.26
Original prices of the fixed assets	17	56,754,108,991.75	38,701,743,807.07	211,629,986,467.13	188,173,493,297.99
Less: Accumulated depreciation	17	9,535,358,284.06	8,366,923,488.33	45,627,124,862.14	38,783,555,099.70
Net value of the fixed assets		47,218,750,707.69	30,334,820,318.74	166,002,861,604.99	149,389,938,198.29
Less: Provision for impairment of fixed assets				19,283,502.29	19,283,502.29
Net value of the fixed assets	17	47,218,750,707.69	30,334,820,318.74	165,983,578,102.70	149,370,654,696.00
Construction in progress	18	104,358,151,861.67	85,174,449,506.72	111,738,234,404.91	89,976,909,485.96
Project materials	19	210,571,116.82	654,032,190.50	289,979,853.62	719,624,662.54
Disposal of the fixed assets					
Productive biological assets					
Oil and gas assets					
Intangible assets	20	453,338,327.50	463,826,734.39	1,900,937,581.09	1,700,177,745.69
Development expenditure	20			5,182,447.48	7,086,097.22
Goodwill	21			2,569,703,219.40	2,375,683,689.37
Long-term deferred expenses	22		50,820,093.87	90,307,134.02	189,826,095.10
Deferred income tax assets	23	160,199,793.67	155,003,982.24	7,009,680,879.83	7,039,039,301.43
Other noncurrent assets	24	13,952,040,000.00	10,435,000,000.00	342,112,142.16	72,200,262.44
Wherein: physical assets reserve specifically approved.					
<b>Total noncurrent assets</b>		<b>250,956,371,922.10</b>	<b>193,737,313,040.14</b>	<b>352,131,870,507.25</b>	<b>284,507,032,405.55</b>

Board Chairman: Cao Guangjing

President: Chen Fei

Chief Accountant: Yang Ya

Head of accounting firm: Jin Caijiu

## Balance Sheet (Continued)

Prepared by China Three Gorges CorporationAs of December 31, 2012

Unit: RMB Yuan

Item	note	Parent Company		Consolidation	
		EOY Balance	BOY Balance	Ending Balance	Beginning Balance
<b>Current liabilities</b>					
Short-term borrowing	26	1,500,000,000.00	1,500,000,000.00	369,917,500.00	371,218,000.00
△ Loans from central bank					
△ Receipt of deposits and deposits from other banks	27			196,589,978.62	212,257,541.43
△ Loans from other banks				2,400,000,000.00	2,400,000,000.00
Transaction monetary liabilities					
Notes payable	28			236,884,502.27	128,370,566.20
Accounts payable	29	363,278,368.14	199,665,529.10	2,589,729,299.48	1,798,890,503.39
Accounts received in advance	30	1,465,000.00		2,012,400,565.64	2,394,027,696.84
△ Repurchased financial assets sold					
△ Fees and commission payable					
Employees' remuneration payable	31	330,740,040.78	327,955,817.12	509,985,971.09	503,806,052.51
wherein: Salaries payable		321,264,872.28	321,264,872.28	455,884,510.30	455,884,510.30
Benefits payable				430,055.69	917,725.95
#wherein : employee bonus and welfare fund					
Taxes and fees payable	32	-1,510,572,260.86	-413,787,561.21	-744,162,374.39	-190,578,135.35
Wherein: Taxes payable		-1,623,807,622.45	-491,007,382.55	-940,931,728.85	-291,291,845.72
Interest payable	33	1,418,014,211.50	859,789,679.95	2,347,043,369.38	1,665,695,364.80
Dividend payable	34			7,863,408.35	13,024,639.22
Other payables	35	4,319,329,555.12	4,242,620,329.43	5,210,956,688.77	4,846,076,295.16
△ Reinsurance accounts payable					
△ Provision for insurance contract					
△ Acting trading securities					
△ Acting underwriting securities					
Noncurrent liabilities due within one year	36	812,000,000.00		1,322,206,853.57	943,427,759.25
Other current liabilities	37	18,967,925,418.54	9,984,371,584.68	30,457,112,353.52	23,968,865,032.53
<b>Total current liabilities</b>		<b>26,202,180,333.22</b>	<b>16,700,615,379.07</b>	<b>46,916,528,116.30</b>	<b>39,055,081,315.98</b>
<b>Noncurrent liabilities</b>					
Long-term borrowing	38	24,642,078,400.00	6,067,500,000.00	32,175,305,240.19	12,384,831,599.53
Bonds payable	39	40,355,864,611.74	28,384,143,926.55	68,121,970,438.11	46,628,080,864.37
Long-term accounts payable	40			30,983,871.71	31,065,700.42
Special accounts payable	41			49,489,700.83	55,873,846.36
Estimated liabilities	42			100,209,196.55	101,868,127.23
Deferred income tax liabilities	23	176,934,665.95	201,292,733.43	1,205,468,287.59	1,056,417,158.98
Other noncurrent liabilities	43	1,312,424,517.73	1,312,424,517.73	1,326,424,517.73	1,312,424,517.73
Wherein: Approved preparatory funds					
<b>Total noncurrent liabilities</b>		<b>66,487,302,195.42</b>	<b>35,965,361,177.71</b>	<b>103,009,851,252.71</b>	<b>61,570,561,814.62</b>
<b>Total liabilities</b>		<b>92,689,482,528.64</b>	<b>52,665,976,556.78</b>	<b>149,926,379,369.01</b>	<b>100,625,643,130.60</b>
<b>Owners' equities (or shareholders' equities):</b>					
Paid-in capital (share capital)	44	149,536,711,395.60	149,536,711,395.60	149,536,711,395.60	149,536,711,395.60
State-owned capital		149,536,711,395.60	149,536,711,395.60	149,536,711,395.60	149,536,711,395.60
wherein: State-owned legal person capital					
Collective capital					
Private capital					
wherein:personal capital					
Foreign businessmen' s capital					
#less: returned investments					
Paid-in capital (share capital) net total	44	149,536,711,395.60	149,536,711,395.60	149,536,711,395.60	149,536,711,395.60
Capital reserves	45	5,664,490,474.74	5,694,363,712.08	7,140,301,650.87	7,254,550,181.33
Less: Treasury share					
Special reserves	46			792,412.16	
Surplus reserves	47	44,545,174,723.64	27,922,429,208.72	44,163,919,242.29	27,551,666,871.99
Wherein: Legal surplus reserve		5,617,836,049.86	4,995,090,534.94	5,235,439,707.74	4,623,187,337.44
Other surplus reserve		38,927,338,673.78	22,927,338,673.78	38,927,338,673.78	22,927,338,673.78
#Reserve funds					
#Business development fund					
#Profits capitalized on return of investment					
△ General risk reserves					
Undistributed profits	48	3,745,550,249.40	15,469,240,615.16	2,336,671,724.83	8,205,327,642.15
Foreign currency translation difference				307,786,122.44	-33,431,396.10
Total owner' s equity attributable to parent company		203,491,926,843.38	198,622,744,931.56	203,486,182,548.19	192,514,824,694.97
*Minority equity				21,515,408,027.88	19,984,100,046.72
<b>Total owners' equities</b>		<b>203,491,926,843.38</b>	<b>198,622,744,931.56</b>	<b>225,001,590,576.07</b>	<b>212,498,924,741.69</b>
<b>Total liabilities and owners' equities</b>		<b>296,181,409,372.02</b>	<b>251,288,721,488.34</b>	<b>374,927,969,945.08</b>	<b>313,124,567,872.29</b>

Board Chairman: Cao Guangjing

President: Chen Fei

Chief Accountant: Yang Ya

Head of accounting firm: Jin Caijiu

## Income Statement

Prepared by China Three Gorges Corporation The year 2012

Unit: RMB Yuan

Item	note	Parent Company		Consolidation	
		Ending Balance	Beginning Balance	Ending Balance	Beginning Balance
<b>I . Total Operating Income</b>		<b>515,481,328.20</b>	<b>97,433,343.59</b>	<b>36,904,915,224.37</b>	<b>31,317,559,452.14</b>
Wherein: operating income	49/d	515,481,328.20	97,433,343.59	36,438,815,885.01	30,771,260,131.14
Wherein: income from main lines of business		414,150,133.59		36,231,704,720.04	30,589,987,903.10
Other operating income		101,331,194.61	97,433,343.59	207,111,164.97	181,272,228.04
△ Interest income	50			442,283,262.44	530,126,742.00
△ Earned premium					
△ Fees and commissions	51			23,816,076.92	16,172,579.00
<b>II . Total Operating Costs</b>		<b>3,379,060,919.56</b>	<b>2,460,407,888.56</b>	<b>25,554,381,277.52</b>	<b>22,087,194,089.89</b>
Wherein: Operating costs	49/d	278,420,594.90	15,800,363.08	18,276,020,923.05	17,052,364,816.93
Wherein: operating costs		264,343,595.71		18,212,338,479.70	16,974,047,935.39
Other operating costs		14,076,999.19	15,800,363.08	63,682,443.35	78,316,881.54
△ Interest expenditure	50			26,266,121.57	28,889,652.63
△ Fees and commission expense	51			12,439,094.83	18,719,114.91
△ Surrender valuev					
△ Net amount of indemnity payment					
△ Net amount of provision for insurance contract					
△ Payment of policy dividend					
△ Reinsurance expenditure					
Business tax and surtaxes		8,249,068.71	6,849,285.32	781,441,793.89	592,389,695.68
Sales cost		4,336,226.64	166,352.63	62,089,071.89	58,242,812.14
Administrative cost		2,252,638,910.89	2,420,013,786.89	2,147,708,849.86	2,025,407,701.70
Wherein: Research and development expenditure		104,985,276.95	97,258,345.20	168,743,636.45	124,768,681.60
Financial expense		664,694,205.25	-6,476,309.29	3,602,560,292.42	1,895,900,679.64
Wherein: Interest expense		719,358,256.85	116,335,566.32	2,808,375,524.55	1,917,451,822.34
Interest income		74,907,125.22	163,090,840.14	69,487,570.38	89,561,130.70
Net exchange loss (net income marked by “-” )		-5,243,010.10	742,150.92	207,669,154.95	-81,160,786.01
Asset impairment loss	52	170,721,913.17	24,054,409.93	645,855,130.01	415,279,616.26
Others					
Plus: income from changes in fair value (loss to be marked by “-” )	53			633,297.22	-383,269.72
Investment income (loss marked by “-” )	54/e	7,482,652,969.97	6,739,463,134.31	4,180,667,499.04	2,541,457,131.88
Wherein: Income from investment in affiliates and joint ventures		311,777,448.61	137,905,614.30	2,636,215,630.55	855,002,830.97
△ Exchange gain ( loss shall be indicated by the mark “-” )				390.46	
<b>III . Profit from operation (loss shall be indicated by the mark “-” )</b>		<b>4,619,073,378.61</b>	<b>4,376,488,589.34</b>	<b>15,531,835,133.57</b>	<b>11,771,439,224.41</b>
Plus: Non-operating income	55	2,458,784,051.90	5,703,889,587.89	3,904,592,236.69	4,093,108,592.28
Wherein: income from disposal of non-current assets		767,363,761.83	3,504,493,781.57	9,078,491.25	7,884,972.68
Income from exchange of non-monetary assets					
Government subsidy		1,691,100,223.46	2,198,724,410.39	3,872,069,878.20	3,968,237,676.25
Income from the debt restructuring				500,299.90	
Less: Non-operating cost	56	73,211,508.20	52,185,672.58	89,964,938.76	58,196,328.75
Wherein: Loss from disposal of non-current assets		2,755,107.20	2,341,172.58	9,249,044.61	3,887,353.12
Loss from exchange of non-monetary assets					
Loss from the debt restructuring					
<b>IV . Total profit s(total loss marked by “-” )</b>		<b>7,004,645,922.31</b>	<b>10,028,192,504.65</b>	<b>19,346,462,431.50</b>	<b>15,806,351,487.94</b>
Less: Income tax expenses	57/f	777,190,773.15	1,562,067,663.28	4,321,091,059.69	3,666,750,515.80
<b>V . Net profits (net loss marked by “-” )</b>		<b>6,227,455,149.16</b>	<b>8,466,124,841.37</b>	<b>15,025,371,371.81</b>	<b>12,139,600,972.14</b>
Net profit attributable to owners of the parent company		6,227,455,149.16	8,466,124,841.37	12,176,927,899.14	9,840,025,316.89
*Profit and Loss of minority shareholders				2,848,443,472.67	2,299,575,655.25
<b>VI . Earning per share:</b>					
Basic earning per share					
Diluted earning per share					
<b>VII . Other comprehensive income</b>	58	<b>-72,384,763.64</b>	<b>-152,285,421.90</b>	<b>485,627,696.66</b>	<b>-1,974,985,239.10</b>
<b>VIII . Total comprehensive income</b>		<b>6,155,070,385.52</b>	<b>8,313,839,419.47</b>	<b>15,510,999,068.47</b>	<b>10,164,615,733.04</b>
Total comprehensive income attributable to owners of the parent company		6,155,070,385.52	8,313,839,419.47	12,495,149,692.80	8,310,497,755.32
*Total comprehensive income attributable to minority shareholders				3,015,849,375.67	1,854,117,977.72

Board Chairman, Cao Guangjing

President, Chen Fei

Chief accountant, Yang Ya

Head of accounting firm, Jin Caijiu



## Cash Flow Statement

Prepared by China Three Gorges Corporation The year 2012

Unit: RMB Yuan

Item	Parent Company		Consolidation	
	Ending Balance	Beginning Balance	Ending Balance	Beginning Balance
<b>I . Cash flow from operating activities</b>				
Cash received from sales of commodities and provision of services	31,608,775.33	37,992,368.16	39,269,208,476.32	33,499,729,923.88
△ Net increase in client deposits and deposits from other banks			-15,667,562.81	-33,586,514.93
△ Net increase in loans from central bank				
△ Net increase in loans from other financial institutions				1,200,000,000.00
△ Cash acquired from premiums received from original insurance contracts				
△ Net cash received from reinsurance business				
△ Net increase in policy holder deposits and investment funds				
△ Net increase from disposal of tradable financial assets				
△ Interest, handling charges and commissions received			473,747,442.09	550,142,930.82
△ Net increase in loans from other banks				
△ Net increase in repurchase business funds				-1,490,829,166.67
Refund of taxes and fees received	3,620,223.46	284,467,468.95	2,250,350,808.11	2,134,436,777.56
Other cash received in connection with operating activities	11,225,538,990.81	2,529,081,020.24	1,520,898,867.45	2,922,211,990.30
Subtotal of the cash inflow from operating activities	11,260,767,989.60	2,851,540,857.35	43,498,538,031.16	38,782,105,940.96
Cash paid for purchase of commodities and receipt of services	353,396,474.51	528,085,183.56	9,035,391,660.08	7,127,631,312.80
△ Net increase in client loans and advances			-1,035,297,431.51	-1,478,984,166.61
△ Net increase in deposits with central bank and other financial institutions				
△ Cash for payment of indemnity of original insurance contracts				
△ Cash for payment of interest, fees and commissions;			26,612,845.29	49,353,324.76
△ Cash for payment of policy dividend				
Cash paid to and for employees	160,510,191.11	163,939,530.55	2,069,391,190.52	1,782,905,768.26
Taxes and fees paid	1,750,959,410.47	899,204,189.39	9,692,184,302.73	8,224,794,253.63
Other cash paid in connection with operating activities	5,411,512,830.22	5,354,439,460.41	1,599,920,040.86	3,498,080,918.91
Subtotal of the cash outflow from the operating activities	7,676,378,906.31	6,945,668,363.91	21,388,202,607.97	19,203,781,411.75
Net cash flow from the operating activities	3,584,389,083.29	-4,094,127,506.56	22,110,335,423.19	19,578,324,529.21
<b>II . Cash flow from investment activities:</b>				
Cash from reclaimed investment	62,229,198,799.38	27,542,861,205.08	42,229,813,415.84	37,275,112,980.35
Cash from investment yield	7,369,278,480.66	6,154,932,370.46	1,501,826,329.81	1,253,634,271.84
Net cash from disposal of fixed assets, intangible assets and other long-term assets	2,730,178,981.44	7,721,200,992.15	8,882,809.19	38,748,758.16
Net cash from disposal of subsidiaries and other business units		134,622,899.06		120,701,906.49
Other cash received in connection with investment activities			1,161,790.69	9,068,733.31
Subtotal of the cash inflow from investment activities	72,328,656,261.48	41,553,617,466.75	43,741,684,345.53	38,697,266,650.15
Cash paid for purchase or construction of fixed assets, intangible assets and other long-term assets	37,402,105,599.18	29,737,533,338.53	44,126,915,079.04	33,319,042,216.72
Cash paid for investment	76,512,806,093.59	37,701,861,225.12	65,038,128,818.51	38,990,416,650.38
△ Net increase in hypothecated loans				
Net cash paid for acquisition of subsidiaries and other business units.			119,469,734.10	170,399,122.84
Other cash paid in connection with investment activities	164,349,995.00	159,098,883.51		
Sub-total of cash outflow from investment activities	114,079,261,687.77	67,598,493,447.16	109,284,513,631.65	72,479,857,989.94
Net cash flows from investment activities	-41,750,605,426.29	-26,044,875,980.41	-65,542,829,286.12	-33,782,591,339.79
<b>III . Cash flow from financing activities:</b>				
Cash received from acquisition of investment		700,000,000.00	70,568,912.20	978,724,406.71
Wherein: cash received from acquisition of investment from minority shareholders by the subsidiaries			70,568,912.20	278,724,406.71
Cash from borrowings	52,858,880,000.00	29,827,500,000.00	83,484,850,049.00	44,109,829,891.14
△ Cash received from issuance of bonds				
Other cash received in connection with the financing activities			30,910,000.00	33,762,962.27
Subtotal of the cash inflow from the financing activities	52,858,880,000.00	30,527,500,000.00	83,586,328,961.20	45,122,317,260.12
Cash paid for service of debt	11,634,147,200.00	60,000,000.00	34,551,507,325.02	22,468,663,786.72
Cash paid for distribution of dividends, profit or payment of interest	4,068,118,283.21	1,743,642,375.54	7,281,594,122.74	4,885,164,205.27
Wherein: dividends or profits paid to the minority shareholders by the subsidiaries			1,161,421,701.50	1,280,256,319.70
Other cash paid in connection with financing activities	292,187,476.32	113,087,278.20	897,053,612.97	242,398,623.24
Subtotal of cash outflow from financing activities	15,994,452,959.53	1,916,729,653.74	42,730,155,060.73	27,596,226,615.23
Net cash flow from financing activities	36,864,427,040.47	28,610,770,346.26	40,856,173,900.47	17,526,090,644.89
<b>IV . Effect of exchange rate fluctuation on cash and cash equivalents</b>				
			-263,194,171.35	-99,346,857.20
<b>V . Net increase in the cash and cash equivalents</b>				
	-1,301,789,302.53	-1,528,233,140.71	-2,839,514,133.81	3,222,476,977.11
Plus: balance of cash and cash equivalents at the beginning of the period.	7,571,846,449.34	9,100,079,590.05	13,707,813,304.94	10,485,336,327.83
<b>VI . Balance of the cash and cash equivalents at the end of the period</b>				
	6,270,057,146.81	7,571,846,449.34	10,868,299,171.13	13,707,813,304.94

Board Chairman: Cao Guangjing

President: Chen Fei

Chief accountant: Yang Ya

Head of accounting firm: Jin Caijiu

## Statement of changes in equity (parent company)

Prepared by China Three Gorges Corporation

The year 2012

Unit: RMB Yuan

Item	line	Current-year amount										
		1	2	3	4	5	6	7	8	9	10	11
		Paid-in capital (or share capital)	Capital reserve	Minus: treasury shares	Owners' special reserves	Surplus reserves	Provision for general risks	Undistributed profits	Others	Subtotal	Minority interest	Total owners' equity
column		1	2	3	4	5	6	7	8	9	10	11
I. Balance at the end of previous year	1	149,536,711,395.60	5,694,363,712.08		27,922,429,208.72	15,469,240,615.16	198,622,744,931.56			198,622,744,931.56		198,622,744,931.56
Plus: change of accounting policy	2											
Error correction in prior periods	3											
II. Balance at the beginning of this year	4	149,536,711,395.60	5,694,363,712.08		27,922,429,208.72	15,469,240,615.16	198,622,744,931.56			198,622,744,931.56		198,622,744,931.56
III. Increase or decrease in this year (decrease to be donated by " - ")	5		-29,873,237.34		16,622,745,514.92	-11,723,690,365.76	4,869,181,911.82			4,869,181,911.82		4,869,181,911.82
(1) Net Profit	6				6,227,455,149.16	6,227,455,149.16	6,227,455,149.16			6,227,455,149.16		6,227,455,149.16
(2) Other comprehensive income	7		-72,384,763.64				-72,384,763.64			-72,384,763.64		-72,384,763.64
Subtotal of comprehensive income	8		-72,384,763.64				6,227,455,149.16			6,155,070,385.52		6,155,070,385.52
(3) Owners' contribution and decrease in capital	9		42,511,526.30							42,511,526.30		42,511,526.30
1. Capital contributions	10											
2. Amount of share-based payment in owners' equity	11											
3. Others	12		42,511,526.30							42,511,526.30		42,511,526.30
(4) Withdrawal and use of special reserves	13											
1. withdrawal of special reserves	14											
2. Use of special reserves	15											
(5) Profit distribution	16				16,622,745,514.92	-17,951,145,514.92				-1,328,400,000.00		-1,328,400,000.00
1. Appropriation to surplus reserves	17				16,622,745,514.92	-16,622,745,514.92						
Wherein: legal reserve	18				622,745,514.92	-622,745,514.92						
Discretionary reserve	19				16,000,000,000.00	-16,000,000,000.00						
Reserve fund	20											
Business development fund	21											
Profits capitalized on return of investment	22											
2. Accrued provision for general risks	23											
3. Distribution to owners (or shareholders)	24									-1,328,400,000.00		-1,328,400,000.00
4. Others	25											
(6). Internal carry-forward of owners' equity	26											
1. Capital reserve carried forward as capital increase (or share capital)	27											
2. Surplus reserve carried forward as capital increase (or share capital)	28											
3. Loss covered by Surplus reserve	29											
4. Others	30											
IV. Balance at the end of this year	31	149,536,711,395.60	5,664,490,474.74		44,545,174,723.64	3,745,550,249.40	203,491,926,843.38			203,491,926,843.38		203,491,926,843.38

Board Chairman: Cao Guangjing

President: Chen Fei

Chief accountant: Yang Ya

Head of accounting firm: Jin Caijiu

# Statement of changes in equity (parent company)

Prepared by China Three Gorges Corporation

The year 2012

Unit: RMB Yuan

Item	line	Previous-year amount										Total owners' equity
		Paid-in capital (or share capital)	Capital reserve	Minus: treasury shares	Owners' shares	Special reserves	Surplus reserves	Provision for general risks	Undistributed profits	Others	Subtotal	
column	1	12	13	14	15	16	17	18	19	20	21	22
I. Balance at the end of previous year	1	148,836,711,395.60	5,846,649,133.98			27,075,816,724.58		8,946,118,257.93		190,705,295,512.09		190,705,295,512.09
Plus: change of accounting policy	2											
Error correction in prior periods	3											
II. Balance at the beginning of this year	4	148,836,711,395.60	5,846,649,133.98			27,075,816,724.58		8,946,118,257.93		190,705,295,512.09		190,705,295,512.09
III. Increase or decrease in this year (decrease to be donated by " ")	5	700,000,000.00	-152,285,421.90			846,612,484.14		6,523,122,357.23		7,917,449,419.47		7,917,449,419.47
(1) Net Profit	6					846,612,484.14		8,466,124,841.37		8,466,124,841.37		8,466,124,841.37
(2) Other comprehensive income	7		-152,285,421.90					-152,285,421.90		-152,285,421.90		-152,285,421.90
Subtotal of comprehensive income	8		-152,285,421.90					8,466,124,841.37		8,313,839,419.47		8,313,839,419.47
(3) Owners' contribution and decrease in capital	9	700,000,000.00								700,000,000.00		700,000,000.00
1. Capital contributions	10	700,000,000.00								700,000,000.00		700,000,000.00
2. Amount of share-based payment in owners' equity	11											
3. Others	12											
(4) Withdrawal and use of special reserves	13											
1. withdrawal of special reserves	14											
2. Use of special reserves	15											
(5) Profit distribution	16					846,612,484.14		-1,943,002,484.14		-1,096,390,000.00		-1,096,390,000.00
1. Appropriation to surplus reserves	17					846,612,484.14		-846,612,484.14				
Wherein: legal reserve	18					846,612,484.14		-846,612,484.14				
Discretionary reserve	19											
Reserve fund	20											
Business development fund	21											
Profits capitalized on return of investment	22											
2. Accrued provision for general risks	23											
3. Distribution to owners (or shareholders)	24							-1,096,390,000.00		-1,096,390,000.00		-1,096,390,000.00
4. Others	25											
(6). Internal carry-forward of owners' equity	26											
1. Capital reserve carried forward as capital increase (or share capital)	27											
2. Surplus reserve carried forward as capital increase (or share capital)	28											
3. Loss covered by Surplus reserve	29											
4. Others	30											
IV. Balance at the end of this year	31	149,536,711,395.60	5,694,363,712.08			27,922,429,208.72		15,469,240,615.16		198,622,744,931.56		198,622,744,931.56

Board Chairman: Cao Guangjing

President: Chen Fei

Chief accountant: Yang Ya

Head of accounting firm: Jin Caijiu

## Statement of changes in equity (consolidated)

Prepared by China Three Gorges Corporation

The year 2012

Unit: RMB Yuan

Item	line	Current-year amount							Total owners' equity		
		Paid-in capital (or share capital)	Capital reserve	Minus: treasury shares	Owners' Special reserves	Surplus reserves	Provision for general risks	Undistributed profits		Others	Subtotal
column	1	2	3	4	5	6	7	8	9	10	11
I. Balance at the end of previous year	1	149,536,711,395.60	7,254,550,181.33			27,551,666,871.99	8,205,327,642.15	-33,431,396.10	192,514,824,694.97	19,984,100,046.72	212,498,924,741.69
Plus: change of accounting policy	2										
Error correction in prior periods	3										
II. Balance at the beginning of this year	4	149,536,711,395.60	7,254,550,181.33			27,551,666,871.99	8,205,327,642.15	-33,431,396.10	192,514,824,694.97	19,984,100,046.72	212,498,924,741.69
III. Increase or decrease in this year (decrease to be donated by "—")	5		-114,248,530.46		792,412.16	16,612,252,370.30	-5,868,655,917.32	341,217,518.54	10,971,357,853.22	1,531,307,981.16	12,502,665,834.38
(1) Net Profit	6						12,176,927,899.14	341,217,518.54	318,221,793.66	167,405,903.00	485,627,696.66
(2) Other comprehensive income	7		-22,995,724.88								
Subtotal of comprehensive income	8		-22,995,724.88				12,176,927,899.14	341,217,518.54	12,495,149,692.80	3,015,849,375.67	15,510,999,068.47
(3) Owners' contribution and decrease in capital	9		-91,252,805.58		-10,493,144.62		-94,438,301.54		-196,184,251.74	-326,848,640.10	-523,032,891.84
1.Capital contributions	10										
2.Amount of share-based payment in owners' equity	11										
3.Others	12		-91,252,805.58		-10,493,144.62		-94,438,301.54		-196,184,251.74	-326,848,640.10	-523,032,891.84
(4) Withdrawal and use of special reserves	13				792,412.16				792,412.16	1,191,390.31	1,983,802.47
1.withdrawal of special reserves	14				2,136,182.83				2,136,182.83	2,330,539.22	4,466,722.05
2. Use of special reserves	15										
(5) Profit distribution	16				-1,343,770.67	16,622,745,514.92	-17,951,145,514.92		-1,343,770.67	-1,139,148.91	-2,482,919.58
1.Appropriation to surplus reserves	17					16,622,745,514.92	-16,622,745,514.92				
Wherein: legal reserve	18					622,745,514.92	-622,745,514.92				
Discretionary reserve	19					16,000,000,000.00	-16,000,000,000.00				
Reserve fund	20										
Business development fund	21										
Profits capitalized on return of investment	22										
2.Accrued provision for general risks	23										
3.Distribution to owners (or shareholders)	24										
4.Others	25										
(6). Internal carry-forward of owners' equity	26										
1. Capital reserve carried forward as capital increase (or share capital)	27										
2.Surplus reserve carried forward as capital increase (or share capital)	28										
3.Loss covered by Surplus reserve	29										
4.Others	30										
IV. Balance at the end of this year	31	149,536,711,395.60	7,140,301,650.87		792,412.16	44,163,919,242.29	2,336,671,724.83	307,786,122.44	203,486,182,548.19	21,515,408,027.88	225,001,590,576.07

Board Chairman: Cao Guangjing

President: Chen Fei

Chief accountant: Yang Ya

Head of accounting firm: Jin Caijiu

# Statement of changes in equity (consolidated)

Prepared by China Three Gorges Corporation

The year 2012

Unit: RMB Yuan

Item	line	Previous-year amount										
		12	13	14	15	16	17	18	19	20	21	22
		Paid-in capital (or share capital)	Capital reserve	Minus: treasury shares	Special reserves	Surplus reserves	Provision for general risks	Undistributed profits	Others	Subtotal	Minority interest	Total owners' equity
column		1	2	3	4	5	6	7	8	9	10	11
I. Balance at the end of previous year	1	148,836,711,395.60	8,584,866,731.00			26,830,638,273.06	1,447,696,919.83	-2,084,400.20	185,697,828,919.29	20,794,993,586.44	206,492,822,505.73	
Plus: change of accounting policy	2											
Error correction in prior periods	3											
II. Balance at the beginning of this year	4	148,836,711,395.60	8,584,866,731.00			26,830,638,273.06	1,447,696,919.83	-2,084,400.20	185,697,828,919.29	20,794,993,586.44	206,492,822,505.73	
III. Increase or decrease in this year (decrease to be donated by " ")	5	700,000,000.00	-1,330,316,549.67			721,028,598.93	6,757,630,722.32	-31,346,995.90	6,816,995,775.68	-810,893,539.72	6,006,102,235.96	
(1) Net Profit	6						9,840,025,316.89		9,840,025,316.89	2,299,575,655.25	12,139,600,972.14	
(2) Other comprehensive income	7		-1,498,180,565.67				-31,346,995.90		-1,529,527,561.57	-445,457,677.53	-1,974,985,239.10	
Subtotal of comprehensive income	8		-1,498,180,565.67				9,840,025,316.89	-31,346,995.90	8,310,497,755.32	1,854,117,977.72	10,164,615,733.04	
(3) Owners' contribution and decrease in capital	9	700,000,000.00	167,864,016.00			-125,583,885.21	-1,139,392,110.43		-397,111,979.64	-1,384,755,197.74	-1,781,867,177.38	
1. Capital contributions	10	700,000,000.00							700,000,000.00		700,000,000.00	
2. Amount of share-based payment in owners' equity	11											
3. Others	12		167,864,016.00			-125,583,885.21	-1,139,392,110.43		-1,097,111,979.64	-1,384,755,197.74	-2,481,867,177.38	
(4) Withdrawal and use of special reserves	13											
1. withdrawal of special reserves	14											
2. Use of special reserves	15											
(5) Profit distribution	16					846,612,484.14	-1,943,002,484.14		-1,096,390,000.00	-1,280,256,319.70	-2,376,646,319.70	
1. Appropriation to surplus reserves	17					846,612,484.14	-846,612,484.14					
Wherein: legal reserve	18					846,612,484.14	-846,612,484.14					
Discretionary reserve	19											
Reserve fund	20											
Business development fund	21											
Profits capitalized on return of investment	22											
2. Accrued provision for general risks	23											
3. Distribution to owners (or shareholders)	24											
4. Others	25											
(6). Internal carry-forward of owners' equity	26											
1. Capital reserve carried forward as capital increase (or share capital)	27											
2. Surplus reserve carried forward as capital increase (or share capital)	28											
3. Loss covered by Surplus reserve	29											
4. Others	30											
IV. Balance at the end of this year	31	149,536,711,395.60	7,254,550,181.33			27,551,666,871.99	8,205,327,642.15	-33,431,396.10	192,514,824,694.97	19,984,100,046.72	212,498,924,741.69	

Board Chairman: Cao Guangjing

President: Chen Fei

Chief accountant: Yang Ya

Head of accounting firm: Jin Caijiu

## Notes to Financial Statements

### I. General information

#### (I) History

China Three Gorges Engineering Development Corporation was established on September 27, 1993 with the approval of the State Council in order to build Three Gorges Project and exploit the water resources in Yangtze River, and was renamed China Three Gorges Corporation ( “company” or “this company” ) on September 27, 2009. The company is a state-owned solely-funded enterprise and a super-large state-owned enterprise that conducts independent business accounting and assumes full responsibility for profits and losses with legal capacity.

#### (II) Registered address and headquarters

The company was registered and is headquartered in Beijing.

#### (III) Registered capital

The company has registered capital of 149.535 billion Yuan.

#### (IV) Legal representative

The company is represented legally by Mr. Cao Guangjing.

#### (V) Governance structure

In January 2010, the company set up a board of directors with Cao Guangjing serving as the Board Chairman and Chen Fei as President. The board of directors comprises four specialized committees, i.e., strategy and investment committee, nomination committee, remuneration and performance rating committee and audit and risk management committee. In 2012, the State Council dispatched a board of supervisors to the company, where Liu Shunda serves as the chairman of board of supervisors.

At the company, six specialized committees serve as technical and business decision advisors, i.e., investment justification committee, bidding committee, budgeting committee, science and technology committee, work safety committee and performance rating committee.

#### (VI) Industry

The company operates in power industry and is poised to become a clean energy business focusing on large-scaled hydropower development and operation.

#### (VII) Scope of business

The company mainly deals with hydropower plant development and management, power generation and related specialized technical services.

#### (VIII) Main business units

The main business units of the company include construction, power generation, international project contracting, new energy development, financial services and multi-industry operations.

### II. Basis of preparation of financial statements

The public institutions operating under the company follow the Accounting Standards for Public Institutions and prepare financial statements on the basis of going concern.

Business entities operating under the company follow the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance (Caikuai [2006] No. 3 Decree) and subsequent provisions. These business entities prepare financial statements on the basis of going concern and based on actual transactions and matters and by recognizing and measuring according to the provisions of the Accounting Standards for Business Enterprises—Basic Standards and other applicable accounting standards, application guidelines and interpretation of accounting standards. Preparation of financial statements in compliance with the requirements of the accounting standards for business enterprises requires use of accounting estimates and assumptions, which will affect the disclosure of assets, liabilities and contingent liabilities on the date of financial reporting as well as the income and expenses during the reporting period.

### III. Statement of compliance with the accounting standards for business enterprises

The financial statements prepared by the company meet the requirements of the accounting standards for business enterprise and provide true and complete reflection of the company's financial position, business performance and cash flows.

### IV. Summary of significant accounting policies and estimates

(I) The accounting standards and policies that the company currently adopts

The public institutions operating under the company follow the Accounting Standards for Public Institutions.

Business entities operating under the company follow the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance in 2006.

The public institutions operating under the company follow the Accounting Standards for Public Institutions, and convert their financial statements into business–entity financial statements at the time of consolidation of financial statements according to the provisions of the SASAC Evaluation Circular [2008]No. 262 “Circular on Adoption of Reference Format for Conversion of Financial Statements of Public Institutions of Major State–owned Enterprises after Adoption of Accounting Standards for Business Enterprises.

Overseas subsidiaries of the company make adjustments to their financial statements at the time of consolidation of financial statements according to the requirements of the SASAC Circular [2012] No. 184 “Circular on Preparation of Financial Statements by Overseas Subsidiaries of Major State–Owned Enterprises in 2012.

(II) Accounting year

The company adopts Gregorian calendar where each calendar year starts from January 1 and ends on December 31.

(III) Accounting currency

The company keeps books in RMB.

(IV) Accounting basis and principle of valuation (measurement attributes)

The company adopts accrual system as its accounting basis. The company generally adopts historical cost convention method when measuring its accounting elements. The company will explicitly specify where measurement shall use replacement costs, variable NPV, present value or fair value or other attributes according to the applicable accounting standards.

(V) Accounting method for foreign currency transactions and conversion method for foreign currency statements

The company keeps accounts of foreign currency transactions accrued using the RMB central

parity rate published by the People's Bank of China on the date of transaction by converting the foreign currency into RMB.

1. The foreign-currency monetary items and non-monetary items are accounted for using the following methods at the end of year.

(1) Foreign-currency monetary items: foreign-currency monetary items will be converted into RMB at the RMB central parity rate published by the People's Bank of China, and the resulting exchange gain and loss shall be charged to the current-period profit and loss except that the exchange gain and loss that can be directly attributable to acquisition or production of assets meeting the capitalization conditions shall be capitalized and charged to the related capital costs.

(2) Foreign-currency non-monetary items: foreign-currency non-monetary items measured at the historical cost shall be converted at the RMB central parity rate published by the People's Bank of China on the date of transaction without change to its amount of accounting currency; foreign-currency non-monetary items measured at fair value shall be converted using the spot exchange rate on the date of determination of the fair value, and the difference between the amount of accounting currency and the amount of original accounting currency after the conversion shall be accounted for as the change of fair value and charged to the current-period profit or loss or the capital reserve.

#### 2. Conversion method for foreign-currency financial statements

The company converts the financial statements of its overseas business entities within the scope of consolidation (including domestic subsidiaries, joint ventures, affiliates and branches that use accounting currency other than that adopted by the company) into RMB-denominated financial statements for the purpose of preparation and presentation.

(1) Asset and liability items in the balance sheet shall be converted using the spot exchange rate on December 31, 2012 (the RMB central parity rate published by the People's Bank of China on the same day) and the owner's equity items except for "undistributed profits" shall be converted using the spot exchange rate at the time of occurrence.

(2) The income and expense item in the income statement shall be converted using the weighted average of the RMB central parity rates published by the People's Bank of China over the 12 months of 2012.

(3) The foreign currency translation difference resulting from the aforesaid conversion shall be presented separately under the owners' equity item in the balance sheet.

(4) The items in the cash flow statement shall be converted using the weighted average of the RMB central parity rates published by the People's Bank of China over the 12 months of 2012. The amount of effect of exchange rate fluctuation on cash shall be presented separately as adjustment item in the cash flow statement.

(5) When dealing with overseas operations, the foreign currency translation difference related to such overseas operations shall be charged to the disposal of current-period profit and loss on a pro-rata basis.

#### (VI) Criteria for determination of cash equivalents

Cash equivalents are defined as short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value in the company's possession.

#### (VII) Financial assets

##### 1. Classification, recognition and measurement of financial assets



Financial assets are classified at the time of initial recognition as financial assets, loans and receivables, available-for-sale financial assets and held-to-maturity investments measured at the fair value and whose changes are charged to the current profit and loss. The classification of financial assets depends upon the purpose for which the financial assets were acquired and the ability to hold such financial assets.

(1) Financial assets measured at the fair value and whose changes are charged to the current profit and loss

Including financial assets held for training and those designated directly to be measured at fair value and whose changes are charged to the current profit and loss, with the fair value at the time of acquisition as the initially recognized amount and related transaction costs charged to the current profit and loss when occurring. The payment comprises the cash dividend already declared but not yet issued or the bond interest held to the interest payment date but not yet collected, which shall be individually recognized as receivables. The interest or cash dividend acquired by the company during possession of such financial assets shall be recognized as return on investment when the investee declares distribution. On the balance sheet date, the company charges the changes in the fair value of such financial assets to the current profit and loss. When disposing of such financial assets, the difference between the fair value of such financial assets and the initially recorded amount shall be recognized as the return on investment and the changes in fair value through profit or loss are adjusted at the same time.

(2) Receivables

The initially recorded amount of the company's receivables (including account receivables and other receivables) shall be the contract price or price of agreement. The receivables shall be recorded as loss on bad debts if such receivables can not be recovered because the debtor goes bankrupt and remains insolvent after settlement according to the legal settlement procedure or the debtor deceases without any legacy available for satisfaction of debt or assignee of obligation or the debtor fails to fulfill his obligations on or before the due date, subject to the review and approval according to legal procedure.

The company's loss on bad debts shall be accounted using allowance method, and the provision for bad debts shall be set aside using single-item test and combination test (aging analysis). On the balance sheet date, the company carries out impairment test of individual receivables with significant amount separately, determine the impairment loss at the difference between the present value of future cash flow of impaired receivables and their book value and set aside the provision for bad debt, except for the receivables between the parent and child companies within the scope of consolidation or the receivables for which there are substantiated evidence of nonexistence of impairment.

The receivables that are found to be unimpaired through single test together with the receivables whose amounts are individually non-significant shall be classified into several combinations according to the similar credit risk profile and the impairment loss shall be calculated and determined in proportion to these combinations of receivables in the balance on the balance sheet date before the provision for bad debt is set aside. If the recoverability of a particular receivable differs significantly from that of other receivables, resulting in the inability to truly reflect its recoverable amount if such receivable sets aside provision for bad debt the same way other receivables do, the provision for bad debt may be set aside for such receivable using specific identification method.

The percentage of provisioning for bad debt is as follows if the receivables set aside provision for bad debt using aging analysis of account:

Age	Percentage of provisioning	
	Account receivables	Other receivables
Within a 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%

In case the company raises funds by transferring, hypothecating or discounting financial claims to banks and other financial institutions, when the debtor fails to repay such debt on or before due date according to the applicable contractual provisions, such financial claims shall be dealt with as hypothecated loans if the company has the responsibility to make repayment to the financial institutions. If the company has no responsibility to make repayment to financial institutions, such financial claims shall be accounted for as transfer and the loss and profit on transfer of financial claims recognized. When the company recovers the receivables, the difference between the amount received and the book value of receivables shall be charged to current profit and loss.

Public institutions within CTG:

1. Criteria for recognition of bad debt

(1) The debtor goes bankrupt or deceases and the receivables can not be recovered after service of debt using the bankruptcy property or inheritance.

(2) The receivables can not be recovered three years after the debtor fails to fulfill his obligation of repayment on due date, subject to the approval of the competent authorities.

2. The bad debt shall be accounted using direct write-off method and the accrued loss on bad debts directly charged to the current profit and loss.

Financial companies within CTG:

(1) Loans and loans to other banks

Loans and loans to other banks are defined as non-derivative financial assets that are not quoted in active market and whose recoverable amounts are fixed or determinable. When the company directly provides funds or services to its debtors without the intention to sell the receivables, the company shall recognize them as loans or loans to other banks. The loans and loans to other banks shall be initially recognized at the fair value at the time of acquisition plus the transaction costs.

When conducting comprehensive assessment of impairment, the company categorizes its financial assets based on the similarity and correlation of credit risk profile. When conducting impairment test using combination method, the loan loss provisions shall be evaluated and determined based on the loan portfolio structure and similar credit risk profile using the historical loss experience and current economic situation as well as the existing loss in the anticipated loan portfolio.

The asset impairment loss accrued to individual loans shall be recognized and measured at the difference between the book balance of such assets and their recoverable amounts, i.e., the present value of future cash flow discounted using the original effective interest rate (excluding the future credit loss that has not yet occurred). The original effective interest rate is the effective interest rate determined at the time

of initial recognition of such financial assets. The forecast of future cash flow does not include the credit loss of the corresponding financial assets that has not yet occurred, but the value of related pledges has been taken into account and the amount after anticipated disposal costs deducted.

The similar credit risk profile of loans is classified into five categories of asset quality, and percentage of provisioning for loss on loans and loans to other banks as determined by the company is as follows:

Asset category	Normal	Concerned	Subprime	Suspicious	Loss
Percentage	1%	2%	25%	50%	100%

#### (2) Held-to-maturity investment

Held-to-maturity investment is defined as non-derivative financial assets with fixed maturity and fixed or determinable recoverable amount and for which the company has express intension and ability to hold to maturity. For held-to-maturity investment, the company takes the fair value at the time of acquisition plus the related transaction costs as the initially recognized amount. The payment that comprises bond interest due but not yet collected shall be recognized separately as receivables. The interest income on held-to-maturity investment shall be recognized at the amortized cost and effective interest rate during the period of possession and charged to the return on investment. The effective interest rate shall be determined at the time of acquisition of held-to-maturity investment and remain unchanged in the following periods. When the difference between the effective interest rate and nominal interest rate is very small, the interest income shall be calculated using the nominal interest rate and charged to the return on investment. When disposing of the held-to-maturity investment, the difference between the proceeds of disposal and the book value of such investment shall be recognized as return on investment.

On the balance sheet date, when there is objective evidence that the held-to-maturity investment has been impaired, the impairment loss shall be calculated and recognized at the difference between its book value and the present value of anticipated future cash flow. If there is evidence that its value has been restored after provisioning for the impairment loss, the originally recognized impairment loss may be carried back and charged to the current profit and loss, but the book value of such carry-back may not exceed the amortized cost of such financial assets on the date of carry-back should the provisioning for impairment loss have otherwise not occurred.

If a particular investment is no longer suitable as held-to-maturity investment because the company's intention or ability to hold such investment changes, such investment shall be reclassified as available-for-sale financial assets and subsequent measurement shall be carried out at the fair value. On the date of reclassification, the difference between the book value and fair value of such investment shall be charged to the owners' equity and transferred out and charged to current profit and loss at the time of impairment or termination recognition of such available-for-sale financial assets.

#### (3) Available-for-sale financial assets

Available-for-sale financial assets are defined as non-derivative financial assets designated to be available for sale at the time of initial recognition, i.e., financial assets other than those measured at fair value and whose changes are charged to current profit and loss, held-to-maturity investment, loans and receivables.

The initially recognized amount of the company's available-for-sale financial assets shall be the fair value at the time of acquisition plus the related transaction costs. The payment that comprises bond interest due but not yet collected or cash dividend already declared but not yet distributed shall be recognized as receivables separately. The interest or cash dividend acquired during the possession by the company of the available-for-sale financial assets shall be recognized as return on investment

when the investee declares distribution thereof. On the balance sheet date, the available-for-sale financial assets shall be measured at the fair value and the changes in such fair value shall be charged to the “capital reserve—other capital reserves” .

For available-for-sale financial assets, if their fair value continues decreasing remarkably and such decrease is anticipated to be non-temporary, the impairment loss shall be calculated and recognized at the difference between its initial investment cost less the recovered principal and amortized amount and the fair value at the end of the current year. When the provision for impairment loss is set aside, the accumulated loss resulting from the decrease in fair value that is previously directly charged to the owners' equity shall be transferred out and charged to the asset impairment loss.

When disposing available-for-sale financial assets, the difference between the proceeds of disposal and the book value of such financial assets shall be charged to the return on investment. Meanwhile, the portion of the accumulated amount of change in fair value that is previously directly charged to the owners' equity corresponding to the disposal shall be transferred out and charged to the return on investment.

### 3. Determination of fair value of financial instruments

The fair value of financial instruments for which active markets exist shall be determined at the quotation in the active markets. The fair value of financial instruments for which active markets don't exist shall be determined using valuation techniques. Valuation techniques include the price used in market transactions recently conducted by all willing parties with reference to familiar scenarios, reference to present fair value of other substantially same financial assets and discounted cash flow technique. When using valuation techniques, the market parameters shall be used whenever possible and the use of parameters related to the company minimized.

#### ( II ) Long-term equity investment

##### 1. Classification, recognition and measurement of long-term equity investment

The company's long-term equity investment comprises investment in subsidiaries, investment in joint ventures, investment in affiliates and other long-term equity investments.

##### (1) Investment in subsidiaries

The company's investment in its subsidiaries shall be valued at the initial investment costs, and the initial measurement of long-term equity investment resulting from acquisition of majority interest is shown in Note 7 (1) Business Combination. The costs of long-term equity investment shall be adjusted when the company makes additional investment or recovers its investment.

Subsequent measurement shall be accounted using cost method and adjustments made using equity method when preparing the consolidated financial statements. Except for the cash dividends or profits already declared but not yet distributed as contained in the amount actually paid or consideration at the time of acquisition of investment, the return on investment shall be recognized at the cash dividends or profits declared and distributed by the investee.

##### (2) Investment in joint ventures and affiliates

The long-term equity investment made by the company in the investees on which the company has common control or significant influence shall be accounted using equity method. Common control as used herein is defined as the shared control over a particular economic activity according to the contractual provisions to the extent that important financial and business decisions related to such economic activity are subject to unanimous agreement of the investors sharing the control. If an investment company exerts common control over the investee with other parties, such investee shall be

deemed the joint venture of the investment company. Significant influence as used herein shall mean the possession of power and authority to participate in decision making process for the financial and business policies of a particular company but not sufficient to control alone or in conjunction with other parties the formulation of these policies. If the investment company can exert significant influence on the investee, the investee shall be deemed the affiliate of the investment company.

The initial investment cost of long-term equity investment will not be adjusted if the initial investment cost exceeds the eligible portion of the fair value of identifiable net assets of the investee at the time of investment; if the initial investment cost of long-term equity investment is less than the eligible portion of the fair value of identifiable net assets of the investee at the time of investment, the difference shall be charged to the current profit and loss, and the costs of long-term equity investment adjusted at the same time.

After acquisition of long-term equity investment, the profit and loss on investment shall be recognized and the book value of long-term equity investment adjusted according to the eligible or distributable portion of the net profit and loss realized by the investee. The company shall calculate the due portion according to the profits or cash dividends declared by the investee to be distributed and reduce the book value of the long-term equity investment accordingly.

### (3) Other long-term equity investments

The long-term equity investments for which the company has no common control or significant influence on the investee and that are not quoted in active markets and whose fair value can not be reliably measured shall be valued at the initial investment cost and subsequent measurements accounted using cost method.

## 2. Conversion of accounting method for long-term equity investment

### (1) Conversion from cost method to equity method

For originally held long-term equity investment that has no control, common control or significant influence on the investee, that is not quoted in the active markets and whose fair value can not be reliably measured, if the additional investment results in a rising percentage of equity to such extent that the investment company becomes able to exert significant influence or common control over the investee, the originally held portion of long-term equity investment shall be adjusted as if the equity method was originally adopted when changing from the cost method to equity method.

If the disposal of investment results in a situation where the ability to influence the investee changes from control to significant influence or common control with other investors, the costs of long-term equity investment that shall cease to be recognized shall be carried forward according to the percentage of disposal before the remaining portion of long-term equity investment shall be adjusted as if the equity method was originally adopted.

After the conversion from cost method to equity method for long-term equity investment, the eligible portion of net profit and loss realized by the investee and other changes of owners' equity shall be calculated and recognized according to the provisions of the applicable standards in the future periods.

### (2) Conversion from equity method into cost method

If any additional investment results in a change from originally held investment in joint venture or affiliate to investment in subsidiaries, to such extent equity method can be used for accounting of long-term equity investment before the business combination, the book value of the long-term equity investment under the equity method shall be adjusted on the date of purchase and the book balance of related long-term equity investment adjusted to the initial acquisition cost plus the fair value of the newly paid consideration on the date of purchase as the cost of long-term equity investment on the date of purchase.

If any decrease in investment results in the change of accounting method for long-term equity investment from equity method to cost method (long-term equity investment for which the investment company has no common control or significant influence on the investee, that is not quoted in the active markets and whose fair value can not be reliably measured), the book value of long-term equity investment at the time of such change shall be taken as the basis of accounting using the cost method.

### 3. Disposal of long-term equity investment

When the company sells its equities in the investee in full or in part, the book value of long-term equity investment corresponding to the equities being sold shall be carried forward accordingly, and the difference between the proceeds of sale and the book value of disposed long-term equity investment shall be recognized as profit and loss on disposal.

For long-term equity investment measured using equity method, the amount originally charged to the capital reserve shall be carried forward at the time of disposal and transferred from capital reserve into current profit and loss at the time of disposal along with the portion corresponding to the sales of equities.

### 4. Impairment of long-term equity investment

On the balance sheet date, if there exists any indication of impairment of long-term equity investment due to continuous decline in market price or deteriorating operating conditions of the investee, the recoverable amount of the long-term equity investment shall be the higher of the fair value of long-term equity investment net of the disposal costs or the present value of the anticipated future cash flow from the long-term equity investment. When the recoverable amount of the long-term equity investment is lower than the book value, the book value of assets shall be written down to the recoverable amount and the amount of write-down shall be recognized as asset impairment loss and charged to the current profit and loss while provisioning for the asset impairment. The impairment loss of long-term equity investment, once recognized, will not be carried back in the subsequent accounting periods.

## ( III ) Fixed assets

Fixed assets are defined as tangible assets whose related economic benefits are highly likely to flow to the company, whose costs can be reliably measured and that are held for the purpose of producing commodities, providing labor services, leasing or business management and whose service life exceeds an accounting year.

The company's fixed assets shall be measured initially at cost. In particular, the costs of purchased fixed assets include purchase price, import taxes and duties and related fees and other expenditures directly attributable to such assets and incurred to bring the fixed assets to the anticipated service conditions. The costs of self-made fixed assets comprise the necessary expenditures incurred to build and bring such assets to the anticipated service conditions. The fixed assets invested by investors shall have an entry value measured at the value set forth in the investment contract or agreement, but shall be recorded at the fair value if the value set forth in the investment contract or agreement is not fair. Leased fixed assets under financing lease shall have an entry value measured at the lower of the fair value of leased assets on the date of commencement of lease and the present value of the minimum lease payment. If the price of purchased fixed assets is paid beyond the normal credit terms and substantially intended for financing, the costs of such fixed assets shall be determined based on the present value of purchase price. The difference between the amount actually paid and the present value of the purchase price, except for the portion to be capitalized, shall be charged to the current profit and loss during the credit period.

Except for the fixed assets that continue in use with sufficient provision for depreciation and land that is separately measured and recorded, the company makes provision for depreciation of all fixed assets. The depreciation method is straight-line depreciation.

The company determines the service life and anticipated net residual value of fixed assets according to the nature and usage of fixed assets, and reexamines the service life, anticipated NRV and depreciation method of fixed assets at the end of year, with adjustments made accordingly if they differ from the original estimates.

The categories, anticipated service life, anticipated NRV rate and annual depreciation rate of fixed assets of the company are as follows:

Asset category	Anticipated service life (number of years)	Anticipated NRV rate	Annual depreciation rate
Water-retaining structures	40–60	—	1.67%–2.00%
Houses and buildings	8–50	0–3%	2.00%–12.13%
Machinery and equipment	5–32	0–3%	3.03%–20.00%
Transport equipment	3–10	0–3%	9.70%–33.33%
Electronic and other equipment	3–12	0–3%	12.50%–25.00%

The fixed assets of CWE' s overseas project divisions are depreciated using sum-of-years-digits depreciation method.

Subsequent expenditures related to fixed assets that meet the conditions for recognition of fixed assets shall be charged to costs of fixed assets; those subsequent expenditures related to fixed assets that don' t meet the conditions for recognition of fixed assets shall be charged to current profit and loss on an accrual basis.

On the balance sheet date, the fixed assets shall be measured at the book value or recoverable amount, whichever is lower. If the recoverable amount of fixed assets is lower than the book value, the book value of such assets shall be written down to the recoverable amount, and the amount of such write-down shall be recognized as asset impairment loss and charged to current profit and loss while provisioning for asset impairment. The impairment loss of fixed assets, once recognized, will not be carried back in the subsequent accounting periods.

When the fixed assets are disposed of or expected to be unable to generate economic benefits through use or disposal, such fixed assets shall cease to be recognized. The proceeds from sale, transfer, retirement or damage of fixed assets net of their book value and related taxes and fees shall be charged to the current profit and loss.

#### (IV) Construction in progress

The construction in progress built by the company shall be measured at the actual cost, which shall comprise the necessary expenditures incurred to build and bring such assets to the serviceable state.

The fixed assets that have reached the anticipated serviceable state but not yet undergone the final settlement of accounts shall have their costs determined at the estimate value and provision set aside for depreciation; after the completion of final settlement of accounts, the original estimated value shall be adjusted at the actual cost without any adjustment to the amount of depreciation already accrued.

On the balance sheet date, the company measures its construction in progress at the book value or recoverable amount, whichever is lower. The provision for impairment of construction in progress is set aside at the difference between the recoverable amount of a particular works and its book value and then charged to the current profit and loss, while provisioning for the asset impairment. The impairment loss of construction in progress, once recognized, will not be carried back in the subsequent accounting periods.

#### (V) Goodwill

Goodwill is defined as the difference between the costs of business combination not under the common control and the eligible portion of the fair value of identifiable net assets of the investee or the acquired at the date of purchase or acquisition.

Goodwill related to subsidiaries shall be recorded separately in the consolidated financial statements, and goodwill related to affiliates and joint ventures shall be included in the book value of the long-term equity investment.

The goodwill presented separately in the financial statements shall be subjected to impairment test at least at the end of each year. In the process of impairment test, the book value of goodwill shall be allocated to the beneficiary asset groups or combinations of asset groups according to the synergistic effects of business combination.

#### (VI) Borrowing costs

The borrowing costs incurred by the company shall be capitalized and charged to related asset costs if they can be directly attributable to acquisition or production of assets that meet the conditions for capitalization. Other borrowing costs shall be recognized as expenses and charged to the current profit and loss on an accrual basis. Assets that meet the conditions for capitalization are defined as fixed assets, investment real estate and inventories that can be brought to the anticipated serviceable or marketable state after a considerably long period of acquisition, construction or production activities.

The borrowing costs begin to be capitalized when the following conditions are met at the same time: (1). The capital expenditure has occurred, which comprises expenditures incurred in the form of payment of cash, transfer of non-cash assets or assumption of interest-bearing debts to acquire or build or produce assets that meet the conditions for capitalization, (2). The borrowing costs have already incurred, (3). The acquisition or production activities necessary to bring the assets to the anticipated serviceable or marketable state have begun.

During the capitalization period, the amount to be capitalized in each accounting period in case of special borrowings intended for acquisition or production of assets that meet the conditions for capitalization shall be the interest expenses accrued on such special borrowings during the period, net of the interest income from depositing the not-yet-used borrowed funds in bank or the return on investment acquired from temporary investment of the not-yet-used borrowed funds. Where general borrowings are used for acquisition or production of assets that meet the conditions for capitalization, the amount of interest on the general borrowings to be capitalized shall be calculated and determined based on the weighted average of the portion of accumulated assets expenditure in excess of the special borrowings multiplied by the capitalization rate of the used general borrowings. The capitalization rate shall be calculated and determined based on the weighted average interest rate of general borrowings. The amount of interest to be capitalized shall not exceed the amount of interest accrued on the related borrowings during the same period.

If the acquisition or production of assets that meet the conditions for capitalization is interrupted abnormally and for more than 3 consecutive months, the capitalization of borrowing costs shall be suspended. The borrowing costs incurred during the period of interruption shall be recognized as expenses and charged to the current profit and loss until the resumption of such acquisition or production activities. If the interruption is a procedure necessary to bring the assets that meet the conditions for capitalization to the anticipated serviceable or marketable state, the capitalization of borrowing costs shall be stopped.

The calculation method for amount of borrowing costs to be capitalized in large-sized construction projects:

#### (1) Special borrowings



The interest expenses accrued on the special borrowings during the current period, net of the interest income from depositing the not-yet-used borrowed funds in bank or the return on investment acquired from temporary investment of the not-yet-used borrowed funds.

The borrowing costs on the annual special borrowings before the main assets of the project have not yet reached the anticipated serviceable state shall be charged in full to the costs of construction in progress. After some of main assets of the project reach the anticipated serviceable state, the borrowing costs on the annual special borrowings during the concurrency of construction and production operations shall determine the amount of capitalized interest to be charged to the construction in progress based on an appropriate ratio. After the whole project reaches the anticipated serviceable state, the borrowing costs shall be charged in full to the current profit and loss.

#### (2) General borrowings

When there are solid evidences that the project uses general borrowings and the amount of such general borrowings used can be directly and accurately determined, the amount of interest to be capitalized on the general borrowings used in the project shall be calculated based on the weighted average of the portion of accumulated assets expenditure in excess of the portion of special borrowings multiplied by the capitalization rate of the used general borrowings. The capitalization rate shall be determined based on the weighted average interest rate of general borrowings.

Where many large-scaled construction projects are carried out simultaneously with capital construction and production operations occurring in parallel to such extent that it is difficult to determine whether a particular works has used general borrowings, the capitalized borrowing costs to be charged to construction in progress shall be determined using the following method and allocated among large-sized hydropower construction projects, with the non-capitalized borrowing costs charged to the current financial costs.

Total amount of borrowing costs to be capitalized = accumulated borrowings used in capital works under construction x capitalized interest rate

Note: "capital works under construction" comprise construction in progress, project materials and project-related provisional receipts and payments (ditto).

The accumulated borrowings used in capital works under construction = x (amount of borrowings used in capital works under construction each month x 1/number of months covered by the accounting period)

Borrowings used in capital works under construction each month = weighted average of the accumulated expenditure on capital works under construction in the month / total assets at the beginning of the month x total borrowings at the beginning of the month

Note: "Total assets at the beginning of the month" shall be net of the assets items that can be expressly judged to have not used any borrowings (ditto).

Weighted average of the accumulated expenditure on capital works under construction in the month = book balance of capital works under construction at the beginning of the month + total expenditures on capital works under construction in the month / 2

Capitalized interest rate = weighted average interest rate of borrowings

Weighted average interest rate = x interest accrued on the borrowings in the current period / weighted average of the principal of borrowings x 100%

Weighted average of principal of borrowings = x [principal of each borrowing x number of days or months of use of each borrowing / number of days or months covered by the accounting period]

The amount of capitalized borrowings in a particular construction project = total amount of

capitalized borrowings  $\times$  (accumulated expenditure on capital works under construction at the beginning of month for a particular works/accumulated expenditure on capital works under construction at the beginning of month for all works).

(VI) Revenue recognition

1. Sales of commodity

The income from sales of commodities shall be recognized at the contract price received or due from the purchaser if the commodities sold by the company meet all of the following conditions at the same time: (1). The main risks and rewards on the ownership of the commodity have been transferred to the purchaser, (2). Neither the right to continued management normally in connection with the ownership is retained, nor effective control is exerted over the sold commodities. (3). The amount of revenue can be reliably measured, (4). The related economic benefits are highly likely to flow to the company. (5). Related incurred or pending costs can be reliably measured.

If the receipt of contract price adopts deferral method and is substantially intended for financing purposes, the amount of revenue from sales of commodities shall be determined at the fair value of the contract price receivable.

2. Provision of labor services

If the results of provision of labor services can be reliably estimated at the balance sheet date, the income from provision of labor services shall be recognized using percentage-of-completion method. The company determines the progress against the completion of provision of labor services (percentage of completion) based on the measurement of completed works.

The following shall apply if the results of the provision of labor services can not be reliably estimated at the balance sheet date:

(1) Where the labor costs incurred are expected to be compensated, the income from provision of labor services shall be recognized at the amount of labor costs incurred and labor costs carried forward at the same amount.

(2) Where the labor costs incurred are expected not to be compensated, the labor costs incurred shall be charged to the current profit and loss without recognition of the income from provision of labor services.

When the contract or agreement between the company and other parties includes sales of commodities and provision of labor services and the sales of commodity section and provision of labor section can be distinguished and measured separately, the sales of commodity section shall be accounted for as sales of commodity, and the provision of labor section as provision of labor. If the sales of commodity section and the provision of labor section can not be distinguished from each other or can be distinguished from each other but not measured separately, the sales of commodity section and provision of labor section shall be accounted for as sales of commodity as a whole.

3. Transfer of right to use assets

The company recognizes the income from transfer of right to use assets if the economic benefits related to such transfer can flow to the company and the amount of proceeds can be reliably measured.

The interest income shall be calculated and determined based on the period of use of monetary funds and applicable interest rate. The amount of income from user fee shall be calculated and determined according to the billing period and method set forth in the related contracts or agreements.

(VII) Construction contracts

If the outcome of a particular construction contract can be reliably estimated at the balance sheet date, the company recognizes the contractual income and expenses using percentage-of-completion

method. If the outcome of a particular construction contract can not be reliably estimated and the contract cost can be recovered, the contractual income shall be recognized at the actual contract cost that can be recovered and the contract cost shall be recognized as contractual expense as it incurs. If the contract cost can not be recovered, it shall be immediately recognized as contractual expense as it incurs, without recognition of contractual income. When the total contract costs are expected to exceed the total contractual income, the company recognizes the anticipated loss as current expenses.

The company determines the percentage of completion of contract based on the ratio of actual accumulated contract costs to the anticipated total contract cost.

On the balance sheet date, the amount resulting from total contractual income multiplied by the percentage of completion and net of the accumulated recognized income in the prior accounting periods shall be recognized as the current contractual income. Meanwhile, the amount resulting from the anticipated total contract cost multiplied by the percentage of completion and net of the accumulated recognized income in the prior accounting periods shall be recognized as the current contractual expenses.

#### (IX) Government subsidy

Government subsidy is defined as monetary or non-monetary assets acquired by the company from the government free of charge, excluding the capital invested by the government as the owner of the company.

Government subsidy that is monetary assets shall be measured at the amount received or receivable. Government subsidy that is non-monetary assets shall be measured at fair value or at the nominal value (RMB 1 Yuan) if the fair value can not be reliably obtained.

The company recognizes the government subsidy related to assets as deferred income and allocates it evenly across the service life of the related assets through profit and loss. However, the government subsidy measured at the nominal value shall be directly charged to current profit and loss.

Government subsidy related to income and intended for compensating the related costs or losses to be incurred by the company in the subsequent periods shall be recognized as deferred income and charged to the current profit and loss during the recognition of related costs and expenses. Government subsidy related to income and intended for compensating the related costs or losses already incurred by the company shall be directly charged to the current profit and loss.

If the recognized government subsidy is required to be refunded and there exists related deferred income, the book balance of the related deferred income shall be written down and any portion in excess shall be charged to the current profit and loss. If there exists no related deferred income, such recognized government subsidy shall be directly charged to the current profit and loss.

#### (X) Accounting treatment of income tax

1. The company's income tax is measured and calculated using balance sheet liability method.

If the book value of assets and liabilities differs from their tax base, the resulting deferred income tax assets and liabilities shall be recognized according to the applicable provisions.

2. Method for calculation and payment of income tax: calculation on an annual basis and advance payment on a quarterly basis within 15 days of the end of each quarter, final settlement within 5 months of the end of each year.

## V Description of changes in accounting policies and estimates and significant prior-period error correction

The company has no changes in accounting policies and estimates or prior-period error correction to report during this accounting period.

## Core elements of corporate culture

### Enterprise spirit

Employee engagement, pragmatism, innovation,  
teamwork and business excellence

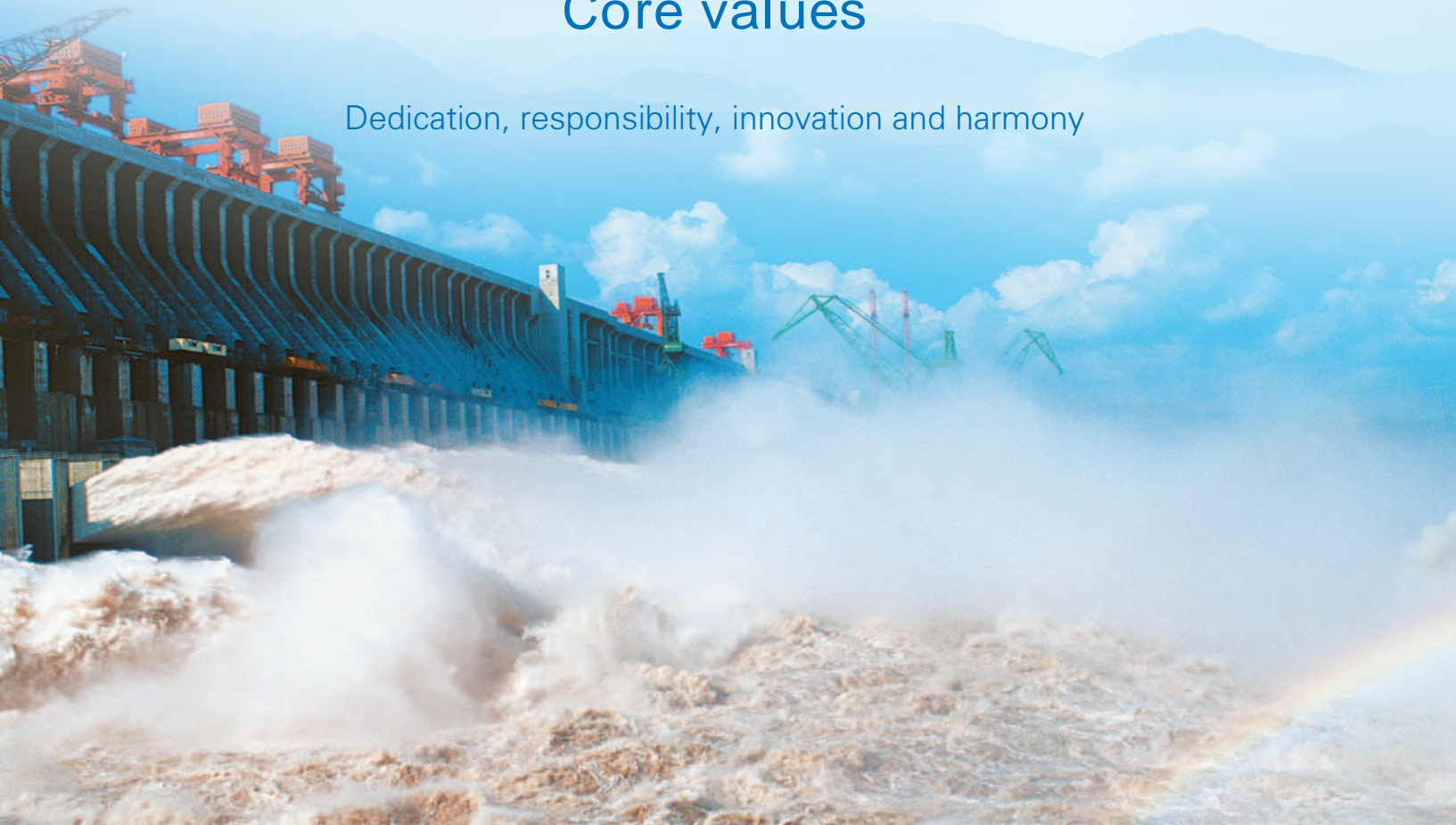
### Mission

To Build Three Gorges Project and Exploit Water  
Resources of Yangtze River

Provide clean energy and work towards a better  
place called home

### Core values

Dedication, responsibility, innovation and harmony



## Our approach to hydropower business

Build a hydropower plant, drive the local economic development, improve the environment and benefit the local people

### Guidelines

Long-term cooperation, community engagement, overall consideration and mutual benefit



## Corporate Culture Building

In 2012, CTG reviewed its corporate culture and guidelines and took practical measures to solidify the groundwork of corporate culture building efforts in terms of overall planning, employee engagement, safeguards, management policy and team building.

### Corporate culture building plan and visual identity system revised to establish an overall framework for corporate culture building efforts

CTG engaged a professional consultancy to conduct a baseline survey of the current status of corporate culture of the company through field survey, interview, discussion and questionnaire-based survey. Based on the baseline survey, core elements of the corporate culture were identified and a statement of corporate culture that “we are Three Gorges” was developed. The enterprise spirit of employee engagement, pragmatism, innovation, teamwork and business excellence was established and the core values of “dedication, responsibility, innovation and harmony” defined. The guidelines of “long-term cooperation, community involvement, overall consideration and mutual benefit” was added to our approach to hydropower business development (i.e., to build a hydropower plant, drive the local economic development, improve the environment and benefit the local people). The employee code of conduct and corporate culture building plan 2012–2015 were formulated, the guidelines, basic principles, overall objectives and step-by-step process of corporate culture building laid out and the organizational setup, supporting measures and safeguards for corporate culture building established.



CTG engaged a professional firm to revise the corporate visual identity manual 2007 by improving the appearance of the logo and Chinese and English characters of the company’s name, thus defining the corporate logo. OA system and working environment was improved by including environmental image system of construction projects in the corporate visual identity system and unifying the physical image of construction sites.

### A team-based approach to corporate culture building



A team-level experience sharing meeting was held for the first time, involving 135 participants, where six business divisions including Xiluodu project division shared their successful experience and President Chen Fei delivered a speech emphasizing the need for team-based approach to corporate culture building and making all employees more aware of corporate culture. All CTG companies took measures to drive the team-based corporate culture building movement, which paved the way for the corporate culture building at the corporate level.

## A learning organization and spiritual civilization progress as an important way to promote corporate culture building efforts

A shared culture is impossible without all employees engaged in continuous learning. Since 2006, CTG has been endeavoring to become a learning organization by recommending books to employees and sharing books with employees. In 2012, all employees were involved in a learning session to study two books recommended by Board Chairman Cao Guangjing and President Chen Fei jointly, i.e., “A Borderless World” , and “Corporate Diseases—Diagnosis and Prescription from Corporate Culture Reformer” . Over 300 book reviews were evaluated and 71 of them were singled out as best reviews for inclusion into a pamphlet to be distributed to managers throughout the company. With the pioneering efforts made at the corporate level, all departments and business units conducted a variety of reading activities, resulting in an intense intellectually-driven atmosphere.

Spiritual civilization reflects good culture. CTG has long been engaged in spiritual civilization drive while building the Three Gorges Project and exploiting the water resource of Jinsha River. In 2012, CTG established Spiritual Civilization Steering Committee and called upon all business units to form volunteer employee teams. As a result, 34 volunteer teams were set up and comprise 2,362 employees in total. These volunteers provided volunteer services on a total of 183 occasions, including assistance to school dropout and other community services. In particular, volunteer employees from China Yangtze Power Co., Ltd provided assistance to needy children, and volunteer employees from China Three Gorges Development Co., Ltd and Three Gorges New Energy Co., Ltd provided financial assistance to prospective school dropouts, which were well acclaimed in the local communities. China Yangtze Power Co., Ltd, Tourism Company and Finance Company of CTG included the role model of spiritual civilization into the to-do list of their party committees. The corporate website and China Three Gorges Journal provide extensive coverage of the activities of these volunteer teams and all departments and business units involved in the spiritual civilization drive, creating a stimulating environment for spiritual progress.



## Cultural integration of acquired companies in support of CTG's M&A strategy



The Party and Mass Affairs Department and HR department of CTG conducted a baseline survey of cultural integration of acquired companies in terms of commitment, strategy, organization and company policy through questionnaire-based survey, face-to-face interview and discussion group, in an effort to identify the successful experience with reorganization and integration as well as the problems and their root causes. An ad-hoc report was submitted to the Party Group of CTG, laying out the suggested approach to cultural integration. The successful experience with cultural integration with CWE was publicized through China Three Gorges Journal as a success story.

In addition, CTG adopted Corporate Culture Policy (interim) and 68 corporate culture lecturers were engaged from business units and subsidiaries.

## Technological Innovation

### Improved in-house innovation capabilities

Innovation is a main driving force behind CTG's efforts to implement its business strategy, as well as an essential ability to meet the future challenges. Through in-house training and collaboration with partners and by integrating resources both inside and outside the company, CTG has been improving its technological innovation system covering industry, academia and research community, in an effort to enhance in-house innovation capabilities and raise the level of technical service.

Innovation-minded technologists are the heart of technological innovation system. CTG has been working hard to establish a pool of innovation-minded specialists comprising scientists, industry-leading specialists, outstanding engineers as well as chief engineer, economist and accountant. CTG plans to increase its R&D spending to 3% of its income from main lines of business at the end of the 12th five-year plan period. The incentive mechanism has been improved to motivate employees at work.

While focusing on technological innovation, CTG works hard to protect its intellectual property rights and commercialize scientific payoffs. In 2012, CTG won 12 technology awards at the national and provincial levels and received 116 patents.

### Making full use of the role of Three Gorges Project in flood control

Over the past years, CTG has investing heavily in R&D to raise the level of reservoir operation. In the past years, CTG deployed more hydrological and meteorological remote-sensing stations along the upstream of Three Gorges Reservoir, built the most advanced hydrological automatic measurement and reporting system in the upstream watershed and cultivated a team of reservoir operation specialists by participating in the implementation of two projects under the National Science and Technology Development Program, i.e., "Development of Several Critical Technologies for Safe and Efficient Operation of Super-large Cascaded Water Resources and Hydropower Projects" and "Development of Key Technologies for Development and Integration of Automatic Combined Dispatching System for Reservoir Groups".

In the flood season of 2012, the upstream of Yangtze River was hit by a strong rainstorm, resulting in the highest peak discharge of 71200 m<sup>3</sup>/s through the Three Gorges Dam on July 24, a level that exceeded the flood seen in 1931, 1954 and 1998. Four flood control operations were conducted at the Three Gorges reservoir in succession, impounding a total of 22.25 billion m<sup>3</sup> and reducing the flood level at the middle and downstream by 1.5 to 2.0 m, a significant benefit of flood control. During the flood control operations, sufficient consideration was given to the need to clear the muddy and discharge sand, with average silt trapping efficiency reaching 32% during the three flood control operations.

Meanwhile, CTG conducted a series of tests of small or middle-sized flood regulation, adopted dynamic regulation of flood limiting level during flood seasons beyond the conventional boundaries and coordinated the relation between flood control and water resource utilization, thus improving the utilization efficiency and benefits of reservoirs. Through reasonable regulation of water level during flood season, not only the ships trapped between Three Gorges Dam and Gezhouba Dam were effectively evacuated, but also the power output increased (about 12.2151 TWh additional electricity generated from this impoundment operation), thus effectively addressing the power undersupply in the transmission area. The success of this innovative approach to small and medium-sized flood regulation set a good example for future flood regulation efforts, demonstrating that it is possible to reasonably adjust the water level during flood season and maximize the benefits of Three Gorges Project with the supporting meteorological and hydrological forecasting technology and technical innovations.



## Fulfilling social responsibility

In 2012, CTG paid 10.121 billion Yuan taxes and made charitable donations of 74.40 million Yuan. 779 million Yuan, 132 million Yuan and 49 million Yuan were set aside for Three Gorges Reservoir Fund, Gezhouba Reservoir Fund and Resettlement Fund respectively in 2012 towards improvement of quality of life and infrastructure in respective reservoir areas.

## Endeavoring to pursue engineering excellence

The Three Gorges Hydropower Plant, Xiluodu Hydropower Plant and Xiangjiaba Hydropower Plant developed and built by CTG are all of major projects that concern national prosperity and people's livelihood, projects that are characterized by huge capital investment, long construction period, large installed capacity and technical challenges. CTG gives overall consideration to the economic, social and environmental acceptability and bearing capacity, adopts high standard of planning and design practices, make arrangements for construction and treat quality and safety aspects of the project with a strongest sense of responsibility, in an effort to build high-quality, safe, reliable and environment-friendly dams and ensure the project deliverables achieve the functional objectives and generate comprehensive benefits.



Three Gorges Project power station localization of major equipment seminar held in Beijing

Successful completion of the design stage underpins the high quality of project deliverables. At the planning and design stage, CTG gives overall consideration to economic, technical, safety, social and environmental factors, formulates rigorous design criteria, and constantly optimizes the design output to achieve consistency among technical, economic and reliability aspects of project implementation, with a view to demonstrating the maximum economic, environmental and social benefits of each project with respect to design. For example, CTG adopted advanced computing technology, simulation technology, precise temperature control technique, satellite navigation technology and information transmission technology while building Xiluodu Hydropower Plant, the first 300-meter-grade high-arch dam in China to be built using digital technology.

Total quality control was pursued by maintaining a quality management system that covers the project lifecycle and all participants in the project. CTG constantly improves safety management system and makes all employees more aware of safety by adopting best management practice, in a bid to make our projects and business intrinsically safe.

CTG endeavors to build a responsible supply chain by improving supplier management practice. CTG operates with integrity and in accordance with ethical procurement process that ensures transparent, fair and ethical procurement practice. The legitimate rights and interests of CTG's partners are effectively upheld through a more systematic, professional and transparent approach to supplier management in order to ensure the products provided by suppliers meet CTG's corporate standards. CTG endeavors to build a new type of partnership with suppliers, help the downstream and upstream of the value chain move up the value chain, improve the overall competitiveness of the whole value chain and work together to build a world-class name brand and highest-quality projects. CTG purchases materials and works from local suppliers and contractors whenever possible and helps local suppliers achieve business sustainability. For example, CTG managed to manufacture such critical equipment as large-sized water turbine generator sets through technology introduction, assimilation and recreation efforts, thus driving China's hydropower equipment manufacturing industry forward.

## Ecological and environmental protection efforts at Three Gorges

Since the commencement of construction of the Three Gorges Project in 1993, the Chinese government increased input in ecological and environmental protection in the reservoir area and took many comprehensive protective and preventive measures. The monitoring results of the Three Gorges Reservoir since its impoundment in June 2003 indicate that the impact of the Three Gorges Project on ecological environment is generally within the scope anticipated in the feasibility study report.



In November 2011, the soil conservation facilities as part of the Three Gorges Project were successfully accepted, as the inspection team from the Ministry of Water Resources noted that the soil conservation management system of CTG incorporated the soil erosion controls defined in the master plan and soil conservation plan, the monitoring and supervision for soil conservation helped effectively control and reduce the soil loss during the construction process, the soil conservation facilities meet the quality requirements and the maintenance and management during the operation of such facilities were effective and efficient.

The water quality of mainstream of Three Gorges Reservoir area remains substantially consistent when compared with that before the impoundment, meeting or exceeding the Class III water quality criteria as a whole. After the impoundment, the sediment load upstream of Yangtze River has been significantly reduced; after the impoundment, no serious geological disasters or disaster-caused casualties occurred in the Three Gorges Reservoir area. Although the incidence of recorded earthquakes in the Three Gorges Reservoir increased slightly, few of them were larger than 2 on Richter scale, thus posing little adverse impact on both the reservoir and the dam.

The biodiversity conservation efforts in the Three Gorges Reservoir have been an ongoing concern of the Chinese government and CTG as well, as effective measures have been undertaken for this purpose. Over the past decade, many conservation projects were implemented, including the construction of a nature reserve at Da Laoling Mountains in Yichang, Hubei Province, protection of evergreen broad-leaved forest along Longmen River of Xingshan, Hubei Province and protection of ancient trees, Chinese sturgeon reserve in Yichang, Hubei Province and Chinese Sturgeon reserve at the estuary of Yangtze River in Shanghai. In addition, efforts are about to be made to build a center for rescue of endangered and unique fish species in upstream of Yangtze River. The Chinese Sturgeon Research Institute and Jinsha River Releasing Station were recognized as the national center for scientific literacy in the categories of scientific research institute and production facilities by China Association for Science and Technology. Research on ecological and environmental protection of the Three Gorges Project is well underway.

## Enhancing sustainability of migrants

Bearing in mind the commitments to long-term cooperation, community engagement, overall consideration and mutual benefit, CTG helps resettled people adapt to the local conditions, customs and culture by making full use of its resources and expertise in order to enable resettled people to benefit from hydropower generation business. When planning for construction of new towns, consideration is given to both present and future needs and the local socioeconomic development program was taken into account whenever possible to allow for future development of the towns and counties around the reservoir area and create a clean and healthy living environment that meets the present and future needs of resettled people, by following the principle of “centralized planning, step-by-step implementation and continuous improvement”. In 2012, two new county seats of Pingshan County of Sichuan Province and Suijiang County of Yunnan Province and 11 new towns as well as over 5 million 2 of housing were built in place, with three bridges and one highway (i.e., Jinsha River Bridge, Dawenxi Bridge and Xiaowenxi Bridge in Pingshan County of Sichuan Province and a highway S307) built to support the livelihood of people resettled in Xiangjiaba Reservoir area.



Resettlement program for Xiangjiaba Hydropower Plant kicks off in Suijiang County

CTG supports the construction of public facilities such as medical services, educational, health and water supply facilities in the reservoir area, providing resettled people with safer, more convenient and comfortable public services. In 2012, CTG donated 0.5 million Yuan to help 29 seriously ill people in Xiangjiaba Hydropower Plant Area. Efforts were made to improve the conditions of old people's homes and service stations were set up in towns where empty nesters are concentrated in order for them to spend their remaining years in comfort. 0.95 million Yuan was donated to help build village offices at Huanghua Town, Daxing Town, Wuji Town and Makou Town of Yongshan County in Yunnan Province and the resettlement point in Zhaoyang District, Zhaotong City, Yunnan Province in order for the resettlement towns to provide skills training and public activities more effectively after the resettlement. CTG donated teaching



Children at Anbian Primary School in Anbian Town of Yibing County sing a song.

instruments to five schools in Zhaojue, Dechang and Xichang Counties of Sichuan Province in order to diversify the teaching tools and practices. 6.59 million Yuan was donated to nearly 2000 high school students and college students in need in Xiluodu Reservoir Area and Xiangjiaba Hydropower Plant Reservoir Area.

In addition, to help resettled people realize self-reliance, CTG established Women Empowerment Foundation for Reservoir Resettlement with a total commitment of 30 million Yuan over three years starting from 2011, in collaboration with All China Women's Federation to finance technical training, small loan to businesswomen and healthcare services for women in connection with the resettlement resulting from reservoir construction. At the end of 2012, this foundation has financed dozens of projects and made remarkable achievements in skill development and health improvement of women, thus earning the China Woman Charity Award—Role Model Award from All China Women's Federation.

Due to the fact that most of project sites are located in geographically challenging areas with underdeveloped infrastructure and difficult access, investment from external companies in the reservoir area has been significantly impeded. CTG helps improve the infrastructure in the reservoir areas by building access roads to the reservoir area and sharing the special-purpose roads with stakeholders. In 2012, thanks to the greatly improved access to the local areas, the construction of Shunhe Industrial Park was accelerated in Leibo County of Sichuan Province and phosphorous fertilizer and mining industries have become major source of revenue in the country.



A road rebuilt on the provincial highway S307 in Leibo County

CTG promotes the development of new-type agriculture by helping build agricultural infrastructure and expanding the platform for agricultural development in the reservoir areas. CTG launched an agricultural byproduct and tea oil processing project at Xujiachong Village, Taipingxi Town, Yiling District of Yichang City of Hubei Province to exploit the abundant local agricultural resources. An orange orchard was built with the financial support from CTG in Zigui Reservoir area of Hubei Province to increase the income of local farmers.

### Building a harmonious labor relation

CTG has been observing the principle of equal employment, complying with the applicable laws and regulations concerning labor practices, prohibiting any discrimination on the basis of religion, race, gender, age and disability and providing equal pay for equal work to both male and female employees. At the end of 2012, CTG had a total manpower of 15,634, all of whom were covered by employment contract, and no significant labor dispute occurred. CTG respects employees and labor and commits itself to providing employees with equal opportunity of employment and effective safeguards, with a view to ensuring CTG people work in a free, fair, safe and decent working environment. By making greater efforts with respect to compensation and benefit policy, employee training and development, performance rating and management, career path and work-life balance of employees, CTG is becoming an arena where employees are empowered to measure themselves.



Worker's Recreation Center at Xiangjiaba Hydropower Plant unveiled

Meanwhile, CTG encourages its contractors to provide guidance and service to migrant rural workers and endeavors to give them financial assistance and counseling services. By improving the policy on contractor employee management, CTG has included occupational health, skills training and cultural life in the scope of management and adopted a consistent approach to management of employment, accommodation, training, labor protection, compensation, health check-up and recognition of merits, i.e., the uniform employment contract across construction sites of CTG, centralized provision of daily-life necessities to improve the public facilities on the construction camps; company-wide education of migrant rural workers on legal compliance, company policy, technical skills and safety; centralized provision of labor protection and examination of working personnel for compliance with the safety rules; ensuring timely and full payment of payroll to migrant rural workers through closed-loop fund management practices; companywide health checkup for migrant rural workers; and recognition of migrant rural workers.

## Giving back to the society

As a major SOE, CTG is expected to contribute to the local community development while seeking business growth. CTG has refined its charity program to address social issues from a strategic and systematic perspective by leveraging its strength in poverty relief, financial assistance and charitable donation. Meanwhile, CTG encourages employee volunteerism to support and participate in community development and deliver on its long-term commitments to the wider society with practical actions.

While driving the local economic growth through organic growth, CTG helps local residents improve quality of life and benefit from the operations of the company by providing human and intellectual support. Before commencement of any social investment and community development project, CTG always conducts extensive baseline surveys, consults with stakeholders and integrates the concerns of stakeholders into its business strategy and portfolio for community engagement. CTG has always been concerned about the disabled, needy children and empty nesters and other disadvantaged groups and provides them both financial assistance and mental care through a variety of initiatives and events. In 2012, Yellow River Vocational Education and Training Center for the Disabled (or CTG's vocational training center for the disabled) built by CTG with capital investment of 11.47 million Yuan was put into operation. A variety of training programs at the center helped the disabled improve employability and contributed to the local charity. In 2012, CTG received the China Charity Award "Most Caring Corporate Donator Award" from the Ministry of Civil Administration.



Clean water as a token of care(Wu Dong De Hydropower Plan)

## Being a good global corporate citizen

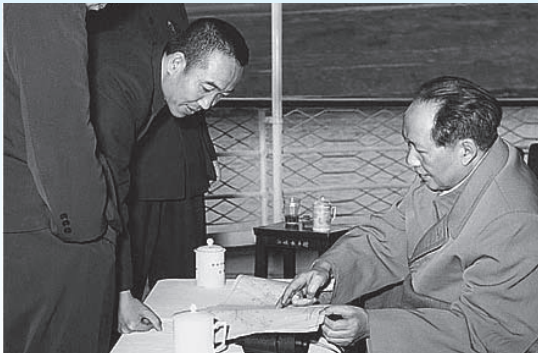
In 2012, CTG's overseas operations covered 30-plus countries and regions around the world. CTG has been operating with integrity and producing high-quality products with a well-established quality, progressive investment and safety management system. Meanwhile, CTG has brought the successful experience with Chinese economic takeoff abroad as a new source of inspiration for the local economic development.

At overseas project sites, CTG works towards the harmonious coexistence among local communities, environment and construction projects and helps local people improve their livelihood. In Guinea, CTG built drinking water tanks and a stadium for local employees and neighboring villagers, and a 60-seat mosque was built in place and delivered to the local government on February 1, 2013. In Laos, CTG donated 0.4 million dollars to help local people build a high school, a move that was covered by the People's Daily in details under the title "A Chinese Company Brings Benefits to Lao People". In Malaysia, in the wake of a serious fire that damaged more than half of all houses in Long Wat village, CTG lost no time to donate money and supplies to help the local people out of the trouble. In Ecuador, Pakistan and Greece, the light of benevolence shines over every corner of the world and the torch of care is being relayed across the globe.



枢纽  
The 6th World Water Forum & Exhibition

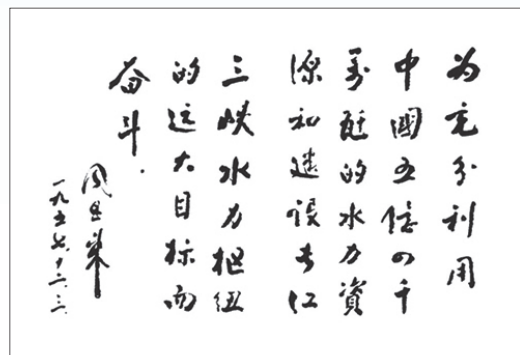
## Support from several generations of Chinese leaders



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



In March 1958, Premier Zhou Enlai embarked on Zhongbao Islet, Sandouping and reviewed the dam site options 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 examine the geological structure of the dam site of the Three Gorges Project.

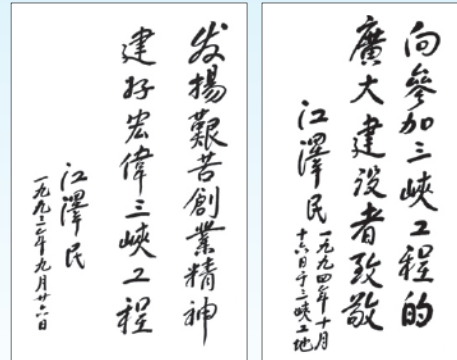


In July 1980, Deng Xiaoping, Vice-Chairman of the CPC Central Committee and Vice Premier of the State Council, went by ship towards the east from Chongqing to examine the dam site of the Three Gorges and Gezhouba as well as Jingjiang Levee and received a briefing on the project progress.

On November 24, 1982, Vice Premier of the State Council Deng Xiaoping heard out a report by the State Development Planning Commission. When he heard that "it is necessary to build the Three Gorges Dam to support the industrial and agricultural development in the next two decades", he said, "I agree with the low dam plan. Do it if you think it is a right choice."



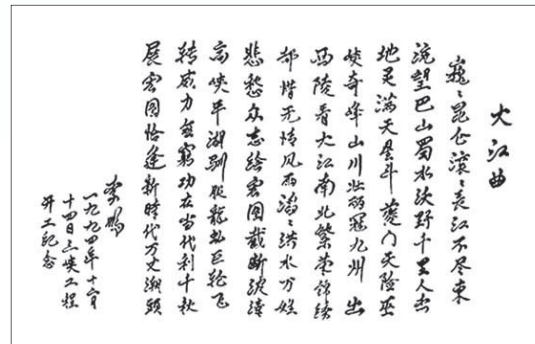
In October 1994, Jiang Zemin, Secretary General of the CPC Central Committee, inspected the Three Gorges Dam.



Jiang Zemin made an epigraph for the Three Gorges Project



On December 14, 1994, Premier Li Peng delivered a speech at the commencement ceremony of the Three Gorges Project.



In December 1994, on the way to the TGP dam site for the commencement ceremony by ship, Premier Li Peng wrote the "Ode to Yangtze River" in celebration of the Three Gorges Project.



In 1992, Qiao Shi, member of the Standing Committee of the Political Bureau of CCCPC and Chairman of the Standing Committee of the NPC, inspected the dam site of Three Gorges Project.



In September 1991, Li Ruihuan, member of the Standing Committee of the Political Bureau of the CCCPC and Chairman of the Chinese People's Political Consultative Conference, inspected the dam site of the Three Gorges Project.



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



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 CCCPC and Chairman of the State Council Three Gorges Construction Committee, inspected the reservoir area and the dam site of the Three Gorges Project.



In October 2003, Premier Wen Jiabao, 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 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 site.



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



On October 30, 2010, Li Changchun, member of the Standing Committee of the Political Bureau of the CPC Central Committee, inspected the Three Gorges Project site.



On August 2, 2012, Premier Wen Jiabao inspected the Three Gorges Project site to learn about the flood control performance and operation of the dam.

## Major Subsidiaries

### China Yangtze Power Co., Ltd.

China Yangtze Power Co., Ltd. is a joint-stock limited-liability company incorporated on September 29, 2002 by China Three Gorges Corporation with the approval the State Council upon the request from the former State Economic and Trade Commission.

On October 28, 2003, CYPC launched an IPO of RMB-denominated 2,326,000,000 common shares with total capital of 7,856,000,000 shares. On August 15, 2005, CYPC conducted an equity division reform to change its total share capital to 8,186,737,600 shares. In May 2007, Yangtze Power CWB1 warrants were successfully exercised, increasing its total share capital to 9,412,085,457 shares. On September 28, 2009, CYPC completed a substantial asset restructuring, increasing its total share capital to 11 billion shares. On July 19, 2010, CYPC implemented a scheme of transferring capital reserves into capital share, thus increasing its total share capital to 16.5 billion shares.

CYPC is China's largest listed hydropower company specializing in hydropower generation. At the end of reporting period, CYPC owned all the power generating units at Gezhouba Hydropower Plant and generating units at the Three Gorges Dam, with a total installed capacity of 25,277,000 KW. In addition, CYPC owned an installed capacity of 2,955,900 KW through participation in power producers.

### China Three Gorges New Energy Corp.

China Three Gorges New Energy Corp. ("TGNE" ) is a wholly-owned subsidiary of CTG, established to develop new energy and become the second main line of business of CTG. TGNE was formerly known as China Water Investment Group Corporation. With the approval of the State Council in October 2008, China Water Investment Group Corporation was merged into CTG and renamed TGNE in June 2010. In April, 2011, Yangtze New Energy Development Co., Ltd was merged into TGNE with the approval of CTG.

As one of the first major state-owned enterprises to operate in wind power industry in China, TGNE has been quickening its pace of development of wind farms, making increased investment in wind power generator manufacturing business, moving up the value chain, enjoying a well-established market presence and competitive edge in the fields of wind farm development and wind power generation equipment manufacturing. By the end of 2012, the company's new energy business covered 23 provinces and comprised over 60 member companies, with a combined installed capacity of over 2 million kW either in operation or under construction as well as total assets of nearly 20 billion Yuan. A high-altitude 1.5MW experimental wind turbine in Qinghai Province and an onshore 2MW experimental wind turbine in Xiangshui of Jiangsu Province have been put into operation, with progress made in the early stages of offshore wind power business.

As an operating arm of CTG in the field of new energy, TGNE focuses on investment, development and operation of clean and renewable energy sources such as wind and solar energy, adopts differentiation and cost-effectiveness strategy to build up a value chain focused on development of wind farms, explore an energy mix comprising wind, solar, hydropower and pumped storage, keep track of the technological advancement and market conditions in the field of solar energy, advance the experiment and industrialization of photovoltaic power stations and develop small and medium-sized hydropower business steadily, with a view to growing into a domestically leading new energy business.

### CWE Investment Corporation

CWE Investment Corporation, a wholly-owned subsidiary of CTG, was established on August 30, 2011 with a registered capital of RMB 12 billion.

CWE International Corporation was established to implement the go–global strategy of CTG. As an international investment company under CTG, the company makes investment in the global clean energy industry on behalf of CTG, responsible for investment, construction, operation and management of major overseas investment projects of CTG.

At present, the company owns CWE (Hong Kong) Co., Ltd, CWE (Europe) Co., Ltd and China Three Gorges South Asia Investment Co., Ltd, and holds majority stake in Sunshine Yangtze Investment Co., Ltd. It is the largest shareholder of EDP by holding 21.35% stake in the Portuguese power producer.

The current business of CWE Investment Corporation covers investment in and development of overseas hydropower plants, wind farms and solar power projects in South Asia, Southeast Asia, Europe, Americas and Africa. To date, the first phase of a photovoltaic project (18MW) of CWE Investment Corporation in Greece has been put into operation, and more than 20 overseas clean energy projects are either underway or at the early stage, with total installed capacity of more than 34 million KW.

CWE Investment Corporation possesses a large wealth of experience and technical and managerial expertise in planning, design, construction and operation of large–scale hydropower plants and wind farms, as well as strong capabilities in integrated operation of large–scale hydropower complexes and cascaded hydropower stations. In addition, the company enjoys abundant human resources, solid financial strength and strong international financing capabilities in the field of investment in overseas clean energy sector.

## China International Water & Electric Corp.

China International Water & Electric Corp. ( “CWE” ), a major international hydropower business under CTG, was established to implement the go–global strategy of CTG.

CWE got its present name in August 1983. As one of first companies in China to go global, CWE is responsible for foreign financial aid programs, import and export of packaged equipment, international project contracting and provision of labor services for China's hydropower industry. Since joining CTGC in 2009, CWE launched a strategic transformation program, optimized its core businesses and sought overseas investment opportunities, in a bid to create an international clean energy developer and investor with core competitiveness and dealing with investment, construction, management and operation.

CWE has been operating for more than five decades, with over 800 projects and foreignaid projects completed in more than 70 countries and regions for a total contract price of over US\$ 10 billion. CWE has been ranked among the world's top 225 international contractors for 23 years in a row, among the world's top 200 international engineering consultancies for 12consecutive years, and among China's top 30 international contractors recognized by the Ministry of Commerce for 16consecutive years.

Today, CWE is doing business in 30 countries and regions where all key performance indicators set a record for eight consecutive years. The business portfolio has been improved significantly, with investment projects well underway.

In the future, CWE will make greater efforts to tap the market, seek significant investment opportunities and steadily advance its investment projects for further business restructuring, with a view to growing into an international contractor and investor by leveraging the brand and technical expertise of CTG.

## Three Gorges Finance Co., Ltd.

Three Gorges Finance Co., Ltd. ( “TGFC” ), incorporated in November 1997 with the approval of the People's Bank of China, is a non-bank financial institution established to finance the business operations of CTG and its member companies with a registered capital of RMB 2.4 billion. Headquartered in Beijing, the company set up a branch in Yichang of Sichuan Province in 2011.

The company has a full range of business license specified in the Regulation on Finance Company of Business Groups except for insurance agency and consumer credit business, dealing mainly with deposits, loans, payment and securities investment, asset management and financial consultancy. In 1998, TGFC obtained exclusive trading seat on Shanghai Stock Exchange and Shenzhen Stock Exchange; a year later, it became one of the first finance companies in the country to join the national inter-bank lending market and bond market; in 2005, it obtained the license to answer inquiries about IPO, followed by a license for trading of blocks of shares in 2008. At the end of 2011, the company acquired the license to deal with foreign exchange. One year later, it established Three Gorges Insurance Brokering Co., Ltd.

Bearing in mind its mission to serve CTG with best financial practice and innovation, TGFC is charged with providing centralized fund management, financing, financial consulting, financial industry development and research, financial strategy implementation and financial talent development and gradually established distinctive lines of business such as third-party bond issue, electronic clearing service and syndicated loan, playing an important role in helping CTG increase fund utilization efficiency, facilitating in-house financing and reducing the overall debt level and financing costs of CTG.

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

Three Gorges Technological & Economic Development Co., Ltd. ( “TGDC” ), a wholly-owned subsidiary of CTG, is a legal entity assuming sole responsibility for its operation, profits or losses and civil liability. Headquartered in Beijing, TGDC was registered with the State Administration of Industry and Commerce on October 30, 1998 after merger and reorganization of Three Gorges Hydropower Technology Center, Liyuan Company and Yichang Three Gorges Engineering Duoneng Company.

TGDC is one of the first companies in China to provide supervision services for hydropower projects, specializing in provision of supervision services and international and domestic engineering consulting services, project management and general contracting. TGDC operates with Class A engineering consultancy license from the National Development and Reform Commission, Class A construction supervision license for hydropower projects, Class A construction supervision license for road pavement projects, Class A construction supervision license for housing projects from the Ministry of Housing and Urban-Rural Development, and Class A manufacture supervision license for electromechanical and metallic equipment and supervision license for environmental protection of hydraulic projects from the Ministry of Water Resources.

During the past 20 years, TGDC has provided construction supervision and engineering consultancy for various high-profile projects and made an outstanding track record in the fields of supervision and project management of hydraulic and hydropower projects, including Shisanling Pumped Storage Power Station, Three Gorges Hydropower Complex, Xiluodu Hydropower Plant, Xiangjiaba Hydropower Plant, Baihetan Hydropower Plant, Wudongde Hydropower Plant and Sichuan Huaneng Cascade Hydropower Plant Projects including Baoxinghe and Huoxihe Power Station, Xiangshui Wind Farm of Jiangsu Province and Huade Wind Farm in Inner Mongolia, Jin’ anqiao Hydropower Plant, Manwan, Jinghong and Xiaowan Hydropower Plants along the Lancang River, Ruili River Hydropower Plant in Burma, as well as the National Aquatics Center for the 2008 Beijing Olympic Games and Hainan National Defense Project, Tianhuangping Pumped Storage Power Station Phase II at the planning stage, and project management of “Five Roads and Three Bridges” along Jinsha River. TGDC also made remarkable achievements in supervision of the manufacture 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) is a wholly-owned subsidiary of CTG established to manage, develop and operate the Three Gorges Dam Industrial Tourism Zone. CTGTD is now dealing with scenic zone management, tourism shows, travel agency, hotel management, transportation and sightseeing boat operation. The core business of the company is operation of Three Gorges Dam Attraction, one of the first top-class scenic areas and the first industrial tourism demonstration sites, which received 1.8 million visitors in 2012. In addition, CTGTD operates a flagship hotel, the Three Gorges Hotel, which in turn runs five subsidiary hotels, including the Three Gorges Dongshan Hotel, Three Gorges Xiba Hotel, Gedian Hotel and Gedian Training Center. The Three Gorges International Travel Agency is one of the top 100 travel agencies in China and received the license to operate organized tours in Taiwan in 2011. The Three Gorges Troupe was established to stage the indoor version of Glorious Yangtze River and Three Gorges. Three Gorges Pinghu Travel Agency was established to exploit the tourism opportunities along Jiuwan Creek, the Three Gorges valley and the hometown of famous ancient Chinese poet Qu Yuan.

## Yangtze Three Gorges Equipment & Materials Co., Ltd.

Yangtze Three Gorges Equipment & Materials Co., Ltd. ( "YEMC" ) is a wholly-owned subsidiary of CTG established in September 2000 with a registered capital of RMB 50 million. As a specialized business unit of CTG, YEMC provides reliable equipment and material supply services to CTG, with focus on supply chain management of CTG. It deals mainly with commercial agency for equipment and material supply contracts, warehouse management, transport of heavy-duty machines, procurement services, licensed operation of tank farms and initiating explosive devices and management of docks and railway stations for heavy cargos. It operates through subsidiaries in Three Gorges, Xiangjiaba, Xiluodu, Baihetan and Wudongde.

Currently, YEMC is an executive council member of China Federation of Logistics and Purchasing and a member of China Water Resources and Electric Power Association On Physical Distribution, operating with licenses for ordinary cargo transport, freight terminal operation, finished oil retailing, hazardous chemicals, cross-region management of civil explosives, road transport of large-sized goods (Class IV) and Class A license for transportation of large-sized electric equipment. YEMC was accredited to Occupational Health and Safety Management (OHSMS) System and (ISO9001) Quality Management System in 2007.

## Three Gorges International Tendering Co. Ltd

With registered capital of 15 million Yuan, 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, a company founded by CTG as instructed by the former Chinese Premier Li Peng and with the approval of the State Council Three Gorges Construction Committee to meet the needs for modern project management and best tendering practices based on the successful experience of the Three Gorges Project.

TGITC is primarily engaged in tendering agency and contract execution, and provides business consulting and training services. TGIT undertook the public tendering for construction, installation, electromechanical equipment, metallic structures, materials, and consulting services for the construction of the Three Gorges Dam, the hydropower development of the Jinsha River and new energy development.

The company received Class A license for project bidding agency from the Ministry of Housing and Urban-Rural Development in September 2008, Class A license for contracting of central government-funded projects from the NDRC in August 2010, Class B license for international tendering from the Ministry of Commerce in May 2011 and Class A license for government procurement projects from the Ministry of Finance in July 2012. In March 2012, the company was given a 5A credit rating by China Tendering & Bidding Association, followed by a successful renewal of ISO9000 accreditation in December 2012.

In 2012, the company completed 265 bidding projects for CTG, covering hydropower plant construction along the Three Gorges and Jinsha River watershed, wind power generation and photovoltaic solar power generation. In addition,

the company undertook 59 public bids for the project of transferring water from Hanshui River to Wei River, Zangmu Hydropower Plant, Miaozi Bridge in Yichang City and municipal infrastructure development project in Chengdu. In the same year, the company performed the commercial terms for procurement of GIL and GCB equipment for Xiluodu Hydropower Plant and GCB equipment for Xiangjiaba Hydropower Plant with respect to customs clearance, tax payment, domestic transport and payment for goods.

### Huhehot Pumped Storage Power Generation Co., Ltd

Huhehot Pumped Storage Power Generation Co., Ltd ( “HPSPG” ) is a majority-owned subsidiary of CTG established to build and manage the first pumped storage power plant of CTG in Inner Mongolia Autonomous Region. Formerly as a solely-funded subsidiary of Inner Mongolia Power (Group) Co., Ltd, HPSPG became a majority-owned subsidiary of CTG in November 2009, now with 15 shareholders and registered capital of 1.5 billion Yuan, of which 61% is held by CTG.

The company deals with development and construction of pumped storage power plants, production and distribution of electricity generated from pumped storage, provision of auxiliary services such as peak regulation, frequency and phase modulation, emergency standby and black startup within the grid, supporting services for connection of wind farm to grid as well as hydropower plant construction consultancy.

The company is now investing in and building Huhehot Pumped Storage Power Plant, a project with total installed capacity of 1.2 million kW, construction period of 51 months and total static and dynamic investment of 4.934 billion Yuan and 5.643 billion Yuan calculated on the basis of the price level at the end of 2005. According to the project schedule, the first generating unit of the project will be put into operation in March 2014, with the remaining generating units going live by the end of 2014.

### Three Gorges Media Corporation

Three Gorges Media Corporation ( “TGM” ) is a news media company established by CTG with the approval of the State Council Three Gorges Construction Committee and the General Administration of Press and Publication. With registered capital of 50 million Yuan, TGM was registered with the State Administration of Industry and Commerce in September 2012.

As a mouthpiece of CTG, TGM was established to preserve the image of Three Gorges, establish Three Gorges as a name brand and communicate the corporate culture of CTG by dealing with publication and distribution of newspapers, plan-based advertisement, specials and picture albums, archiving of project-related audiovisual products and investment in cultural and media industry according to the business strategy of CTG, with a view to enhancing the cultural attractiveness of CTG and increasing shareholder value and generating social benefits.

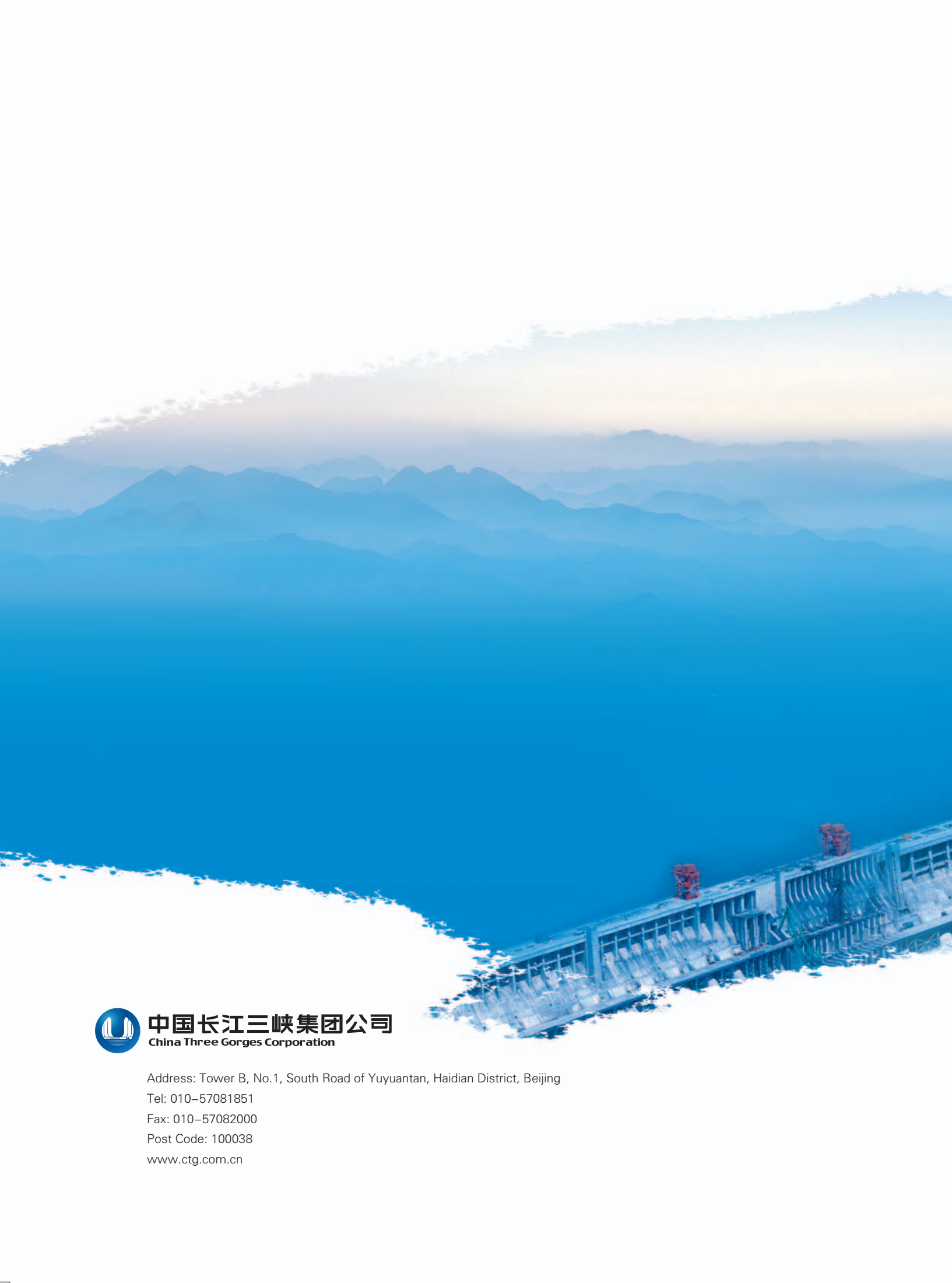
### Nanjing Hohai Technology Co., Ltd

Nanjing Hohai Technology Co., Ltd ( “Hohai Technology” ) is a legal entity established by Hohai University in collaboration with CTG for the purpose of efficient utilization of water resources and engineering safety research. Incorporated in Nanjing in December 2006, the company increased its registered capital to 51.42 million Yuan in late 2012, of which 66% is held by CTG and the remaining 34% by Hohai University.

In recent years, bearing in mind its market-oriented, technology-driven approach to collaborative development and following a roadmap of study of critical, integrated technology-demonstration-technology transfer, the company has been making full use of Hohai University’s research capabilities in water resources and engineering safety and the expertise of CTG in industry trend-setting, technology development and market orientation and established a benign cycle of research and development/experiment/testing ground—industry-academia-research collaboration platform—engineered verification center—technology transfer and incubation center—specialized subsidiary.

The company adopts modern enterprise management practices and deals with development and integration of technology and output refinement and technology transfer. The acquisition of a series of certifications and licenses effectively improved the core competitiveness of the company, including AAA credit rating certificate, license for technology trade, ISO9001 quality management system certification, ISO14001 environmental management system certification, software company qualification certificate, high-tech enterprise qualification certificate, CMMI certificate and computer system integration certification.





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