



CTGPC
China Three Gorges Corporation

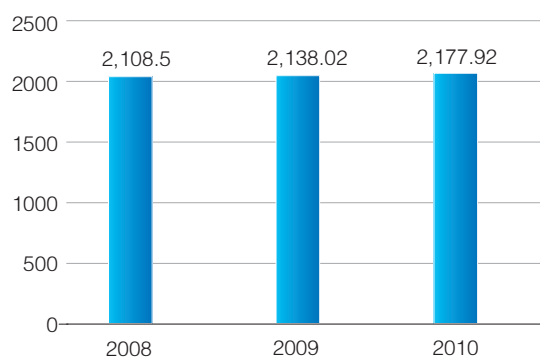
Annual Report 2010



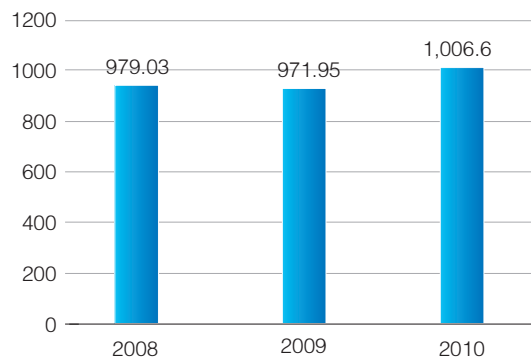
Key Performance Indicators in 2010

(Corporate consolidated financial statements)

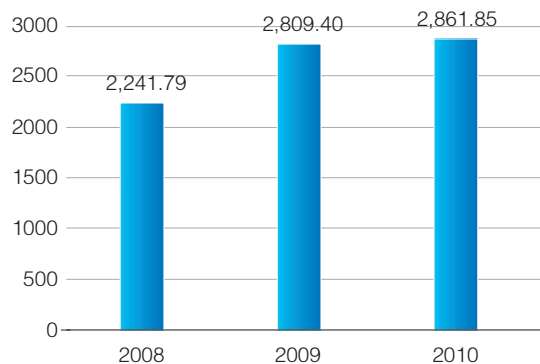
Installed capacity (per ten thousand kilowatts)



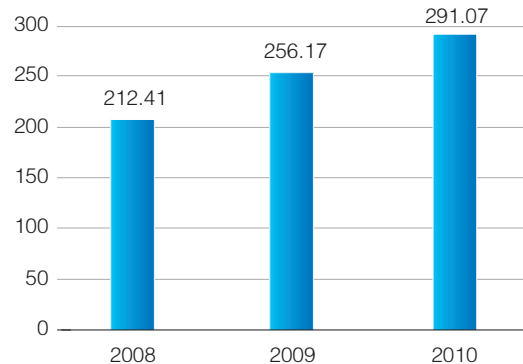
Energy production (per one hundred million KWh)



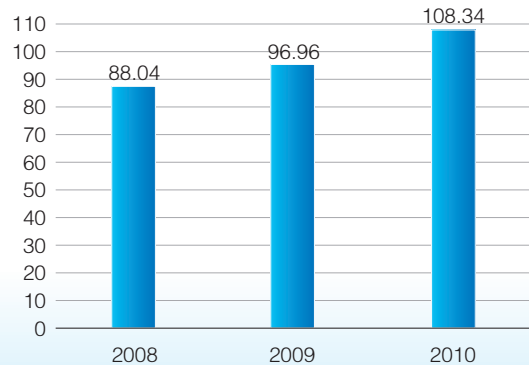
Total assets (per RMB 100 Million)



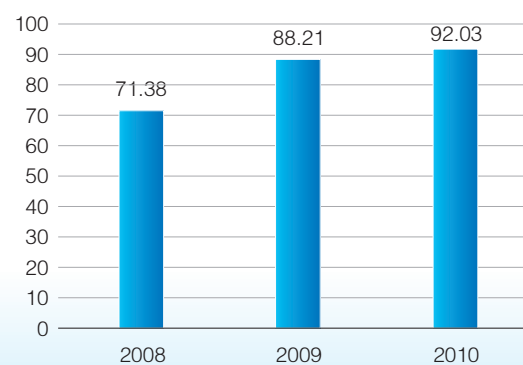
Prime operating revenue (per RMB 100 Million)



Net profit after tax (per RMB 100 Million)



Total taxes paid (per RMB 100 Million)



Corporation Information

Company Name: China Three Gorges Corporation

Abbreviation: CTGPC

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Message from the Chairman of the Board



In October, 2010, the Three Gorges Dam impounded water to a 175-meter height. The Three Gorges Project, which carries the century-old dream of Chinese people, begins to deliver comprehensive benefits as in the flood control, drought-relief, power generation, navigation improvement and water-replenishing, etc, opening a new chapter of managing and developing the Yangtze River.

“Build the Three Gorges Project and develop the Yangtze River” is a significant historical mission our country has entrusted to us. While having built, run, managed well the Three Gorges Project, we are now actively and orderly promoting the development of downstream water resources of the Jinsha River. Total installed capacity of Xiluodu, Xiangjiaba Wudongde and Baihetan, being building or planning, reaches nearly 43000 MW. Based on our major business, CTGPC takes opportunities of national adjustment of energy structure, actively promotes the development of clean energy such as wind power. We conscientiously implement the national "Going Global" strategy; expand overseas business, working hard to introduce our technology, management and standards to the rest of the world.

CTGPC sees great results in reform and development over the past five years. CTGPC adheres to the Scientific Outlook on Development, successfully implements the strategic transformation, achieving a stable and rapid development. And total assets, main business revenue, total profit have doubled successfully. While in the process of reform and development, we adhere to the hydropower development principle of “building a first-class hydropower plant to stimulate the growth of the local economy, improve the local environment, and benefit resettled residents” .

The twelfth five-year plan is a period of important strategic opportunities for our corporation to speed up development. On the basis of ecological conservation and the resettlement of residents, we will speed up the development of hydroelectricity; actively develop clean energy such as wind power, nuclear power, etc. We will adhere to the principle of “Long-term partnership, integration into the locality, balancing and comprehensive planning, and mutual benefits” , pay more attention to local economy, immigrants’ welfare and the ecological environment conservation. We will work hard to build CTGPC into a world-class clean energy corporation with good brand image and social reputation, and make greater contributions to our country’ s transformation and sustainability of economic development.

Chairman of the Board:

Message from the General Manager



The year 2010 is the ending year for our corporation to fully complete the eleventh five-year tasks. CTGPC thoroughly implements the scientific concept of development, earnestly implements the decisions and arrangements made by the Party Central Committee and the State Council, well-organizes project construction and electricity production. Generating capacity, revenues and total profits and other indicators of production and operation hit a new record high, and now progresses have made in many tasks.

In 2010, the Three Gorges Dam impounded water to a 175-meter height, enhancing comprehensive benefits as in the flood control, drought-relief, powergeneration, navigation improvement and water-replenishing (for production, life, and ecology). The hydropower development of Jinsha River was speeded up, Xiluodu and Xiangjiaba projects were now in concrete placement and the installation of permanent mechanical and electrical equipment; preliminary work of Wudongde and Baihetan hydropower stations was proved by National Development and Reform Commission, and “order of reservoir closure” was issued; wind power development opened a new situation: development of wind power on land was speeded up, and development of wind power at sea advanced steadily; new steps had been taken for international strategy; overseas contracting also advanced steadily, and overseas investment saw effective results; management work such as strategic management, decision-making of investment, capital management, human resources, bidding and tendering and informationalization had strengthened.; group control system became better step by step.

2011 is the first year of the “twelfth five-year plan” . Led by scientific outlook on development and guided by plans for the twelfth five-year period, we will speed up the hydropower development of downstream Jinsha River, promote wind power and nuclear energy and overseas businesses, pay close attention to the establishment of the system and mechanism that fits the market competition, promote practically the construction of “five abilities” , namely the strategic thinking, institutional innovation, standard-formulating, and cost control, making a good start for the twelfth five-year period.

CTGPC has entered a new period of development. Faced with new situation, new tasks, new starting line and new development, we will adhere to the scientific outlook on development, make our main business better and stronger, work hard to build CTGPC into a world-class clean energy corporation, and make more contributions to our country’ s clean energy cause.

President:



Corporate Profile

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

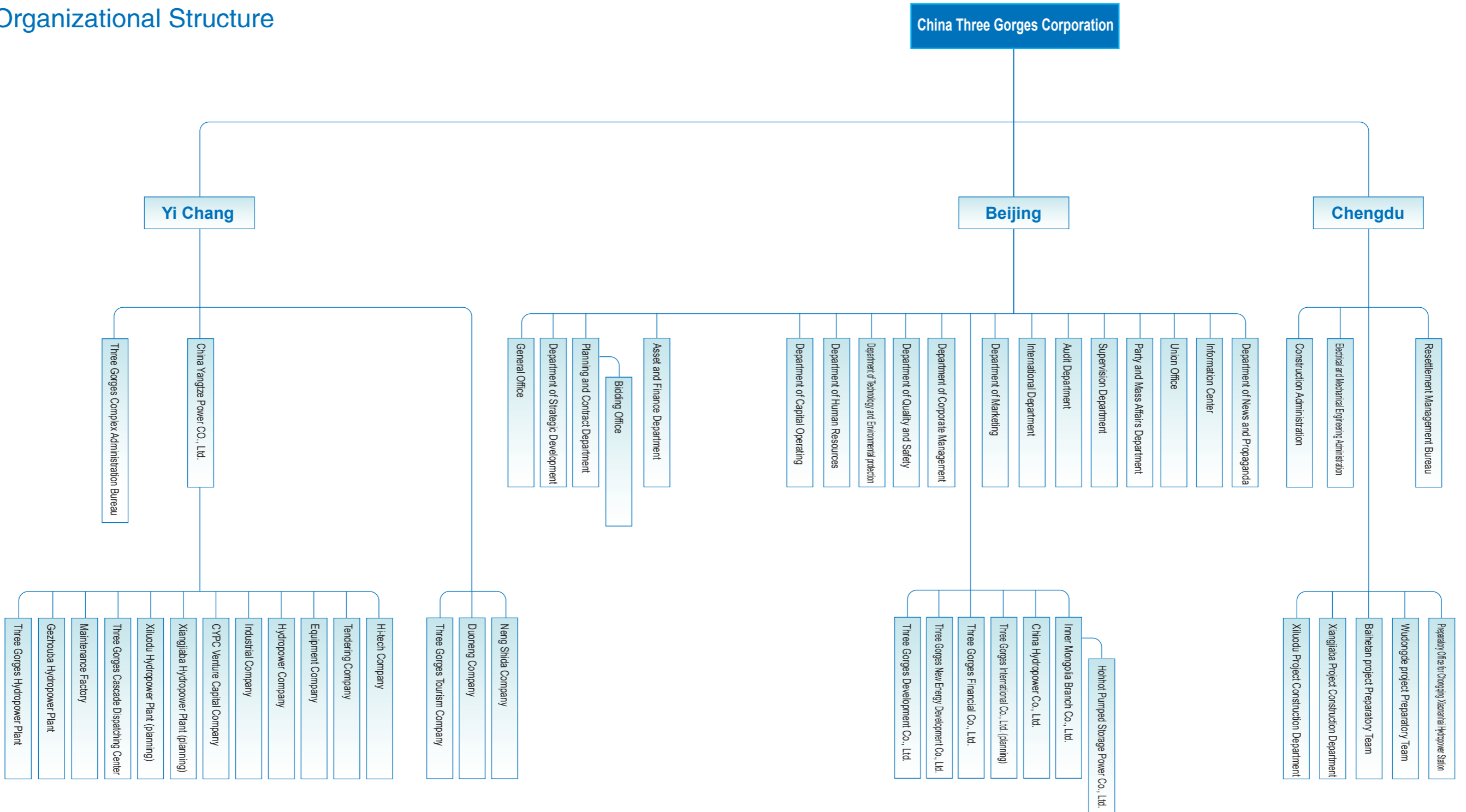
CTGPC is a wholly state-owned enterprise with registered capital of RMB 137.458 billion. By the end of 2010, corporate consolidated capital reached RMB 286.185 billion, net asset RMB 206.1 billion. It employs a workforce of 14660 people, including 12398 in active duty, 3449 Party members, 2585 with an intermediate professional title, 3086 in management position.

CTGPC is strategically positioned to become a clean energy conglomerate specializing in large-scaled hydropower development and operation. CTGPC’s principal operations include hydropower project engineering, construction and management, electricity production, and provision of related technical services. CTGPC manages the construction and operation of the Three Gorges Project. The Central Government has authorized CTGPC to develop the hydroelectric resources in the mainstream and tributaries of the upper reaches of the Yangtze River and to build four massive hydropower plants at Xiluodu, Xiangjiaba, Wudongde, and Baihetan. By the end of 2010, corporation owns controllable installed capacity of 21779.2 MW, of which the Three Gorges Hydropower Station is 18300 MW and Gezhouba Hydropower Station is 2735 MW; installing capacity is 20557 MW; annual generated electrical energy exceeds 100 TWh.

Beijing management headquarters, Yichang production headquarters and Chengdu construction headquarters were established in accordance with business characters and needs. CTGPC owns nine wholly owned subsidiaries such as China Yangtze Power Co., Ltd. and China Three Gorges New Energy Co., Ltd., among which the China Yangtze Power Co., Ltd. is the largest company going public throughout our country’s hydropower industry.



Organizational Structure



Board of Directors



Cao Guangjing
Chairman



Chen Fei
Director



Yu Wenxing
Director



Ma Zhigeng
Outside director



Liu Zhi
Outside director



Shi Jinqun
Outside director



He Muyun
Outside director



Wu Xiaogen
Outside director



Yao Yuanjun
Worker's Director

Internal Leadership



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



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



Yang Qing
Vice President & Member
of Party Group



Lin Chuxue
Vice President & Member
of Party Group



Yang Chunjin
Vice President & Member
of Party Group



Bi Yaxiong
Vice President & Member
of Party Group



Fan Qixiang
Vice President & Member
of Party Group



Yu Wenxing
Head of Discipline
Inspection Group &
Member of Party Group



Sha Xianhua
Vice President & Member
of Party Group



Zhang Cheng
Member of Party Group &
General Manager of China
Yangtze Power Co., Ltd

Development Strategy

Strategy Introduction

Bear in mind our mission of “build the Three Gorges Project and develop the Yangtze River”. Implement thoroughly the scientific concept of development. Deepen reform, and strengthen management. Make our main business stronger, better and larger. Develop hydropower; actively develop clean energy such as wind power, nuclear power, etc. Accelerate the implementation of international strategy, strive to improve the quality and efficiency, make efforts to enhance the core competitiveness of the company to achieve a new leap, and accelerate the construction of a world-class clean energy group.

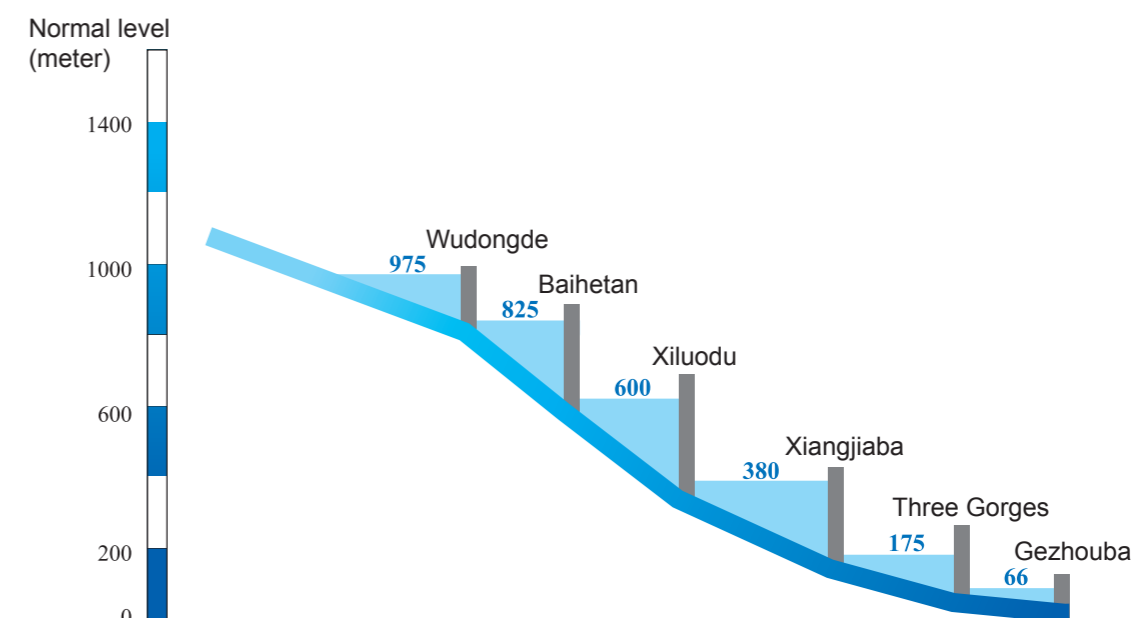


Focus on cultivating five core abilities

Strategic Thinking	From a long-term and global perspective and combining resources both home and broad, markets, external environment and internal conditions, make clear judgment on developing trend and market competition situation, and formulate corporate development strategy.
Institutional Innovation	Constantly improve the institutional adaptability and timeliness, and make timely adjustments with the changing targets, tasks, resources, markets and reality. In accordance with Institutional innovation and its effective execution, we put corporate strategic arrangements into daily work, providing an institutional guarantee for our strategic goal's realization.
Team Building	Innovate talent development mechanism. Create Institutional environment circumstances for everyone to be talent. Adhere to combining introduction and cultivation. Promote the talents to be professional, international. Cultivate Systematically excellent talent team for operation and management, economy and technology.
Standard Formulating	Strengthen the management of technology and economy; raise construction and production level. Cultivate abilities of self planning and designing. Based on hydropower, our main business, we will strengthen systematical research innovation, and form systematical Three Gorges Standards. Via promotion and application, work hard to introduce Three Gorges Standards to the international community to increase our influence, so as to keep an advantageous position in international market competition.
Cost Control	Set up a scientific, standardized and effective cost managing system. Carry out cost control involving all staff, all elements, and all processes. Intensify budget control and encouragement by assessment. Intensify control of budget-estimate of projects and resettlement, and investment per electric energy and cost per kWh should be lower than social average level. During operation and management, strengthen six aspects of cost control, and cost of per electric energy shall be at the advanced level among the industry.

Large-scale Hydropower Development and Operation

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



No.	Name of the power station	Installed capacity (MW)	Annual Output (TWh)	Water level (meter)
1	Gezhouba	2735	16.241	66
2	Three Gorges	22500	100	175
3	Xiangjiaba	6400	30.747	380
4	Xiluodu	13860	64.06	600
5	Baihetan	14040	60.241	825
6	Wudongde	8700	39.07	975

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

Gezhouba Hydropower Plant

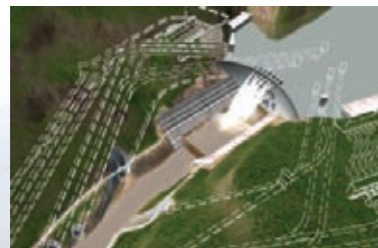


Three Gorges Hydropower Complex

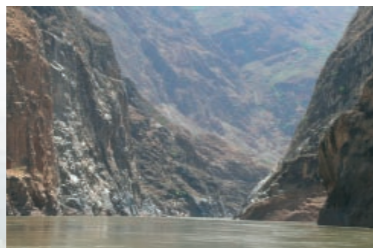
Xiangjiaba Hydropower Plant (under construction)



Xiangjiaba Construction Site



Baihetan Hydropower Plant (in planning)



Wudongde Hydropower Dam Site (in planning)

Xiluodu Hydropower Plant (under construction)



Panorama of Xiluodu Project

Three Gorges Project, the Dream of the Century



In 1918

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

May 1944

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



February 1950

Changjiang Water Resources Commission was founded.

1955

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



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

December 26,1970

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

February 27 – March 7,1989

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

April 3,1992

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

Three Gorges Chronology

Phase I (1993–1997)	
July 29, 1993	The 2nd Conference of the Three Gorges Construction Commission of the State Council was convened. At the conference, the Report on the Preliminary Design of the Three Gorges Project on the Yangtze River (Project) was reviewed and adopted, ushering in the phase of comprehensive construction preparation for the Three Gorges Project.
September 27, 1993	China Three Gorges Project Corporation was established.
December 14, 1994	Premier Li Peng declared the official commencement of the Three Gorges Project to the world on the site of the Three Gorges Dam.
November 8, 1997	River closure was successfully carried out for the Three Gorges Project, signifying the fulfillment of the Phase I construction targets.
Phase II (1997–2003)	
2000	A total of 5.4817 million m ³ of concrete was poured, setting a new world record for the amount of concrete placed in a hydropower project in one year.
June 1, 2003	The TGP Reservoir started water impoundment. The water level reached el.135m on June 10.
June 16, 2003	Trial navigation of the dual-line five-stage ship lock was successfully completed. On June 18, the ship locks were formally opened to traffic.
July 10, 2003	The first generating unit in the left-bank powerhouse of TGP was officially integrated into the power grid and started operations.
Phase III (2004–2009)	
September 2005	The 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 realized its goal of el. 156m water impoundment in the initial phase 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 golden waterway of the Yangtze River.
June 2007	The first generating unit in the right-bank powerhouse of TGP became operational. The powerhouse set a world record by putting an installed capacity of 5,000,000 KW into operation the same year.
October 2008	The 12 generating units in the left-bank powerhouse became fully operational one year ahead of schedule. Except the ship lift project, all original designed tasks completed on schedule or ahead of schedule.
September 27, 2009	China Three Gorges Project Corporation changed its name to China Three Gorges Corporation
October 26, 2010	A trial water impoundment reached a 175m height, beginning to deliver comprehensive benefits as in the flood control, drought-relief, power-generating, shipping and water-replenishing, etc.

Comprehensive benefits from Three Gorges Project

TGP delivers comprehensive benefits as in the flood control, drought-relief, power-generating, shipping and water-replenishing, etc. With a strong social responsibility, CTGPC pays close attention to the safe and efficient operation of Three Gorges. We always give priority to social and ecological benefits, determine to maximize the comprehensive benefits of TGP, operate with great care, control scientifically, co-ordinate the flood control, drought-relief, power-generating, shipping and water-replenishing, deliver fully the comprehensive benefits, and bring force the economic and social development of the Central, East, South, Southwest and even the whole China.

Flood control and drought-relief

TGP is a key project to manage the Yangtze River, and its prime function is the flood control. During the flood season in 2010, water of Yangtze River is excessive. Many sections and several important tributaries confronted floods over alert level or worse, and Three Gorges Reservoir saw a peak of flow of 70,000 cubic meters per second, fastest since its completion. CTGPC fully implemented measures and stored accumulatively 26.6 billion cubic meters according to orders from State Flood Control Headquarters.



In 2010, a maximum clipping of 30,000 cubic meters per second helped Shashi hydrological station in Jingjiang section drop a maximum 2.5 meters, preventing Shashi from exceeding the alert level, and Chenglingji (Lianhuatang station) a maximum 1 meter, thus saving huge manpower and material resources for flood control downstream. It also helped protect 15 million people and 23 million mu of farm and land of Jiangnan Plain and Dongting Lake area. According to a calculation by Changjiang Water Resources Commission, the economic benefit of flood control is 26.63 billion yuan, with a direct benefit of 21.3 billion yuan, indirect benefit 5.33 billion yuan.

In 2010, State Council added the drought-relief function to the Three Gorges Reservoir, ranking in the first place together with flood control. CTGPC paid close attention to upstream water supply and downstream water demand during dry seasons, operated unified distribution of water resources, and performed emergency distribution of water resources.

After September 2009, rare low water level hit the middle and lower reaches of Yangtze River, and Dongting and Poyang Lake areas appeared fair serious drought. According to the unified arrangements by the State Flood Control and Drought Relief Headquarters, CTGPC adjusted water storage scheme, speeded up the flow rate, relieved the trend of rapid decline of the middle and lower reaches of Yangtze River and the lake areas, thus protected the ecology and drinking water for human and animals.





Dual-line Five-step Ship Lock

Improve navigation conditions

After completion, backwater of Three Gorges Reservoir reached Chongqing, improving navigation course of 660 km, annual one-way freight volume from 10 million tons to 60 million tons, and lowering shipping cost of one third. Three Gorges Reservoir Locks opened for common ship free of charge on June 18, 2003. Water level elevation improves navigation conditions, and shipping industry on Yangtze River develops rapidly. In 2010, freight volume crossing Three Gorges Dam hit a new high, reaching 87.94 million tons, an increase of 18.4% over the previous year. During the 7-year opening of Three Gorges Reservoir Locks, a total freight volume of 440 million tons crossed Three Gorges Dam, promoting shipping industry on Yangtze River and economic development of West and Central China.

Supply of Clean Energy to the Public

As a form of clean energy, hydropower can save substantial amounts of resources and reduce environmental pollution. When the Three Gorges Project is fully operational, it will produce 84.7 TWh of electricity annually (excluding the amount of electricity from the underground powerhouses), equivalent to the amount of electric power produced by burning more than 40–50 million tons of coal, leading to a decrease of more than 100 million tons of CO₂ emissions, 1.2–2 million tons of SO₂ emissions, 10,000 tons of carbon monoxide emissions, and 370,000 tons of nitrogen oxide emissions, as well as enormous amounts of waste water and slag. Thus, the Three Gorges Project can also help to reduce environmental pollution and acid rain caused by the emission of harmful gases. In 2010, the Three Gorges–Gezhouba Cascade Hydropower Complex produced a total of 100.66 TWh of electricity, including 5.227 TWh from saved water, with the river's hydro energy utilization rate being raised by 5.6%.

Jinsha River Hydropower Development

Jinsha River is the largest hydropower base, ranking in the first place among "China's thirteen largest hydropower bases". Adhering to the guiding principal of "Long-term partnership, integration into the locality, balancing and comprehensive planning, and mutual benefits", CTGPC will accelerate the construction of Xiluodu, Xiangjiaba, Wudongde and Baihetang large hydropower station. Planning capacity of those four station nears 43000 MW, which equals two TGPs. With an annual output of about 190 TWh, they are core bases of the west-to-east power transmission project.



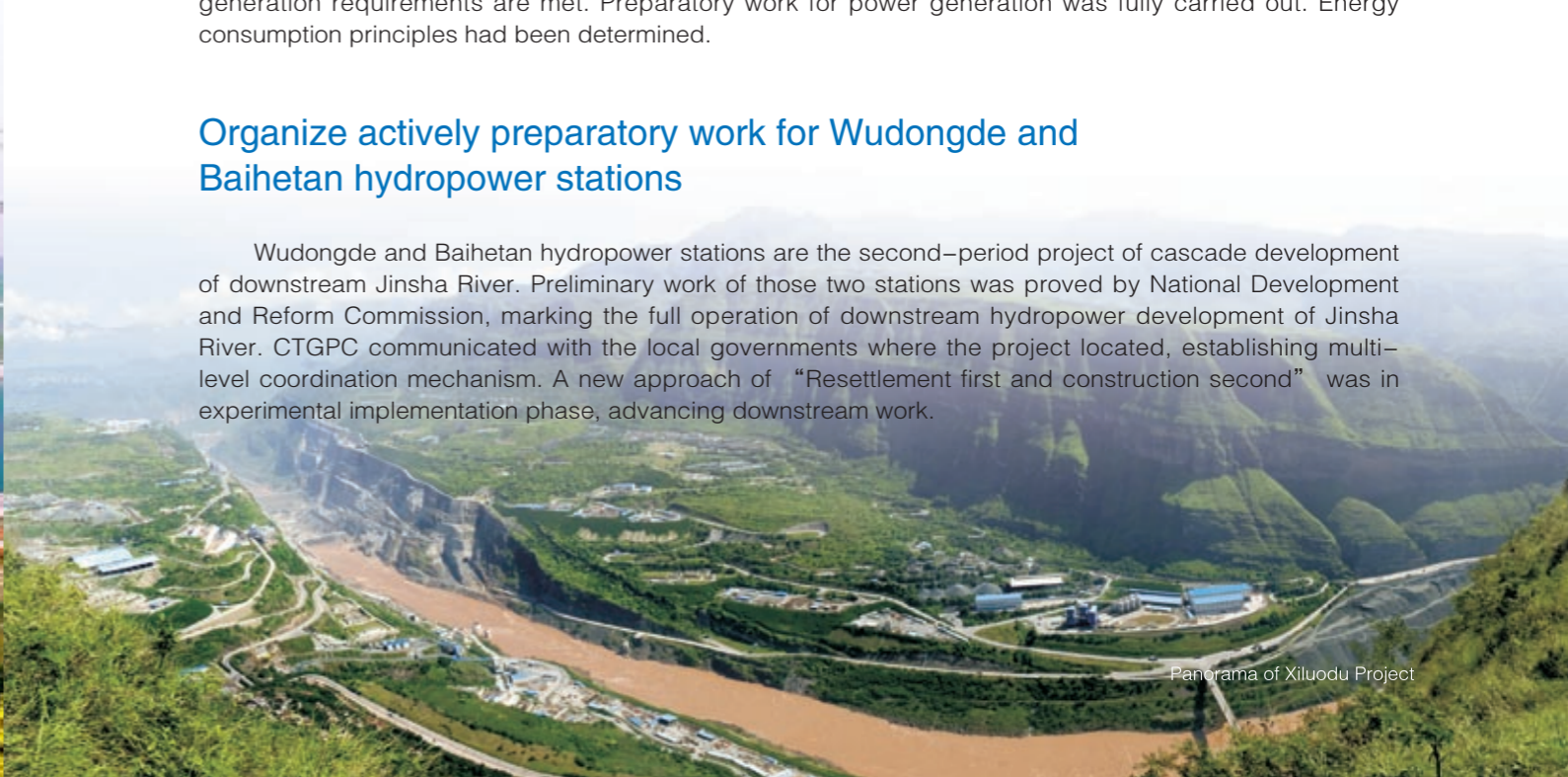
Panorama of Xiangjiaba Project Site

Advance Xiluodu and Xiangjiaba construction orderly

Xiluodu hydropower station started construction in 2005, and is planned to generate power in 2013. The total installed capacity is 13860 MW, ranking the second in China and the third all over the world. Xiangjiaba hydropower station started construction in 2005, and is planned to generate power in 2012. The total installed capacity is 6400 MW. In 2010, two projects were in good process, and construction progressed from foundation excavation to concrete placement on the dam sites and from concrete placement to the installation of permanent mechanical and electrical equipment. Key targets were under control, and power generation requirements are met. Preparatory work for power generation was fully carried out. Energy consumption principles had been determined.

Organize actively preparatory work for Wudongde and Baihetan hydropower stations

Wudongde and Baihetan hydropower stations are the second-period project of cascade development of downstream Jinsha River. Preliminary work of those two stations was proved by National Development and Reform Commission, marking the full operation of downstream hydropower development of Jinsha River. CTGPC communicated with the local governments where the project located, establishing multi-level coordination mechanism. A new approach of "Resettlement first and construction second" was in experimental implementation phase, advancing downstream work.



Panorama of Xiluodu Project

Wind Power Development

CTGPC views wind power as the second main business to cultivate and develop. Through optimizing resource allocation and strengthening cost control, economic benefits increased step by step. In 2010, wind power generation is 512 million KWh, and operating income reaches 285 million Yuan.

Advance the scale development of wind power

We have built 10-million-kilowatt bases, strengthened strategic cooperation with related provinces to obtain good-quality wind power resources, so as to realize faster installed capacity of wind power. In 2010, we signed cooperation agreements with Qinghai, Xinjiang, Xizang and Shandong province; wind power storage reached 24000 MW, with a newly installed 399 MW, and an accumulative installed capacity of 592.5 MW.

Wind power construction and operation management on land improved step by step. Completed in 2010, Dengfeng wind power station in Inner Mongolia enjoyed a competitive cost of per KWh, creating a repeatable and standard development model for CTGPC. Cixi wind power station in Zhejiang worked hard to improve auto operation and maintenance; the average utilization ratio of wind turbines reached 98 percent; Xiangshui wind power station in Jiangsu made use of TGP's experience of "combination of construction and management, handover without interval", and realized 134 wind turbines' grid-connected production.

Wind power development at sea advanced steadily. In 2010, experimental wind turbines of offshore and intertidal areas in Xiangshui completed system connection, and ready to generate power; Xiangshui offshore wind power station, a 200MW demonstration project, had started.



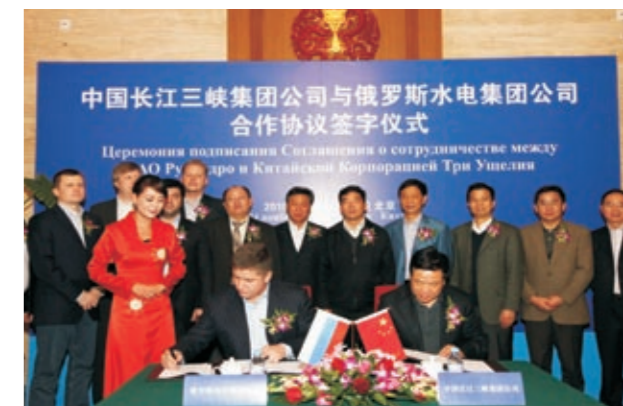
China's first megawatt-class high-altitude test wind turbine

Explore new development patterns of wind power

Based on the principle of "apply characteristic wind turbines and build characteristic wind power station", CTGPC optimized designing of wind power station and choosing of wind turbines to improve stability and utilization ratio of wind resources. In Inner Mongolia, we explored cooperative pattern called "storage of wind power"; we optimized allocation of energy resources and improved standards for grid connection to maximize benefits from wind power development.

International strategy

CTGPC implements actively national "going global" strategy, takes advantage of professional integrated ability of venture, construction, operation and consulting to perform international businesses, and allocates capital, talents, technology, and markets a global perspective to gain an advantageous position over the world.



Steady development of overseas contracting business

In 2010, 74 overseas projects built by CTGPC in 28 countries and regions were in good progress; overseas operating income totaled over 5 billion Yuan, an approximate 20 percent of CTGPC's total operating income. New contract bill reached 1.52 billion dollars. The upper Atbara Hydro-complex project signed with Sudan government is the second largest hydro contract that Chinese companies gained abroad. Built by CTGPC with EPC, Murum Hydropower Station in Malaysia had a successful closure.

Preliminary work for overseas investment project carried out in an orderly way.

CTGPC actively creates the platform for overseas business, adheres to hydropower as our main business, and transforms gradually from project contracting to overseas hydropower investment. In 2010, as the leading party, Memorandum of Understanding for Cooperation of Salween Mong Ton Hydropower Station Project, the largest hydropower cooperation project in Southeast Asia; built with BOOT for the first time, Laos Nam Lik 1-2 hydropower station was operational, and fully adopted "Chinese Standards" while designing and building. We signed Cooperation Framework Agreement with Russian EN+ Company to develop Russian water resources together. We kept pace with several large hydropower station, wind power and solar energy projects in Pakistan, and promoted our industry chain going global; we sought opportunities of investing renewable energy industry in developed countries.



Nam Lik 1-2 Hydropower Station in Laos

Key Financial Data

Item	2008	2009	2010
Total assets (RMB billion)	2,241.79	2,809.40	2,861.85
Equities belonging to the owner of the parent company (RMB billion)	1,412.21	1,704.36	1,853.07
Revenue (RMB billion)	212.41	256.17	291.07
Gross profit	113.52	127.94	142.56
Gross profit margin (%)	54.82	50.20	49.1
EBITDA (RMB billion)	189.55	214.57	225.31
Return on equity (%)	5.37	5.5	5.5
Total liabilities (RMB billion)	420.19	673.67	621.07
EBITDA to interest multiple (X)	7.82	8.09	8.12
Total liabilities / EBITDA (X)	2.22	3.14	2.76
Total liabilities / (total liabilities + net asset) (%)	21.29	26.08	23.16
Asset liability ratio (%)	30.69	32.04	27.98

Audit Report

ASCENDA Shen (2010) NZ Zi No.010306

China Three Gorges Corporation:

We have audited the attached financial statements of the China Three Gorges Project Corporation (hereinafter referred to as your company), including the Balance Sheet and the Consolidated Balance Sheet as of Dec. 31, 2010, the Income Statement and the Consolidated Income Statement, the Cash Flow Sheet and the Consolidated Cash Flow Sheet, Statement of Change in Shareholders' Equity, the Consolidated Statement of Changes in Shareholders' Equity and Noted to the Financial Statements for the year 2010.

I . Responsibility of the Management on Financial Statements

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

II . Responsibility of CPA

We are responsible for issuing audit opinions on financial statements on the basis of our auditing. We have conducted our audit in accordance with the provisions in the Auditing Standards for Chinese Certified Public Accountants. The aforementioned standards require us to observe occupational ethics and plan and implement misstatement.

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

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

III . Audit Opinions

We consider that the financial statements of your company have been prepared in accordance with the Accounting Standard for Business Enterprises issued by the Ministry of Finance, which fairly reflect the financial status of your company as of December 31, 2010 in all important respects as well as the operation achievement and cash flows of 2010.



China Certified Accountant
Hao Lijiang (Signature)

中国注册
会计师
郝丽江

China Certified Accountant
Hao Lijiang (Signature)

中国注册
会计师
王春媛

April 27, 2011

Balance Sheet

Unit: RMB Yuan

Item	Parent Company		Consolidation	
	Ending Balance	Beginning Balance	Ending Balance	Beginning Balance
Current assets:				
Cash and cash equivalents	9,100,079,590.05	6,930,625,167.08	10,492,624,041.63	10,862,850,564.59
△ Deposit Reservation for Balance	0.00	0.00	0.00	0.00
△ Lendings to Banks and Other Financial Institutions	0.00	0.00	0.00	0.00
Held for trading financial assets	0.00	0.00	9,901,089.00	1,070,030,211.54
Notes receivable	0.00	0.00	1,279,829,678.90	1,159,647,994.72
Accounts receivable	0.00	0.00	2,443,046,579.14	1,973,915,900.94
Accounts prepaid	592,698,102.01	92,625,789.82	2,013,576,101.14	497,226,160.91
△ Premiums Receivable	0.00	0.00	0.00	0.00
△ Reinsurance Accounts Receivable	0.00	0.00	0.00	0.00
△ Reserves for Reinsurance Contract Receivable	0.00	0.00	0.00	0.00
Accrued interests receivable	100,194,535.16	480,530.41	42,008,177.29	692,402.62
Accounts receivable—others	394,130,135.71	12,873,450,247.56	1,131,412,311.49	1,738,336,973.89
△ Buying back the sale of financial assets	0.00	0.00	0.00	0.00
Inventory	220,720.60	152,427.11	1,393,480,282.50	1,030,392,774.91
Include: Raw materials	0.00	0.00	385,105,312.61	278,275,413.58
Stock goods (finished goods)	0.00	0.00	221,317,181.36	43,391,616.73
Noncurrent assets due within one year	28,000,000,000.00	0.00	173,367,321.99	133,342,980.87
Other current assets	10,300,000,000.00	0.00	3,100,767,031.66	11,635,627.89
Total current assets	48,487,323,083.53	19,897,334,161.98	22,080,012,614.74	18,478,071,592.88
Noncurrent assets:				
△ Loans and advances	0.00	0.00	3,360,338,782.14	1,235,886,696.00
Available-for-sale investment	9,574,755,957.98	31,231,827,994.56	20,258,059,245.65	36,749,231,216.54
Hold-to-maturity investments	38,000,000.00	45,000,000.00	10,000,000.00	10,000,000.00
Long-term account receivable	0.00	0.00	1,687,319,848.83	1,197,573,680.83
Long-term equity investments	51,997,501,207.16	46,530,664,286.65	14,194,942,270.34	12,426,444,844.77
Investment real estate	0.00	0.00	294,562,108.49	129,505,943.46
Original prices of the fixed assets	38,649,169,845.85	38,352,920,727.17	180,574,287,309.83	177,934,550,894.47
Less: Accumulative impairment	7,273,347,979.23	6,148,472,793.89	32,404,624,686.23	26,297,975,368.35
Net value of the fixed assets	31,375,821,866.62	32,204,447,933.28	148,169,662,623.60	151,636,575,526.12
Less: Provision for impairment loss on fixed assets	0.00	0.00	20,817,712.49	21,166,714.38
Net value of the fixed assets	31,375,821,866.62	32,204,447,933.28	148,148,844,911.11	151,615,408,811.74
Construction in progress	58,956,466,141.02	43,094,782,712.84	62,866,282,796.44	45,642,091,107.27
Project materials	618,361,604.87	740,808,390.59	836,637,136.73	740,808,390.59
Disposal of the fixed assets	0.00	0.00	0.00	0.00
Producing biological assets	0.00	0.00	0.00	0.00
Oil and gas assets	0.00	0.00	0.00	0.00
Intangible assets	471,033,578.95	477,429,661.19	1,691,294,332.12	707,195,817.95
Development expenses	0.00	0.00	9,342,884.45	8,181,365.50
Goodwill	0.00	0.00	2,250,883,953.30	2,245,057,495.46
Long-term deferred expenses	130,626,776.05	0.00	226,275,863.60	197,402,992.11
Deferred income tax assets	91,519,571.66	212,046,104.28	6,330,950,035.07	6,689,033,212.16
Other noncurrent assets	11,883,456,638.23	33,364,212,410.19	1,939,200,936.74	2,720,979,049.59
Include: Approved preparatory materials	0.00	0.00	0.00	0.00
Total noncurrent assets	165,137,543,342.54	187,901,219,493.58	264,104,935,105.01	262,314,800,623.97
Total assets	213,624,866,426.07	207,798,553,655.56	286,184,947,719.75	280,792,872,216.85

Balance Sheet (Continued)

Unit: RMB Yuan

Item	Parent Company		Consolidation	
	Ending Balance	Beginning Balance	Ending Balance	Beginning Balance
Current liabilities:				
△ Short-term borrowing	0.00	0.00	18,450,945,942.44	3,082,614,595.91
△ Loans from central bank	0.00	0.00	0.00	0.00
△ Receipt of deposits and deposits from other banks	0.00	0.00	245,844,056.36	1,644,058,490.78
△ Loans from other banks	0.00	0.00	1,200,000,000.00	0.00
Transaction monetary liabilities	0.00	0.00	0.00	0.00
Notes payable	0.00	0.00	135,358,904.47	14,718,856.24
Accounts payable	134,534,301.90	117,372,676.99	1,324,223,726.46	746,814,121.17
Accounts received in advance	1,208,219.18	6,009,118.51	2,233,573,747.74	1,305,421,123.90
△ Financial assets sold for repurchase	0.00	0.00	1,490,829,166.67	1,736,621,500.00
△ Fees and commission payable	0.00	0.00	0.00	0.00
Employees' remuneration payable	327,129,585.37	327,079,792.50	490,110,297.40	483,749,853.71
Include: Salaries payable	320,882,273.77	320,882,273.77	455,884,510.30	455,957,510.30
Welfare payable	0.00	0.00	1,468,013.73	2,786,430.87
#include: employee bonus and welfare fund	0.00	0.00	0.00	0.00
Taxes and fees payable	-1,046,314,405.47	1,410,154,305.35	-170,803,945.24	2,136,123,913.28
Include: Taxes payable	-1,074,274,695.53	1,381,516,007.22	-214,854,510.38	2,080,004,282.41
Interest payable	412,344,164.39	411,156,164.39	968,211,675.75	1,050,316,461.43
Other payables	5,692,411,821.52	10,937,699,353.88	6,874,582,913.78	10,795,981,058.39
△ Payable reinsurance accounts	0.00	0.00	0.00	0.00
△ Insurance contract provisions	0.00	0.00	0.00	0.00
△ Acting trading securities	0.00	0.00	0.00	0.00
△ Acting underwriting securities	0.00	0.00	0.00	0.00
Noncurrent liabilities due within one year	0.00	0.00	2,799,189,310.18	8,910,489,687.20
Other current liabilities	0.00	0.00	2,600,702.45	9,392,578.34
Total current liabilities	5,521,313,686.89	13,209,471,411.62	36,044,666,498.46	31,916,302,240.35
Noncurrent liabilities				
Long-term borrowing	800,000,000.00	0.00	7,165,902,991.89	19,712,960,268.82
Bonds payable	15,424,121,412.89	15,405,774,276.20	33,691,333,553.31	35,660,681,911.67
Long-term accounts payable	0.00	0.00	31,065,700.42	31,053,644.47
Special accounts payable	0.00	0.00	63,242,903.75	63,258,808.65
Estimated liabilities	0.00	0.00	111,500,367.38	32,915,813.50
Deferred income tax liabilities	252,054,540.73	105,632,439.35	1,627,204,499.03	1,493,552,067.94
Other noncurrent liabilities	1,312,424,517.73	1,312,424,517.73	1,347,551,944.04	1,346,029,547.76
Include: Approved preparatory funds	0.00	0.00	0.00	0.00
Total noncurrent liabilities	17,788,600,471.35	16,823,831,233.28	44,037,801,959.82	58,340,452,062.81
Total liabilities	23,309,914,158.24	30,033,302,644.90	80,082,468,458.28	90,256,754,303.16
Owners' equities (or shareholders' equities):				
Paid-in capital (share capital)	148,836,711,395.60	137,458,121,623.42	148,836,711,395.60	137,458,121,623.42
National capital	148,836,711,395.60	137,458,121,623.42	148,836,711,395.60	137,458,121,623.42
Collective capital	0.00	0.00	0.00	0.00
Legal person capital	0.00	0.00	0.00	0.00
Include: State-owned legal person capital	0.00	0.00	0.00	0.00
Collective legal person capital	0.00	0.00	0.00	0.00
Individual capital	0.00	0.00	0.00	0.00
Foreign capital	0.00	0.00	0.00	0.00
#less: returned investments	0.00	0.00	0.00	0.00
Paid-in capital (share capital) net total	148,836,711,395.60	137,458,121,623.42	148,836,711,395.60	137,458,121,623.42
Capital reserves	5,846,649,133.98	5,407,382,829.87	8,584,866,731.00	8,072,020,499.53
Less: Treasury share	0.00	0.00	0.00	0.00
Special reserves	0.00	0.00	0.00	0.00
Surplus reserves	27,036,782,400.15	4,021,650,949.48	26,791,603,948.63	3,962,997,039.03
Include: Legal common reserve fund	4,109,443,726.37	3,985,941,208.28	3,863,124,414.08	3,926,146,437.06
Other reserve funds	22,927,338,673.78	35,709,741.20	22,927,338,673.78	35,709,741.20
# Reserve funds	0.00	0.00	0.00	0.00
# Enterprise expansion fund	0.00	0.00	0.00	0.00
# Investment returned	0.00	0.00	0.00	0.00
△ Normal risk reserves	0.00	0.00	0.00	0.00
Undistributed profits	8,594,809,338.10	30,878,095,607.89	1,096,388,000.00	20,547,637,243.50
Converted difference in foreign currency statements	0.00	0.00	-2,084,400.20	-4,490,399.97
Total equities belonging to the owners of the parent company	190,314,952,267.83	177,765,251,010.66	185,307,485,675.03	170,036,286,005.51
*Equities belonging to minority shareholders	0.00	0.00	20,794,993,586.44	20,499,831,908.18
Total owners' equities	190,314,952,267.83	177,765,251,010.66	206,102,479,261.47	190,536,117,913.69
Total liabilities and owners' equities	213,624,866,426.07	207,798,553,655.56	286,184,947,719.75	280,792,872,216.85

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

Income Statement

Unit: RMB Yuan

Item	Parent Company		Consolidation	
	2010	2009	2010	2009
I.Total Operating income	150,823,419.37	10,030,564,932.98	29,659,474,217.10	25,908,309,894.30
Include: operating income	150,823,419.37	10,030,564,932.98	29,410,980,319.04	25,754,592,175.08
Include: main operating income	45,605,384.61	9,980,939,723.18	29,107,198,287.82	25,617,501,859.35
Other operating income	105,218,034.76	49,625,209.80	303,782,031.22	137,090,315.73
△ Interest revenue	0.00	0.00	237,403,980.52	135,129,886.18
△ Earned premium	0.00	0.00	0.00	0.00
△ Fees and commission revenue	0.00	0.00	11,089,917.54	18,587,833.04
II.Total Operating costs	1,432,424,070.41	5,931,772,729.07	20,180,572,738.62	17,196,952,800.51
Include: Operating costs	14,078,997.87	4,335,902,142.35	14,641,337,104.67	12,404,958,560.25
Include: Main operating cost	0.00	4,325,141,399.15	14,418,538,151.11	12,314,114,413.83
Other operating cost	14,078,997.87	10,760,743.20	222,798,953.56	90,844,146.42
△ Interest expense	0.00	0.00	70,647,640.81	43,426,389.39
△ Fees and commission expense	0.00	0.00	38,970,528.33	25,423,563.65
△ Surrender value	0.00	0.00	0.00	0.00
△ Net amount of compensation payout	0.00	0.00	0.00	0.00
△ Net amount of insurance contract provisions	0.00	0.00	0.00	0.00
△ Expenditures dividend policy	0.00	0.00	0.00	0.00
△ Reinsurance expenditure	0.00	0.00	0.00	0.00
Operating tax and surtaxes	6,382,332.23	143,880,271.20	532,487,302.80	423,470,481.25
Sales cost	150,922.97	150,773.83	51,620,524.97	49,911,671.06
Administrative cost	1,827,334,162.42	554,395,835.60	1,446,812,962.30	1,328,261,607.07
Include: Business entertainment	9,893,628.67	7,764,605.43	36,194,937.57	33,230,111.32
Research and development cost	86,757,204.41	231,295,135.77	111,494,219.80	239,438,195.10
Financial expense	-379,187,758.32	876,973,081.77	1,898,968,731.91	2,324,175,574.33
Include: Interest expense	0.00	1,149,503,564.41	1,858,893,376.58	2,351,062,400.12
Interests income	379,764,731.78	206,499,256.10	20,290,317.76	39,048,266.89
Net exchange loss (net exchange income shall be indicated by the mark “-”)	509,795.19	-1,646,572.23	-48,943,215.26	47,757,481.33
Asset impairment loss	-36,334,586.76	20,470,624.32	1,499,727,942.83	597,324,953.51
Others	0.00	0.00	0.00	0.00
Add: Fair value gains from available-for-sale investment (such loss shall be indicated by the mark “-”)	0.00	0.00	-9,030,634.14	23,007,142.62
Investment income (such loss shall be indicated by the mark “-”)	4,783,540,956.89	2,369,958,021.47	2,290,292,155.85	1,965,105,579.00
Include: Income from investing in associated enterprises and joint ventures	65,712,779.47	74,271,171.81	1,533,327,987.45	965,999,314.24
Exchange gain (such loss shall be indicated by the mark “-”)	0.00	0.00	0.00	0.00

Income Statement (Continued)

Unit: RMB Yuan

Item	Parent Company		Consolidation	
	2010	2009	2010	2009
III. Profit from operation (Such loss shall be indicated by the mark “-”)	3,501,940,305.85	6,468,750,225.38	11,760,163,000.19	10,699,469,815.41
Add: Non-operating income	463,201,230.94	25,593,451,531.63	2,635,423,230.27	2,230,492,898.54
Include: Income from disposing non-current assets	13,298,462.80	24,409,422,360.18	24,580,405.78	29,560,271.99
Income from exchanging non-monetary assets	0.00	0.00	0.00	0.00
Government subsidize (subsidize income)	4,104,484.62	1,184,029,171.39	1,873,320,388.95	2,015,818,405.89
Income from the debt restructuring	0.00	0.00	0.00	0.00
Less: Non-operating cost	93,019,982.88	66,743,427.91	139,283,240.27	80,438,561.96
Include: Loss of disposing non-current assets	5,307,841.38	58,959.48	13,546,983.47	9,429,235.68
Loss from exchanging non-monetary assets	0.00	0.00	0.00	0.00
Loss from the debt restructuring	0.00	0.00	0.00	0.00
IV. Total profit (total loss shall be indicated by the mark “-”)	3,872,121,553.91	31,995,458,329.10	14,256,302,990.19	12,849,524,151.99
Less: Income tax expenses	335,735,859.00	7,704,525,519.84	3,422,083,879.39	3,153,178,778.33
V. Net profit (net loss shall be indicated by the mark “-”)	3,536,385,694.91	24,290,932,809.26	10,834,219,110.80	9,696,345,373.66
Net profit belonging to owners of the parent company	3,536,385,694.91	24,290,932,809.26	8,121,392,259.58	7,938,613,630.95
*Profit and Loss of minority shareholders	0.00	0.00	2,712,826,851.22	1,757,731,742.71
VI. Earning per share:				
Fundamental earning per share	0.00	0.00	0.00	0.00
Diluted earning per share	0.00	0.00	0.00	0.00
VII. Other comprehensive income	439,266,304.11	33,504,143.41	398,395,239.88	1,949,457,618.08
VIII. Total comprehensive income	3,975,651,999.02	24,324,436,952.67	11,232,614,350.68	11,645,802,991.74
Total comprehensive income belonging to owners of the parent company	3,975,651,999.02	24,324,436,952.67	8,636,644,490.82	9,225,727,218.35
*Total comprehensive income belonging to minority shareholders	0.00	0.00	2,595,969,859.86	2,420,075,773.39

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

Cash Flow Sheet

Unit: RMB Yuan

Item	Parent Company		Consolidation	
	Ending Balance	Beginning Balance	Ending Balance	Beginning Balance
I. Cash flow from the operating activities				
Cash from selling commodities or providing services	67,690,569.48	13,497,086,779.28	31,687,173,154.42	29,896,344,818.17
△Net increase of client deposits and other bank deposits	0.00	0.00	-57,515,097.27	1,441,988,958.47
△Net increase of loans from central bank	0.00	0.00	0.00	0.00
△Net increase of loans from other financial institutions	0.00	0.00	1,200,000,000.00	0.00
△Premiums received from original insurance contracts	0.00	0.00	0.00	0.00
△Net cash received reinsurance business	0.00	0.00	0.00	0.00
△Net increase of policy holder deposits and investment funds	0.00	0.00	0.00	0.00
△Net increase from disposal of tradable financial assets	0.00	0.00	0.00	0.00
△Interest, handling charges and commission received	0.00	0.00	239,275,754.32	153,823,874.22
△Net increase of loans from other banks	0.00	0.00	0.00	0.00
△Net increase in repurchase business funds	0.00	0.00	-245,792,333.33	942,621,500.00
Refund of taxes and fees received	4,104,484.62	1,077,298,648.57	1,941,343,253.57	1,942,391,798.15
Other cash received related to the operating activities	234,641,649.27	665,008,769.62	732,243,774.65	1,329,211,895.12
Subtotal of the cash inflow from the operating activities	306,436,703.37	15,239,394,197.47	35,496,728,506.36	35,706,382,844.13
Cash paid for commodities or services	269,469,548.70	1,173,385,675.10	6,327,857,340.60	5,546,447,677.26
△Net increase in client loans and advances	0.00	0.00	2,145,911,198.12	1,098,034,965.20
△Net increase in deposits with central bank and other financial institutions	0.00	0.00	0.00	0.00
△ Compensation payments or original insurance contracts	0.00	0.00	0.00	0.00
△ Interest, fees and commission paid	0.00	0.00	91,551,241.13	55,947,260.10
△ Policyholder dividend paid	0.00	0.00	0.00	0.00
Cash paid to and for employees	226,275,829.50	112,920,573.78	1,679,004,503.35	1,438,834,649.12
Taxes and fees paid	2,121,336,580.09	5,122,368,271.89	8,826,231,771.49	8,759,464,748.93
Other cash paid related to the operating activities	284,594,565.45	255,251,393.86	2,454,411,739.77	1,170,023,176.49
Subtotal of the cash outflow from the operating activities	2,901,676,523.74	6,663,925,914.63	21,524,967,794.46	18,068,752,477.10
Net cash flow from the operating activities	-2,595,239,820.37	8,575,468,282.84	13,971,760,711.90	17,637,630,367.03

Cash Flow Sheet (Continued)

Unit: RMB Yuan

Item	Parent Company		Consolidation	
	Ending Balance	Beginning Balance	Ending Balance	Beginning Balance
II. Cash flow from the investing activities:				
Cash from investment withdrawal	35,163,645,069.79	8,223,339,731.55	55,553,532,166.71	13,065,788,073.35
Cash from investment income	4,659,386,495.52	1,774,928,166.54	752,298,976.51	355,853,425.04
Net cash from disposing fixed assets, intangible assets and other long-term assets	11,870,600,600.77	23,544,749,071.12	20,316,461.78	41,678,937.08
Net cash from restructuring the subsidiaries and other business units	0.00	0.00	27,803,083.78	67,000.00
Other cash received related to the investing activities	0.00	0.00	57,984,334.91	20,581,077.68
Subtotal of the cash inflow from the investing activities	51,693,632,166.08	33,543,016,969.21	56,411,935,023.69	13,483,968,513.15
Cash paid for purchasing or constructing fixed assets, intangible assets and other long-term assets	21,682,582,530.23	21,654,564,189.41	25,232,784,521.49	23,547,499,143.60
Cash paid for investment	33,901,094,152.49	67,094,936,441.86	44,446,219,445.58	43,057,972,089.63
△ Net increase in pledge loans	0.00	0.00	0.00	0.00
Net cash received from the subsidiaries and other business unites	0.00	0.00	0.00	0.00
Other cash paid related to the investing activities	101,676,498.17	884,697,500.00	11,883,965.18	902,412,764.86
Sub-total of cash outflow for investment activities	55,685,353,180.89	89,634,198,131.27	69,690,887,932.25	67,507,883,998.09
Net cash flows from investment activities	-3,991,721,014.81	-56,091,181,162.06	-13,278,952,908.56	-54,023,915,484.94
III. Cash flow from financing activities:				
Cash received from accepting investment	11,378,589,772.18	19,333,169,237.04	11,490,824,772.18	19,333,169,237.04
Including: Cash received from accepting the investment from the minority shareholders by the subsidiaries	0.00	0.00	112,235,000.00	0.00
Cash from borrowings	800,000,000.00	37,100,000,000.00	24,214,111,785.41	40,360,677,090.11
△ Cash received from issue of bonds	0.00	0.00	0.00	0.00
Other cash received related to the financing activities	0.00	0.00	67,331,887.93	5,709,676.78
Subtotal of the cash inflow from the financing activities	12,178,589,772.18	56,433,169,237.04	35,772,268,445.52	59,699,556,003.93
Cash paid for debt	0.00	3,197,665,821.79	30,208,362,287.74	19,918,011,260.15
Cash paid for dividends, profits or interest	3,422,174,514.03	2,930,032,895.85	6,483,002,820.76	5,090,745,837.96
Include: Dividends or profits paid to the minority shareholders by the subsidiaries	0.00	0.00	1,291,242,775.95	785,742,710.52
Other cash paid related to the financing activities	0.00	86,020,000.00	142,597,881.12	87,118,450.17
Subtotal of the cash outflow from the financing activities	3,422,174,514.03	6,213,718,717.64	36,833,962,989.62	25,095,875,548.28
Net cash flow from the financing activities	8,756,415,258.15	50,219,450,519.40	-1,061,694,544.10	34,603,680,455.65
IV. Influence of exchange rate change on cash and cash equivalents				
	0.00	0.00	-2,884,974.35	-6,131,962.07
V. Net increase of the cash and cash equivalents	2,169,454,422.97	2,703,737,640.18	-371,771,715.11	-1,788,736,624.33
Add: Balance of cash and cash equivalents at the beginning of the period	6,930,625,167.08	4,226,887,526.90	10,857,108,042.94	12,645,844,667.27
VI. Balance of the cash and cash equivalents at the end of the period	9,100,079,590.05	6,930,625,167.08	10,485,336,327.83	10,857,108,042.94

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

Notes to Financial Statements

I. Basis of Preparation

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

II. Statement of Compliance with Enterprise Accounting Standards

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

III. Significant Accounting Policies and Estimates

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

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

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

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

(II) Accounting Year

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

(III) Currency in bookkeeping system

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

(IV) Accounting basis and measurement attributes

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

(V) Foreign Currency Translation Method

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

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

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

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

(VI) Criteria for Determining Cash Equivalents

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

(VII) Financial Assets

1. Classification, Recognition and Measurement of Financial Assets

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

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

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

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

(2) Receivables

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

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

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

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

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

(3) Held-to-maturity investments

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

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

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

(4) Available-for-sale Financial Assets

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

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

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

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

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

2. Determination of Fair Value of Financial Instruments

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

(VIII) Initial expenses of the project

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

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

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

(IX) Borrowing costs

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

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

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

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

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

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

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

(1) Specifically borrowed loan

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

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

(2) General borrowing

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

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

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

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

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

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

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

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

Capitalization rate = the weighted average interest rate of the borrowing

The weighted average interest rate = $(\sum \text{current interests incurred} / \text{the weighted average borrowing principal}) \times 100\%$

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

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

(X) Comprehensive administrative expenses

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

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

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

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

(I) Changes in Accounting Policies

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

(II) Changes in Accounting Estimates

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

(III) Correction of Significant Prior Period Errors

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

Core Value System

Promote the “TGP Spirit”

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

Be devoted and outdo ourselves

Persist in innovation and build first-class projects

Engage in fair competition and work closely together

Respect science and seek truth from facts

**Practice the Defined Hydropower
Development philosophy**

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

Adhere “Four Principles”

Long-term cooperation

Integration into local

Make balance

Mutual benefit



Corporate Culture Building Proceeding in an Orderly Manner

In 2010, the corporation concept culture system was substantiated by refining and developing Three Gorges spirit, adhering Three Gorges culture, learning and implementing the guide principle of "long-term cooperation, integration into local, make balance and mutual benefit" proposed by CTGPC. Earnestly make effort to communication and culture integration between reorganized and joint stock corporation and CTGPC as well as between internal organizations of CTGPC with respect to



the development and change situation of corporation reorganization, external investment and joint stock, and thereby enhancing the sense of identity for the corporate culture, such as Three Gorges spirit. The concept culture, system culture and behavior culture development of Class II organizations was gradually deepened.

The Party of CTGPC established and issued "Implementation Opinion on Pushing Learning Party Organization Development of CTGPC (trial), after that, the activity of "Build a Learning Organization and Become a Knowledgeable Employee" was continuously deepened and developed in each organization and department so as to learn party organization development to push learning enterprise development to form consensus; the learning concept in all the life was continuously deepened in cadres and staffs, and the learning atmosphere was continuously enhanced. The reading activity "Sense of urgency-change in crisis"

which was initiated and developed by leaders had obtained positive response of all cadres and staffs of CTGPC, and 305 reading articles for such sense of urgency had received.



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

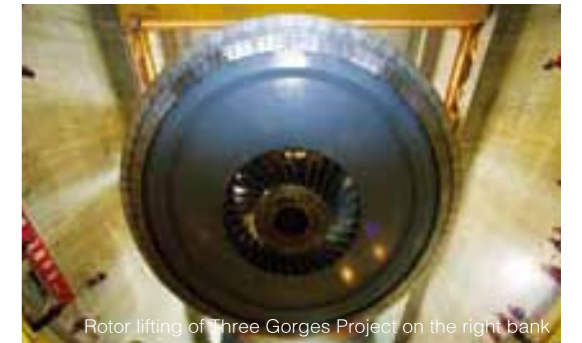
love contribution and heart-warming activities, including love donation week, visiting, helping poor and education subvention and extremely poor funding, sent festival messages and concerned body and mind health of the staffs to promote harmonious development of the enterprise.

The early stage work for enterprise culture planning and establishment has started. The propaganda board of Three Gorges culture presented in dam area of Three Gorges and special highway; the attention degree to specify vision identification system (VI sign) of CTGPC was strengthened. The party development and special culture program of internal and external network of CTGPC were adjusted and substantiated, and the show activity of state-owned enterprise spirit home on the net has started. The brochure for special activity of corporate culture "Appreciate lasting appeal of national quintessence and display elegant demeanour of Three Gorges" was compiled and printed.

Technology Innovation

Promote Design Level

CTGPC and Changjiang Water Resources Commission Survey, Design and Research Institute persisted in open design principle in design technology innovation, developed the design work of Three Gorges Project from the aspect of comprehensively governing the whole Changjiang River and pursued to the maximization of comprehensive benefit target; in project technology design, the innovation for dam stability, navigation structure, river closure and diversion and high-strength pouring was achieved.



Rotor lifting of Three Gorges Project on the right bank

Promote Electromechanical Equipment Industry Level

CTGPC fully exerted the driving action of national significant project for technology innovation by virtue of Three Gorges Project to help domestic hydropower equipment manufacturers to master the core technology and key process of the whole design and manufacture for extra-large sets by means of introducing technology, absorbing and re-innovating, so as to make our significant hydropower equipment industry achieve 30-year crossing with 7 years and open the age of dependent design, manufacture and installation for extra-large hydroelectric generating sets in our country, meanwhile, it built a development platform for significant raw material manufacturers such as power station high-voltage equipment and auxiliary equipment manufacturer, high strength steel, important castings and forgings, large-thickness lamellar tearing resistance steel plate and high-grade silicon steel sheet to make significant hydropower equipment and raw material completely achieve localization and possess intellectual property.



Ship lift construction of Three Gorges Project

Realize Localization of Jinsha River Hydroelectric Generating Sets

In 2008, CTGPC made bidding and procurement for hydroelectric generating sets of Jinsha River Xiluodu and Xiangjiaba hydropower plants; the total contract amount is more than RMB 11 billion; the procured 26 giant sets were completely won by domestic manufacture organizations, thereinto, 19 sets possessed the completely dependent intellectual property. This bidding made full use of the achievement of localization for sets of Three Gorges, which further pushed the localization progress of national large hydroelectric equipment.

Develop Hydroelectric Generating Set with the Largest Capacity in the World

1000MW hydroelectric generating set is the new target in the world, which exceeds the existing technical level and specification and there is no reference for ready-made experience in the world. As an organizing unit, CTGPC, under the participation and support of other relevant organizations, has obtained phase

achievement in the relevant research of 1000MW hydroelectric generating set by reference to the achievement of introduction, absorbing and technology innovation with respect to 700MW set in Three Gorges station and by virtue of its own core technology.

Comprehensive Fulfillment of Social Responsibility

Honoring Tax Obligations and Reward the Society

Diligent Fulfillment of Tax Obligation: CTGPC's tax obligations for 2010 amount to RMB 6.895 billion (including outstanding amount in 2009). In 2010, RMB 671 million foundation for Three Gorges reservoir area, RMB 128 million foundation for Gezhouba reservoir area and RMB 42 million foundation for Three Gorges relocated residents were withdrawn for relocated resident production, living, improving production condition and infrastructure.

Financial Support for the Reservoir Area: CTGPC drives the development and progress of construction enterprise, equipment and material supply enterprise, service enterprise and resource development enterprise with project development, pushes the development of agriculture, industry and the third industry of the reservoir area, and helps prosperous area economy. CTGPC, by virtue of Jinsha River hydropower development, drives a large number of construction enterprises to participate in project development, supports the development of relevant enterprises by means of equipment and material procurement, and brings in tremendous development opportunity for many enterprises in Sichuan and Yunnan. The project development improves the traffic conditions and produces significant influence for local and surrounding investment invitation work, and a batch of enterprises with larger scale and strong strength enter into the reservoir area to develop. CTGPC positively supports the development of industries of the reservoir area and gives helpful support on breaking the problem of "hollow" (weak industry foundation without competitiveness) for industries of the reservoir and dam area.



Flower Base in Letianxi Town, Wuling District, Yichang city, Hubei province

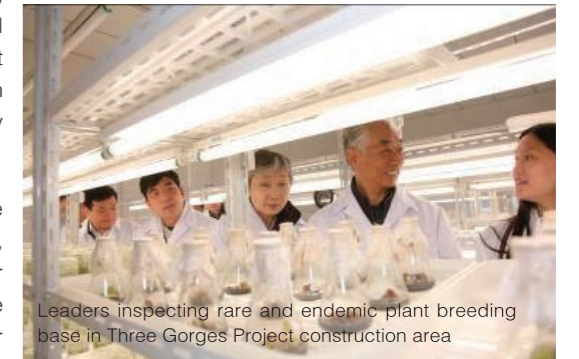
Poverty Relief and Financial Aid in Target Areas: CTGPC pays more attention to poverty relief in target areas, taking Wushan County and Fengjie County, Chongqing, Wan'an County, Jiangxi and Balinzuoqi, Inner Mongolia as national-class poverty relief counties; assigns cadres to such counties to take post, and effectively develops poverty relief work in good time through multiple combination means, including main intelligence assistance, auxiliary project assistance, talent culture, industry driving and heart-warming activities. CTGPC puts forth effort to develop financial aid in Pishan County, Hetian, Sinkiang and pays more attention to economic benefit and social benefit in the aid, combines "blood transfusion" and "blood forming", continues to explore "blood forming" support, and pushes financial aid work transformation from poverty relief to development.



Investigation by Xinjiang cadres in Bshilangan Township

Significant Ecological and Environmental Benefits of the Three Gorges Project

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



Leaders inspecting rare and endemic plant breeding base in Three Gorges Project construction area

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

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



Shipping channel



Chongqing night after water storage

Environmental Protection in the Project Management Area

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



dust, noise and solid waste during construction. Advanced radial-flow precipitation and mechanical filtering-style dewatering treatment processes have been adopted for wastewater treatment for the aggregate processing system at Tangfangping near the Xiluodu Hydropower Plant, thereby achieving largely zero discharge. The Xiangjiaba Hydropower Plant uses the DH high-efficiency spiral-flow purification process to treat wastewater arising from the concrete mixing system, with substantial results achieved. Ecological restoration is in full swing across the worksite of the Three Gorges Project, and the ecological environment is being further improved.

In 2010, the water and soil conservation measures of slag yard, worksite, road and nodal region of each hydropower plant project were basically in place; the progress of ecological recovery work on worksites was smooth; the overall water loss and soil erosion governing effect was obvious, and water loss and soil erosion were basically controlled.



CTGPC pays more attention to pollution prevention and treatment during hydropower project construction and power production process, specializes to treat production waste water and domestic sewage, standardizes to manage domestic garbage, takes different precaution measures to reduce construction dust pollution, sound environment pollution and hazardous solid waste, and strengthens the cleaning of mainstream floater of the reservoir area.



Energy Conservation and Emission Reduction



CTGPC pays attention to energy conservation and emission reduction during project development and power production and operation. Realize water saving by means of dispatch optimization; realize resource saving and comprehensive utilization by means of such measures and paths as cycling after production wastewater treatment, excavated material processing and utilization, surface oil resource extraction and utilization and comprehensive utilization of coal ash, and realize energy conservation and emission reduction by means of positively pushing technology reform and equipment optimization improvement and reasonably arranging the operation mode of energy consumption equipment.

According to operation condition and actual upstream water entry situation of Three Gorges-Gezhouba Cascade Hydropower, increase the supply quantity of clean energy by such measures as improving the accuracy of water regime forecasting, reasonably utilizing flood water in flood season, optimizing dispatch operation and increasing technology reform. In 2010, Three Gorges Hydropower Plant produced 4.08 TWh of electricity from water saved and 1.147 TWh for Gezhouba Hydropower Plant. CTGPC positively pushes technology reform, optimizes and improves equipment and management, reasonably arranges the operation mode of energy consumption equipment and realizes energy conservation and emission reduction. In 2010, China Yangtze Power Co., Ltd. with share holding by CTGPC realized energy conservation and emission reduction by means of reasonably arranging operation mode and increasing technology reform strength; speeded up lighting system reform and reduced service power consumption.



Completion condition of energy conservation and emission reduction target in Eleventh Five-Year Plan: as a clean energy group with hydropower development and operation priority, the main target of energy conservation and emission reduction in "Eleventh Five-Year Plan" for CTGPC is: completing 20% reduction of unit increase value than that of 2005 at the end of "Eleventh Five-Year Plan". By the end of 2010, the comprehensive energy consumption of ten thousand increase value (counted by comparable price) of CTGPC has reduced 26.31% than that of 2005 (base period), and CTGPC has exceeded the energy conservation and emission reduction mission.



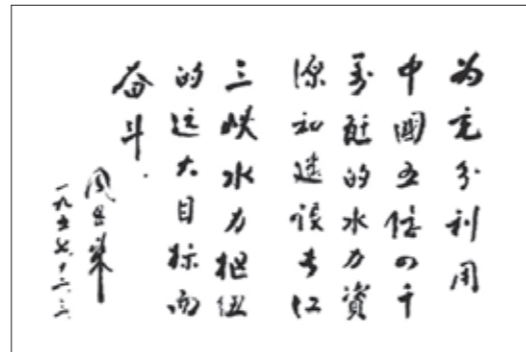
Several Generations of China's Leaders Have Shown Affection to the Three Gorges Project



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



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



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



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



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

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



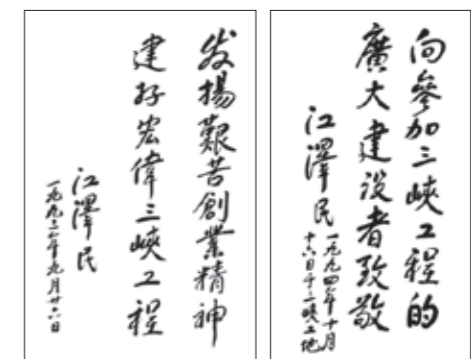
In September 1991, Li Ruihuan, member of the Standing Committee of the Political Bureau of the Central Committee of the Communist Party of China and Chairman of the Chinese People's Political Consultative Conference, inspected the dam site of the Three Gorges Project.



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



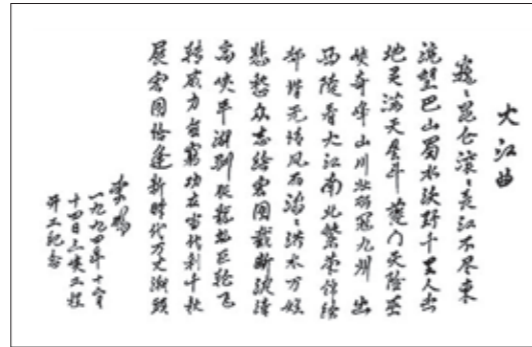
In October 1994, Jiang Zemin, General Secretary of the CPC Central Committee, inspected the Three Gorges Project.



Jiang Zemin made an inscription for the Three Gorges Project



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



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



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



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



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



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



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



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



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

Principal Subsidiaries

China Yangtze Power Co., Ltd.

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

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

CYPC is currently China's largest public-listed hydropower company, specializing in hydropower development. At the end of 2009, CYPC owned the Gezhouba Hydropower Plant and all generating units already in operation on the Three Gorges Project, with a total installed capacity of 21035 MW. CYPC also holds an 11.189% interest in Guangzhou Development Industry (Holdings) Co., Ltd. (GDIH), which has an installed capacity of about 2298.6 MW; an 8.77% interest in Shanghai Electric Power Co., Ltd. (SEPC), which has an installed capacity of about 6007.7 MW; a 41.6g% interest in Hubei Energy Group Co., Ltd. (HEGC), which has an installed capacity of about 4527.7 MW.

China Three Gorges New Energy Corp.

China Three Gorges New Energy Corp. (hereinafter referred to as "Three Gorges New Energy") was approved by the State Council in October 2008; China Water Investment Group Corporation was incorporated in China Three Gorges Corporation and became the wholly-owned subsidiary. In June, 2010, it was formally changed into China Three Gorges New Energy Corp.

As one of the earliest state-owner enterprises entering into wind power field in China, Three Gorges New Energy grasps the opportunity that the country vigorously develops clean energy in

recent years, speeds up the development step of wind farm, increases the investment strength of wind power equipment manufacture industry, puts forth effort to push the development of wind energy industry chain, and forms better competition base and advantage in wind farm development and wind power equipment manufacture. After interconnected power generation of the first wind farm in 2006, Three Gorges New Energy continued to speed up investment layout in the world; the accumulated wind power equipment scale in northeast, Inner Mongolia and southeast coastal areas has exceeded 700MW, the under-construction equipment scale is about 1000MW and wind resource reserve has exceeded 27,000MW. In recent years, Three Gorges New Energy has increased investment strength for such projects as complete fan and its main parts manufacture and has obtained outstanding achievement. By now, the total industry assets of Three Gorges New Energy have reached RMB 12 billion, and the ownership interest is RMB 7 billion.

Three Gorges New Energy, as the main body of strategy implementation for wind energy industry of CTGPC, gives priority to investment, development and operation in clean and renewable energy fields such as wind energy and solar energy, takes the economic benefit as the center, takes differential competitive strategy and cost leading strategy, increases the development strength of the whole wind power industry chain which gives priority to wind farm development, positively explores complementary power supply development structure of wind, light, water and storage, tightly traces technology progress and market development of solar energy, keeps steady to develop medium and small hydropower business, elaborately creates the brand of Three Gorges New Energy and devotes to become an first-class international new energy corporation.

China International Water & Electric Corp.

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

programs, importation of complete sets of equipment, international project contracting, and provision of labor services for China's hydraulic and hydroelectric industry.

CWE has completed over 700 international contracts and aid projects in more than 60 countries and regions, with total contract value exceeding US\$ 7 billion, contributing tremendously to the global development of Chinese enterprises'. CWE has been ranked among the world's top 225 international project contractors for 20 years in a row, among the world's top 200 international project consulting) and designing companies for nine consecutive years, and among China's top 30 international project contractors selected by the Ministry of Commerce for 15 consecutive years. CWE has also been named an outstanding Chinese enterprise in international project contracting for two straight years. In both 2007 and 2008, CWE was rated as one of the "Top 10 International Chinese Contractor Brands in the International Market" by the United Nations World Confederation of Productivity Science.

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

Three Gorges Financial Co., Ltd.

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

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

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

Yangtze Three Gorges Technological & Economic Development Co., Ltd. (YTEDC), a wholly-owned subsidiary of CTGPC, has its roots in the CTGPC Shisanling Engineering & Construction Company, which was founded several supervisory in January 1989; it has been repeatedly renamed and is the result of the merger of and consulting firms. YTEDC was officially registered with the State Administration for Industry & Commerce in 1998 after restructuring.

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

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

China Three Gorges Tourism Development Co., Ltd.

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

CTGTD has four principal businesses: scenic areas, hotels, travel agencies, and transportation

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

Three Gorges International Tendering Co. Ltd

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

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

In 1997, TGIT became a member of the China Council for the Promotion of International Trade (CCPIT) and the China Chamber of International Commerce (CCOIC). In 2000, TGIT obtained "Class A International Tendering Agency Qualifications" from the Ministry of Foreign Trade and Economic Cooperation. In 2001, TGIT became a member of the Construction Market and Tendering Branch of the China Civil Engineering Society. In 2002, TGIT secured "Class A Engineering Tendering Agency Qualifications" from the Ministry of Construction. In 2003, TGIT was awarded "Class A Equipment Tendering Agency Qualifications for Technological Renovation Projects" by the State Economic and Trade Commission and obtained ISO9000 Quality Management System Certification. In August 2005, TGIT was given an AAA international credit rating by China Chengxin International Credit Rating Co., Ltd. In 2006, TGIT was qualified by the Ministry of Finance as a Class A agency for government procurement. In 2007, TGIT won tendering qualifications for investment projects by the Central Government from the National Development and Reform Commission.

Yangtze Three Gorges Equipment & Materials Co., Ltd.

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

Yangtze Three Gorges Industrial Co., Ltd.

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

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

YTGI is the long-term manager of the productive properties of the Three Gorges and Gezhouba Hydropower Complexes. It also provides property management services for the offices and living quarters of CTGPC and Yangtze Power, and is responsible for the fabrication and erection of billboards in the Three Gorges Dam Area, as well as gardening and landscaping. Moreover, it provides property management services for ongoing hydropower plant construction in the Jinsha River Valley.

Yangtze Three Gorges Hydroelectric Engineering Co., Ltd.

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

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