

# Who's Behind China's Three Gorges Dam

## List of Chinese 3G Companies and Financiers

(updated August 2007)

Probe International has compiled the following information about: **China Three Gorges Project Development Corporation**, a state-owned company set up to build the dam; **State Grid Corporation**, which is responsible for Three Gorges' transmission works; **Yangtze Power Company**, the Shanghai-listed entity responsible for operating and eventually acquiring all Three Gorges turbines; and other Chinese financiers and companies supplying equipment and services to the project.

All figures in U.S. dollars unless noted otherwise.

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### 1. Chinese Companies

In October 2004 **ABB** announced it had won a US\$60 million contract to produce one set of 500-kV gas insulated switchgear (GIS) and 12 sets of transformers for the right bank of the Three Gorges Project. The 12 sets of transformers would be produced by **ABB's Chongqing Transformer Company**, **ABB's** largest single investment in China.

**China Three Gorges Project Corp** awarded contracts for the 500-kV GIS to **Xi'an High Voltage**

**Switchgear Company and New Northeast (Shenyang) Electric High Voltage Switchgear Company.** Both of these companies awarded subcontracts to **ABB** for parts to be delivered in the first half of 2006. (Business Daily Update, "ABB wins US\$60m contract for Three Gorges Project", October 25, 2004; Interfax, "ABB secures USD 60 mln worth of contracts at Three Gorges," Nov 1, 2004; ABB Press Release, "ABB wins \$60 million orders for Three Gorges power plant," Oct 18, 2004, [www.abb.com/cawp/seitp202/4ED8118D6F17FF80C1256F31001F9DE7.aspx](http://www.abb.com/cawp/seitp202/4ED8118D6F17FF80C1256F31001F9DE7.aspx); International Water Power & Dam Construction, "Three Gorges GIS contract announced," Oct 29, 2004, <http://www.waterpowermagazine.com/story.asp?storyCode=2025185>)

**September 1999** – ABB won a US\$112 million contract to deliver high voltage switchgear equipment to an electrical substation at the Three Gorges dam site. About 25 percent of the equipment will be produced in China in cooperation with **Shenyang** and **Xi'an High Voltage Switchgear** plants. The Swiss export credit agency, ERG (Geschäftsstelle für die Exportrisikogarantie) is providing an export credit guarantee for the purchase of **ABB** equipment.

**Anshan Iron and Steel Group Corporation (Angang)**, a leading steel maker in Anshan city, Liaoning Province, expected to be the sole supplier of steel plate for the third phase of the Three Gorges Project, after Japan's JFE Steel Corporation dropped out of the third phase of the project bidding. High strength, low alloy steel plates would be used in the construction of 12 turbine projects. In September 2004 **Angang** received approval from **China Three Gorges** to provide steel plates for the project. The deal was not yet finalized. (Interfax China Business News, "Anshan Iron and Steel aiming to be sole supplier for Three Gorges Project," October 14, 2004)

**China Three Gorges Project Development Corporation** has raised funds for the Three Gorges Project by issuing bonds. Bonds were first issued in 1997. Further issues took place in 1999, 2000, 2001, 2002, 2003, and 2006. A planned eighth issue was announced in 2007.

**June 2007** – **China Three Gorges Project Corp** announced it would issue 2.5 billion yuan [US\$328 million] worth of 10-year, fixed-rate bonds to domestic institutional investors to fund the Phase III construction of Three Gorges and two hydropower projects on the Jinsha river. (Xinhua Financial Network, "China Three Gorges Project Corp to issue 2.5 bln yuan in 10-yr, fixed-rate bonds", June 26, 2007)

**May 2006** – **China Three Gorges'** seventh bond issue began in May 2006, when it issued over 3 billion yuan [US\$370 million] worth of 20-year bonds to finance construction, compensation, and future hydroelectric developments on the Yangtze. The annual interest rate is 4.15 percent. As of May 2006, **China Three Gorges** had 17 billion yuan [US\$2.1 billion] of bonds outstanding. (Xinhua News Agency, "Three Gorges Project developer issues unsecured bonds to raise more funds," May 11, 2006).

**August 2003** – **China Three Gorges** issued 3 billion yuan [US\$362 million] in 30-year domestic bonds. The bonds, with an annual coupon of 4.86 percent, would be sold to domestic retail and institutional investors, with proceeds used to cover the dam's budget deficit for 2003. China Chengxin International Credit Rating gave the bonds an AAA rating. **China Three Gorges** also expected to raise \$1.2 billion with the spinning off of China Yangtze Power later in 2003. (Reuters, China Three Gorges to issue \$362 mln 30-yr bonds, July 31, 2003; Business Daily Update, "Three Gorges' US\$133m bonds to trade on Shanghai bourse," March 10, 2004)

**January 2003** – As of January 2003, bond issues had provided 15 percent of the funding in place for the Three Gorges project, and were third most important after government funds and bank loans. (Xinhua's Chinese Economic Information Service, "Three Gorges issues five billion yuan worth of bonds to raise funds," January 14, 2003)

**September 2002** – **China 3g Corp** issued 5 billion yuan [US\$604 million] of 20-year corporate

bonds guaranteed by the Three Gorges construction fund. The Shanghai Stock Exchange began marketing these bonds in January 2003. As of January 2003, bond issues had provided 15 percent of the funding in place for the Three Gorges project, and were third most important after government funds and bank loans. (Xinhua's Chinese Economic Information Service, "Three Gorges issues five billion yuan worth of bonds to raise funds," January 14, 2003; AsiaPort Daily News, "Three Gorges project to issue RMB5-bln bonds", September 23, 2002)

**November 2001 – China 3g Corp** issued 5 billion yuan [US\$603.86 million] in corporate bonds to raise construction funds. These included 2 billion yuan [US\$241.55 million] in 10-year bonds and 3 billion yuan [US\$362.32 million] in 15-year bonds. The lead underwriter was **CITIC Securities**. (Interfax China Weekly Business, "Corporate Bonds Worth Usd 604 Mln To Be Issued For Three Gorges Project," November 8, 2001; Reuters News, "China's Three Gorges to issue more domestic bonds," October 12, 2001)

**July 2000 – China 3g Corp's** third bond issue took place. Three billion yuan [US\$360 million] of 10-year enterprise bonds were sold to raise funds for the Three Gorges project. The bonds were awarded China's highest bond rating. The issue was required because bank loans and other channels were insufficient to meet expenditures. (Agence France-Presse, China issues bonds to cover Three Gorges funding shortfall, July 26, 2000; International Water Power & Dam Construction, "Registered bonds to pay for Three Gorges," September 1, 2000)

**January 1999 – China 3g Corp** issued 2 billion yuan [US\$240 million] in 3-year and 8-year bonds to raise money for construction of the Three Gorges Project. (AsiaPort Daily News: Workers' Daily, "Three Gorges Project bonds issued," January 12, 1999; China Business Information Network, "China to issue US\$1.2 billion of bonds to fund Three Gorges dam," December 1, 1998)

**February 1997 – China Three Gorges** floated one billion yuan [US\$121 million] in three year corporate bonds that were rated AAA- and had an annual interest rate of 11 percent. The team of underwriters included **Shenyin Wanguo Securities Co Ltd** as lead sales agent and **Citic Securities Co** as the subordinate. The bonds sold out in five days.

The income from bonds was to be used to offset a shortfall of investment in the Three Gorges Project from 1996. Total spending on the project last year was 8.2 billion yuan [US\$992 million], with 4.2 billion yuan [US\$508.2 million] from the **Three Gorges Fund** and 3 billion yuan [US\$363 million] from **State Development Bank** loans. (Xinhua News Agency, "China to issue one billion yuan in bonds for Three Gorges Project," February 27, 1997; Agence France-Presse, "Bonds for China's Three Gorges dam sell out in five days," March 5, 1997)

**Ma'anshan Iron and Steel Co Ltd** is a product supplier for the Three Gorges Project. (Securities Daily, "Ma'anshan Iron & Steel Becomes Supplier to Three Gorges Project," December 27, 1995)

**Shanghai No. 1 Steel Co Ltd**, a subsidiary of the Shanghai Baosteel Group, was selected in an open bidding process to provide 134,000 tons of reinforced steel for the second phase of the Three Gorges Project. The steel will be used for dam construction, power plants and navigation locks. Steel provided by **Shanghai No. 1 Steel** will account for 20% of the total steel required for the second phase. **Shanghai No. 1 Steel** will also provide technical consulting services for the second phase. (Interfax China Business News, "Shanghai No. 1 Steel To Supply 134,000 Tons Of Reinforced Steel To Three Gorges Project," September 19, 2002)

**Shanghai Pudong Iron and Steel Co**, another subsidiary of Baosteel Group, has also manufactured heavy steel plates for the Three Gorges project. (Baosteel Group, 2006, [http://www.baosteel.com/group\\_e/05steel/ShowArticle.asp?ArticleID=33](http://www.baosteel.com/group_e/05steel/ShowArticle.asp?ArticleID=33))

In September 2004, **Baosteel** purchased a 1.54 percent stake in **China Construction Bank Corp** for

three billion yuan [US\$362 million]. (AFX International Focus, "China Yangtze Power, Baosteel, State Grid take 4.1 pct stake in CCB vehicle," September 14, 2004)

**Shougang Iron and Steel**, one of China's three largest steel makers, won a bidding to supply 15,000 tons of spiral steel to the second phase of the Three Gorges project. This is **Shougang's** seventh contract to provide steel products to the project since 1999. The steel is to be delivered between February 2002 and June 2003. Medium-thick plates supplied by **Shougang** last year were will be used to construct bars for blocking wastes. (Interfax China Weekly Business, "Shougang to supply 15,000 tons of spiral steel to Three Gorges Project," February 20, 2002)

**Sinohydro Engineering Bureau 14**, a subsidiary of **Sinohydro Corporation**, won a 156.8 million yuan [US\$19.1 million] contract to construct buildings for the 4,200 MW underground power station on the right bank of the Three Gorges. Sinohydro has previously won two other major contracts, for the underwater carriage system of the Three Gorges permanent navigation lock works and the construction of the second and third-phase power plants and dam. (China Industry Daily News, "Sinohydro Engineering Bureau 14 Wins 156.8 Million Yuan Contract under Three Gorges Project", February 17, 2005, <http://www.chinainfoworld.com/dailynews.php>)

**State Grid Corporation of China (SGCC)** signed a contract with **China Three Gorges Project Corporation** in December 2006 to purchase 300 billion kWh of electricity over the next five years. A joint statement from the two companies announced their cooperation in China's West-East electricity transmission project. (Xinhua China Economic Information Service, "State Grid purchases 300 bln kwh of electricity of Three Gorges power plant," December 29, 2006)

**State Grid Corporation** signed a contract with **China Yangtze Power Co** to purchase about 37.18 billion kWh from the Three Gorges project in 2006, 13.6 percent more than **State Grid** purchased the previous year. (Dow Jones Energy Service, "China Yangtze, State Grid sign 3 Gorges elec sales pact," March 3, 2006)

**State Grid Corporation of China** purchased a 1.54 percent stake in the **China Construction Bank Corp** for three billion yuan [US\$362 million]. (AFX International Focus, "China Yangtze Power, Baosteel, State Grid take 4.1 pct stake in CCB vehicle," September 14, 2004)

**Taiyuan Stainless Steel Co** won a contract in 2002 to supply 2,290 tons of stainless steel and steel sheets for the third phase of the Three Gorges Project. This was the ninth successful bid by **Taiyuan Stainless Steel**, bringing the company's total stainless steel supply for the project to 5,790 tons or 69.8% of the project's total stainless steel demand. **Taiyuan Stainless Steel**, a subsidiary of Taiyuan Iron and Steel Group Co Ltd, is listed in Shenzhen. (Interfax China Business News, "Taiyuan Stainless Steel Wins Bid to Supply 2,290 Tons of Steel to Three Gorges Project," December 16, 2002)

**Yangtze Power (China Yangtze Power Co Ltd)** is the Shanghai-listed operator of Three Gorges dam hydro project. Yangtze Power plans to buy all 26 generating units from the parent firm (China Three Gorges Project Development Co.) by 2015. **Yangtze Power** bought four generating units in 2003 and two in 2005. In May 2007 **Yangtze Power** signed an agreement to buy another two units, bringing the total to eight.

**Yangtze Power** announced a net profit of 395.74 million yuan [US\$51.2 million] in the first quarter of 2007, down 1.31% year-on-year due to higher core business costs and management expenses. Management expenses increased 51.44% to 38.42 million yuan [US\$4.97 million), mostly due to maintenance for power generation facilities. **Yangtze Power's** first-half profits in 2007 rose 72% compared to 2006, due to the sale of China Construction Bank shares in April and increased electricity output. Net income increased to 2.25 billion yuan [US\$298 million] and sales rose 12% to 3.4 billion yuan. Power output increased to 17.2 billion kWh in the first half, an increase of 11

percent. Shares have advanced 73 percent. (Xinhua Financial Network News, "China Power Q1 net profit down 1.31 pct on higher costs," April 19, 2007, [www.xfn.com/en](http://www.xfn.com/en); Winnie Zhu and Wang Ying, "Yangtze Power Profit Jumps 72% on Output, Bank Sale (Update2)," Bloomberg, July 29, 2007, [www.bloomberg.com/apps/news?pid=20601089&sid=a7W3OTicHWyI&refer=china](http://www.bloomberg.com/apps/news?pid=20601089&sid=a7W3OTicHWyI&refer=china))

**Yangtze Power** has contacted Datang Telecom Technology and Industry Group to discuss buying a stake in Datang Mobile Communications Equipment Co, Ltd. A final agreement has not yet been reached. Yangtze Power announced it would continue to focus on hydroelectric power generation but would also make investments to improve the efficiency of its capital and provide a larger return for shareholders. (SinoCast China Business Daily News, "Yangtze Power makes no progress in buying into Datang Mobile," July 9, 2007, [www.sinocast.com](http://www.sinocast.com))

**Yangtze Power** is expected to be the first corporate bond issuer under a new regulatory regime that includes a maximum debt-asset ratio. Yangtze Power Co had 33.1 billion yuan [US\$4.38 billion] in net assets at the end of the first quarter and 2.5 billion yuan [US\$331 million] in short-term debt. (South China Morning Post, "Yangtze Power to issue first bond," July 24, 2007, <http://english.cri.cn/3130/2007/07/24/262@253034.htm>)

In May, **Yangtze Power** agreed to purchase a 10% stake (156 million shares) in Shanghai Electric Power Co for 701 million yuan [about US\$93 million] and signed an agreement with its parent company, China Three Gorges Project Corporation, to purchase two generator sets for a total of 10.44 billion yuan, adding 1.4 million kW of increased capacity. In February, Yangtze Power signed an agreement to buy a 45% stake in Hubei Provincial Energy Group Co for 3.1 billion yuan [US\$399 million], gaining about 2 GW of new hydro and thermal capacity through the acquisition. (China Knowledge Press, "Yangtze Power buys 10% in Shanghai Electric," June 4, 2007; China Energy Daily News, "China Yangtze Power purchases some of China Three Gorges Project Corporation assets," May 29, 2007, <http://www.chinainfoworld.com/dailynews.php>; Winnie Zhu and Wang Ying, "Yangtze Power Profit Jumps 72% on Output, Bank Sale (Update2)," Bloomberg, Jul 29, 2007, [www.bloomberg.com/apps/news?pid=20601089&sid=a7W3OTicHWyI&refer=china](http://www.bloomberg.com/apps/news?pid=20601089&sid=a7W3OTicHWyI&refer=china); "Consolidation on cards for Chinese hydro," International Water Power & Dam Construction, 22 February 2007, <http://www.waterpowermagazine.com/story.asp?storyCode=2042344>; SinoCast China Financial Watch, "Yangtze Power in An Energy Group Deal," February 15, 2007)

**Yangtze Power** plans to sell 800 million shares of China Construction Bank before the end of this year. In April, Yangtze Power signed an agreement with ReCa Investment Ltd to sell 400 million shares in China Construction Bank Corp for HK\$1.6billion [US\$204.4 million]. (Dow Jones Chinese Financial Wire. "China Yangtze Power to sell 400M China Construction Bank Shrs," April 15, 2007, [www.djnewsires.com](http://www.djnewsires.com))

In March, **Yangtze Power** issued 1.5 billion yuan [US\$194 million] worth of one-year bills on the interbank market on March 14. **China Construction Bank** was the main underwriter. In June, **Yangtze Power** issued 2.5 billion yuan [US\$331 million] worth of 365-day debt papers in the interbank market, issued at a discounted price of 96.65 yuan [US\$12.78]. **China Construction Bank** was the main underwriter. (Xinhua Financial Network News, "China Yangtze Power issues 1.5 billion yuan worth of 1-year bills," March 19, 2007; Industry Updates, "China Yangtze Power sells 2.5b yuan one-year debt," June 5, 2007, <http://www.chinadaily.com.cn>)

**Yangtze Power** signed a contract in March to sell 15.41 billion kWh of electricity to Central China Grid Co this year, to be generated from the Gezhouba dam. (AFX Asia, "China Yangtze Power to sell 15.41 bln kwh of electricity to Central Grid," 13 March 2007, <http://www.afxnews.com/about488/index.php?c=02.03&lg=en&p=0.4>)

**2006 – Yangtze Power** reported an 8.85% increase in generation in the first quarter of 2006. The increase was due in part to higher water levels in February and March and in part to technology

upgrades and new capacity, including an additional 20MW at the Gezhouba power plant. Net profit for the first quarter was also up 18.05 percent year on year, to 404 million yuan [US\$5.05 million]. The increase in profits was also attributed to increased electricity prices. (Power in Asia, "Yangtze Power boosts output," April 27, 2006; AFX Asia, "China Yangtze Power Q1 net profit up 18 pct on higher revenue," April 26, 2007)

**2006 – Yangtze Power's** net profit fell 6.8% in the first half of 2006, from 1.41 billion yuan [US\$176.6] to 1.32 billion yuan [US\$165.3 million] in the first half. Low river levels in the Yangtze caused a drop in production despite the addition of new generators. (Wall Street Journal Asia, "Business Brief -- China Yangtze Power Co.: Earnings fall 6.8% on drop in electricity generation," August 16, 2006; Reuters, "China Yangtze Power profits fall due to low water," August 14, 2006)

**2006 – Yangtze Power's** net profit in the third quarter of 2006 fell 0.69 percent to 1.152 billion yuan [US\$145 million] due to low water levels in the Yangtze river. Generation in the third quarter was 11.307 billion kWh. Revenues were down 6.08 percent year-on-year to 2.208 billion yuan [US\$279 million]. For the first nine months of 2006, revenues were down 3.25 percent to 5.19 billion yuan [US\$653 million]. Net profit was down 4.08 percent, at 2.47 billion yuan [US\$313 million]. (Xinhua Financial Network, "China Yangtze Power Q3 net profit down 0.69 pct on lower output", October 27, 2006)

**2006 –** According to **Yangtze Power's** annual report, the utility had total capacity of 12.8 million kilowatts at the end of 2006. (Winnie Zhu and Wang Ying, "Yangtze Power Profit Jumps 72% on Output, Bank Sale (Update2)," Bloomberg, July 29, 2007, <http://www.bloomberg.com/apps/news?pid=20601089&sid=a7W3OTicHWyI&refer=china>)

**December 2006 – Yangtze Power** signed a contract to sell power to State Grid until 2010. Xinhua reports that Yangtze Power will supply 300 billion kWh. (AFX Asia, "China Yangtze Power signs contract to sell power to State Grid until 2010," December 29, 2006, <http://www.afxnews.com/about488/index.php?c=02.03&lg=en&p=0.4>)

**October 2006 – Yangtze Power** purchased an 11 percent stake in Guangzhou Development Industry (Holdings) Co. for 1.06 billion yuan [US\$134.1 million], becoming its second-largest shareholder. This was part of Yangtze Power's effort to expand its electricity business. (Wall Street Journal, "Business Brief: China Yangtze Power Co.," October 26, 2006, [www.wsj.com](http://www.wsj.com))

**October 2006 – Yangtze Power's** shareholders approved a plan to sell up to 8 billion yuan [US\$1 million] worth of one-year commercial paper to reduce borrowing costs. The debt would trade on the interbank market in Shanghai. (South China Morning Post, "Yangtze power wins nod to sell 8b yuan debt," October 10, 2006, [www.scmp.com](http://www.scmp.com))

**September 2006 –** On September 13, 2006, **Yangtze Power** issued one billion yuan [US\$125 million] worth of one-year bills on the interbank market, with a discount price of 96.47 yuan [US\$12.06] and an interest rate of 3.66 percent. (AFX Asia, China Yangtze Power issues 1 bln yuan in 365-day bills, September 15, 2006)

**July 2006 –** Between May and July 2006, **China Three Gorges Project Corporation** and its controlling subsidiary, **Three Gorges Finance**, increased holdings in **Yangtze Power** by 216 million shares. On May 9, the two companies announced plans to acquire no more than 250 million shares in Yangtze Power within six months, for no more than 7 yuan [87 US cents] per share. (SinoCast China Business Daily News, "CTGPC Adds Holdings in Yangtze Power by 216mn Shares," July 5, 2006, [www.sinocast.com](http://www.sinocast.com))

**May 2006 –** The China Securities Regulatory Commission (CSRC) approved **Yangtze Power's**

plan to issue call warrants, making Yangtze Power the first listed firm allowed to raise funds since regulators suspended all fundraising activities when it began a program to float non-tradable shares in 2005. Yangtze Power stated it would offer 1.5 call warrants for every 10 tradable shares held. It expects to raise 6.75 billion yuan [US\$84.3 million] for the purchase of power generation facilities in the Three Gorges reservoir. (Xinhua Financial Network news, "China Yangtze Power gains approval to issue call warrants," May 16, 2006)

**April 2006** – Shareholders approved **Yangtze Power's** plan to issue up to five billion yuan [US\$625 million] in asset-backed securities. The plan was also approved by the board. (Xinhua Financial Network, "China Yangtze Power shareholders approve plan to issue 5 bln yuan in ABS," May 8, 2006)

**March 2006** – Xinhua Far East China Ratings assigned AA+ issuer rating to **Yangtze Power** and said the outlook was stable. The agency noted **Yangtze Power's** strategic position in the power industry, its support from the government, its competitive edge in the availability and use of clean natural resources, its strong earnings ability, and stable operating cash flow, as well as likely large capital expenditures and increasing debt due to rapid growth and acquisitions. Morgan Stanley said it was maintaining its "overweight" recommendation on **Yangtze Power** based on its potential for long-term growth. (Power in Asia, "China's Yangtze Power secures rating," March 16, 2006; Xinhua Financial Network News, "Broker Call - China Yangtze Power kept at 'overweight' - Morgan Stanley," March 28, 2006, [www.xfn.com](http://www.xfn.com))

**March 2006** – The board of **Yangtze Power** approved the issue of up to 5 billion yuan [US\$628 million] in asset backed securities. (Xinhua Financial Network News, "China Yangtze Power plans to issue up to 5 bln yuan in asset backed securities," March 28, 2006, [www.xfn.com](http://www.xfn.com))

**January 2006** – **Yangtze Power** issued three billion yuan [US\$370 million] worth of one-year bills on the interbank market, issued at 96.91 yuan [US\$11.96], with an interest rate of 3.19 percent. (Xinhua Financial Network, "China Yangtze Power issues 3 bln yuan in 1-year bills," January 6, 2006, [www.xfn.com](http://www.xfn.com))

**2005** – **Yangtze Power's** net profit in the first half rose 1.1% from 1.4 billion yuan [US\$172.9 million] in 2004 to 1.41 billion yuan [US\$174.1 million] in 2005. Reasons for the increase were not given. Power generation in the first half was 16.55 billion kWh, up 1.13 percent year-on-year. 9.73 billion kWh was generated by the Three Gorges plant in the first half, up 1.44 percent. The Gezhouba plant generated 6.82 billion kWh, an increase of 0.69 percent. (Asian Wall Street Journal, "Business Brief -- China Yangtze Power Co.: Operator of Three Gorges Dam Posts Slight Rise in Net Profit," August 15, 2005; AFX Asia, "China Yangtze Power H1 power output up 1.13 pct at 16.55 bln kWh," July 8, 2005)

**2005** – **Yangtze Power's** net profit in the third quarter was 1.16 billion yuan [US\$143 million], up 19.59 percent from last year. Revenue increased 30.83 percent, due to the acquisition of two generating units and higher water levels this year. (Xinhua Financial Network News, "China's Yangtze Power Q3 net profit up 19.59 pct on added capacity," October 28, 2005)

**2005** – **Yangtze Power's** power output rose 8.19 percent in 2005 to 38.73 million MWh, due to high demand and expanded capacity. 22.48 MWh was generated at the Three Gorges complex. Output at the Gezhouba dam was down 4.47 percent to 16.25 MWh due to low water levels. Net profit rose from 3.04 billion yuan [US\$378 million] in 2004 to 3.34 billion yuan [US\$415 million] in 2005, an increase of 9.9 percent, as a result of strong demand for electricity. (AFX Asia, "China Yangtze Power 2005 output rises 8.19 pct yr-on-yr to 38.73 MWh," January 10, 2006; Dow Jones Chinese Financial Wire, "DJ China Yangtze Power 2005 Net Profit CNY3.34B Vs CNY3.04B," March 27, 2006)

**2005 – Yangtze Power's** installed capacity was 6,915 MW, with the figure expected to increase to 20,915 MW in 2015. (Power in Asia, “China's Yangtze Power secures rating,” March 16, 2006)

**August 2005 –Yangtze Power's** original state share sale plan of offering 1.6706 shares and 5.88 yuan (72.5 US cents) in cash for every 10 shares held by public shareholders was not well received by public investors. **Yangtze Power** then said it would give all shareholders 1.5 call warrants for every 10 shares held, in addition to the original offer, and promised investors a dividend of at least 65% of its annual distributable profits by 2010, compared to 50% previously. The revised plan was approved by shareholders. (Xinhua Financial Network, “China Yangtze Power state share sale plan approved by shareholders – report,” August 8, 2005)

**August 2005 – Yangtze Power** increased on-grid charges by 38 percent from August 5. On-grid prices for electricity from the Gezhouba plant were raised to 0.22 yuan (2.7 US cents) per kWh. On-grid prices in Hubei province, where the Gezhouba plant is based, are not changed. (Asia in Focus, “China Yangtze Power Co increases its on-grid charges,” August 17, 2005)

**July 2005 – Yangtze Power** said it would sell 14.27 billion kWh to Southern Power Grid Corp this year, 74.88 percent higher than the 8.16 billion kWh sold last year. The price would be determined by the National Development and Reform Commission. (Xinhua Financial Network News, “China Yangtze Power to sell 14.27 bln kWh electricity to Southern Power Grid,” July 8, 2005)

**July 2005 – Yangtze Power** announced that the State-owned Assets Supervision and Administration Commission (SASAC) had approved its non-tradable share swap plan. **Yangtze Power** will offer 1.67 shares and 5.88 yuan (72.5 US cents) in cash for every 10 shares held by public shareholders. (AFX Asia, “China Yangtze Power, Wolong Hi-tech share swap plan approved by SASAC,” July 29, 2005)

**June 2005 – Yangtze Power** said it would participate in a government trial to float non-tradable shares on the market. (Dow Jones & Company, “Yangtze Power: To Participate In China Shr Reform Trial,” June 19, 2005)

**June 2005 –Yangtze Power** is preparing to authorize controlling shareholders to offer stock and warrants to investors in a move to sell state holdings. (Shanghai Daily, “Power giant prepares share plan,” 24 June 2005)

**May 2005 – Yangtze Power** announced that 400 million shares sold to strategic investors during its IPO would come out of an 18-month lockup period beginning May 18. **Yangtze Power** currently has 1.93 billion shares tradable on the Shanghai A-share market. **Yangtze Power** raised a total of 9.83 billion yuan [US\$1.18 billion] by offering 2.33 billion shares at 4.30 yuan [51.8 US cents] each. The proceeds were used to finance building projects related to the Three Gorges project. (AFX Asia, “China Yangtze Power says 400 mln shares coming out of lockup on May 18”, May 13, 2005)

**April 2005 – Yangtze Power** and Huadian Energy announced plans to raise electricity prices from May 1 to offset rising fuel costs. **Yangtze Power's** average on-grid price will rise 1.8 percent to 0.248 yuan [2.99 US cents] per kWh. (AFX Asia, “China Yangtze Power, Huadian Energy to raise power prices,” April 29, 2005)

**April 2005 – Yangtze Power** planned to issue four billion yuan [US\$482 million] worth of short-term bonds, to be issued within 12 months of approval from the People's Bank of China. The exact timing and final size of the bond issue would be determined by Yangtze Power's board of directors. (AFX Asia, “China Yangtze Power to issue 4 bln yuan in short-term bonds,” April 27, 2005)

**April 2005 – Yangtze Power** signed power supply contracts with two regional power grid companies. The Three Gorges project will supply 21 billion kWh of electricity to Eastern China

Grid Co Ltd this year, and 11.73 billion kWh of electricity to Central China Grid Co Ltd this year. In 2004, **Yangtze Power** supplied 19.85 billion kWh to Eastern China Grid Co and 11 billion kWh to Central China Grid Co. This is an increase compared to 2004. Installed capacity of Three Gorges will reach 9.8 million kW this year. (AFX Asia, "China Yangtze Power signs power supply contracts with grid companies – report," April 15, 2005)

**April 2005** – Net profit in the first quarter for **Yangtze Power** declined 27 percent to 342.6 million yuan [US\$41.4 million] due to higher expenses. (Wall Street Journal, "Energy Brief -- China Yangtze Power Co.: Net Profit in First Quarter Fell By 27% as Expenses Increased," April 15, 2005)

**March 2005** – **Yangtze Power** bought two additional hydroelectricity generators from its parent, China Three Gorges Corp, increasing its generating capacity by 25 percent to 6.92 million kilowatts. CYPC generated 38.73 billion kWh in 2005. (Zhang Fengming, "Three Gorges firm expands capacity, pumps more power", Shanghai Daily, 10 January 2006)

**March 2005** – Following its purchase of two generators from China Three Gorges Project Corp, **Yangtze Power's** general manager, Bi Yaxiong, said it was unlikely to purchase any more hydroelectric assets from its parent in 2005. However, he said Yangtze Power was interested in purchasing coal-fired plants, possibly from **State Grid Corp**. Yangtze Power made an offer to purchase coal plants from the State Grid Corp in March 2005. (Reuters, Hydro giant Yangtze Power covets coal-fired plants," March 4, 2005; China Energy Daily News, "Yangtze Power Mulls Acquiring Power Plants from State Grid Corporation of China," March 14, 2005)

**March 2005** – As of March 2005, **Yangtze Power** controlled 100% of the Gezhouba Hydropower Plant and had purchased 6 generating sets of the Three Gorges Project. As of March 2005, all of the nearly 10 billion yuan of proceeds raised from Yangtze Power's IPO in 2003 have been used to purchase generating units of the Three Gorges Project, and the company had invested nearly 30 billion yuan in purchasing power generating units. (China Energy Daily News, "Yangtze Power Mulls Acquiring Power Plants from State Grid Corporation of China," March 14, 2005)

**2004** – **Yangtze Power** reported a more than fourfold increase in its first-half earnings for 2004 after it bought two generating units from its parent company and the government raised its average tariff by 37.1 per cent. **Yangtze Power's** main profit contributor, the Gezhouba Dam hydro project, was sold by the state to **Yangtze Power** at a low valuation. (J.R. Wu, "China Yangtze Power to buy stake in state bank," Dow Jones, July 28, 2004, <http://www.djnewsires.com>; Reuters, July 28, 2004, [www.reuters.com](http://www.reuters.com); Eric Ng, "Yangtze Power in bank play," South China Morning Post, July 29, 2004, [www.scmp.com](http://www.scmp.com))

**2004** – **Yangtze Power** reported a net profit of US\$286.2 million in the first nine months of 2004. The strong profit mainly came from strong power demand in Central, East and South China, and from sharp increase in the company's power generation due to its acquisition of a 2.8-million-kW installation capacity of the Three Gorges Dam project and favourable water levels on the Yangtze River, according to the company. (China Daily Power, "Power producer reports robust earnings," Oct 23, 2004)

**2004** – **Yangtze Power** saw its net profit double from 1.44 billion yuan [US\$174 million] in 2003 to 3.04 billion yuan [US\$367.3 million] in 2004, amid strong demand for electricity. The profit surge was attributed to increases in electricity output after generating units in the Three gorges project in September and October 2003 came on stream. ("China Yangtze Power 2004 earnings surged", Asian Wall Street Journal, March 29, 2005; "Yangtze Power forecasts 90 percent profit surge", Xinhua, January 31, 2005)

**2004** – In 2003 Yangtze Power purchased 4 generating sets of the Three Gorges Project, raising its

output by 70% in 2004. (China Energy Daily News, "Yangtze Power Mulls Acquiring Power Plants from State Grid Corporation of China," March 14, 2005, <http://www.chinainfoworld.com/dailynews.php>)

**2004 – Yangtze Power** generated 35.8 million MWh in 2004, up from 20.64 million MWh in 2003. More than half of the output in 2004 was from Three Gorges, with the remainder generated at the Gezhouba dam. (Reuters, "China's Yangtze Power buys generators for \$1.2 bln, March 3, 2005)

**2004** – In 2004, **Yangtze Power** supplied 19.85 billion kWh to Eastern China Grid Co and 11 billion kWh to Central China Grid Co. from the Three Gorges Project. (AFX Asia, "China Yangtze Power signs power supply contracts with grid companies – report," April 15, 2005)

**September 2004** – **Yangtze Power** invested 2 billion yuan [US\$241 million] to purchase a 1.03 percent stake in **China Construction Bank Corp** to become the fifth largest shareholder. All the money for the purchase would come from the company's internal cash resources. **Yangtze Power** said it was making the investment on a commercial basis to earn a return on its investment and to strengthen its relations with the bank. (AFX International Focus, "China Yangtze Power, Baosteel, State Grid to take 4.1 pct stake in CCB vehicle," September 14, 2004)

**July 2004** – **Yangtze Power**, the mainland-listed company overseeing the **Three Gorges dam** project, has announced in a filing to the Shanghai Stock Exchange that it would buy a 2 billion yuan [US\$241 million] stake in **China Construction Bank**. **Yangtze Power** shareholders include **Huaneng Power International, China Nuclear Industry Group, China National Petroleum Corp** and **State Grid Corp of China**. **Yangtze Power** listed on the Shanghai Stock Exchange in November 2003. (J.R. Wu, "China Yangtze Power to buy stake in state bank," Dow Jones, July 28, 2004; Reuters, July 28, 2004; Eric Ng, "Yangtze Power in bank play," South China Morning Post, July 29/2004.)

**March 2004** – **Yangtze Power** will spend 9.8 billion yuan [US\$1.2 billion] – most of it loans from 12 institutions – to buy two 700-MW hydropower generators from its parent company – **China Three Gorges Project Development Corp** – increasing the company's generation capacity to 6,915 MW from 5,515 MW. (Mai Tian, "Power company increases capacity," China Daily, Feb 2, 2005.) According to the A-share company's filing to the Shanghai Stock Exchange, the acquisition is part of the company's listing promise to gradually buy the 22 generating units that it does not already own from the parent firm by 2015. It will finance the acquisition with 9.5 billion yuan [US\$1.15 billion] of bank loans from 12 institutions, including the **China Construction Bank** and the **China Development Bank**, which have provided five-year loans at a 5.26 per cent interest rate. (Eric Ng, "Yangtze Power to buy two generators for 9.8b yuan," South China Morning Post, Feb 2, 2005; "China's Yangtze Power gets 9.5 bln yuan loan to buy 2 generators from parent, March 4, 2005)

**2003** – In 2003 Yangtze Power purchased 4 generating sets of the Three Gorges Project. (China Energy Daily News, "Yangtze Power Mulls Acquiring Power Plants from State Grid Corporation of China," March 14, 2005, <http://www.chinainfoworld.com/dailynews.php>)

**November 2003** – **Yangtze Power** launched its initial public offering in China's domestic A-share market, in what was expected to be China's largest IPO in 2003. Yangtze Power's 2.33 billion units of tradable shares have raised nearly 10 billion yuan (US\$1.2 billion) from both institutional and individual investors.

Shares closed at 6.18 yuan (75 US cents) on the first day of trading, up 44 per cent from its offer price of 4.30 yuan (52 US cents). The company said it would use the money collected from the stock market to finance its acquisition of four power generators from its parent company - Three Gorges Project Corp. **Yangtze Power**'s institutional offer was 84 times oversubscribed; retail shares were 68.7 times oversubscribed.

**CITIC Securities** was the lead underwriter for the IPO. Foreign investors, including **UBS AG** and **Deutsche Bank AG**, subscribed to shares under the qualified foreign institutional investor (QFII) program.

(Chen Yao, "Yangtze Power Launches IPO," Business Weekly, November 25, 2003; Agence France-Presse, "China Yangtze Power retail shares oversubscribed 68.7 times," November 6, 2003; Agence France-Presse, "China Yangtze Power institutional offer 84 times oversubscribed," November 7, 2003)

**November 2003 – Yangtze Power** obtained a 5 billion yuan (US\$600 million) loan from the **China Development Bank** which would be used for the purchase of four generating units for the Three Gorges Project. A consortium of ten banks, led by the **China Construction Bank**, also signed loan agreements with **Yangtze Power** for 3.35 billion yuan (US\$404 million). (Agence France-Presse, "China Yangtze Power gets nearly one billion dollars in loans ahead of IPO," November 16, 2003)

**March 2003 – Yangtze Power** signed a five-year agreement with **Minsheng Bank** to open strategic cooperation. Agreements were made with respect to cooperation scope, cooperation patterns, loan granting, the collection of electric charges, personal finance and financial innovations. (SinoCast China Business Daily News, "China Yangtze Power Signs Strategic Agreement with Minsheng Bank," March 3, 2003)

**September 2002 – Yangtze Power** was founded and set up jointly by the **China Yangtze Three Gorges Project Development Co**, **Huaneng Power International Inc**, **China National Nuclear (Group) Corp**, **China National Petroleum Corporation**, **China Gezhouba Water and Power (Group) Co Ltd**, and **Yangtze Survey and Planning Designing Institute of Yangtze Hydraulic Committee**. Registered capital of the company was 5.53 million yuan [US\$668,000]. **Yangtze Power** would aim to purchase the generating units of the Three Gorges Project. (SinoCast China Business Daily News, "China Yangtze Power Co, Ltd Founded," October 8, 2002)

## 2. Chinese Financiers

### Chinese Banks

**China Construction Bank** was the main underwriter for **Yangtze Power's** issue of 1.5 billion yuan [US\$194 million] worth of one-year bills on the interbank market in March. In June, **Yangtze Power** issued 2.5 billion yuan [US\$331 million] worth of 365-day debt papers in the interbank market, issued at a discounted price of 96.65 yuan [US\$12.78]. **China Construction Bank** was again the main underwriter. (Xinhua Financial Network News, "China Yangtze Power issues 1.5 billion yuan worth of 1-year bills," March 19, 2007; Industry Updates, "China Yangtze Power sells 2.5b yuan one-year debt," June 5, 2007, <http://www.chinadaily.com.cn>)

**China Construction Bank** launched its IPO on the Hong Kong Stock Exchange in October 2005, underwritten by **Morgan Stanley**, **China International Capital Corp**, and **Credit Suisse First Boston Corp** and raising over US\$8 billion. Shares were offered at at 2.35 hkd [30.2 US cents] per share. The retail tranche was more than 42 times covered and the institution tranche was oversubscribed. By November 2005, when sponsors issued an additional 3.97 billion shares, the China Construction Bank had raised US\$9.23 billion through its IPO. (J.R. Wu, "China Yangtze Power to buy stake in state bank," Dow Jones, July 28, 2004; Reuters, July 28, 2004; Eric Ng, "Yangtze Power in bank play," South China Morning Post, July 29, 2004; Xinhua Financial Network News, "China Construction Bank IPO draws more than 80 bln usd subscription – sources," October 20, 2005; Asia Pulse, "China Construction Bank IPO Rises to US\$9.23 Bln," November 11, 2005)

In 2003 a consortium of ten banks, led by the **China Construction Bank**, signed loan agreements

with **Yangtze Power** for 3.35 billion yuan (US\$404 million). (Agence France-Presse, "China Yangtze Power gets nearly one billion dollars in loans ahead of IPO," November 16, 2003)

In 1999 **China Construction Bank** and **China Three Gorges Project Development Co** signed a contract for a 4 billion yuan loan [US\$483 million]. This was the first contract involving bank loans for the Three Gorges Project. It was reported that capital from the Three Gorges Fund, revenues from the Gezhouba power station and State Development Bank credit would contribute 65% of the money needed, with the remainder made up by commercial banks. (SinoFile Information Services, "Three Gorges project wins Y4b commercial loan," June 9, 1999)

China's **State Development Bank** (now **China Development Bank**) made its first commitment to the Three Gorges project in 1996 with a ten-year \$3.6 billion loan, making the dam the **SDB's** number one debtor. According to China Daily of April 7, 1998: "Huge amounts of loan money from the [**SDB**] have propped up the development of the country's key electric power projects." Since its establishment in 1994, the bank has injected about \$15 billion into the construction of hydroelectric, nuclear, and thermal power stations, including the Three Gorges project, the World Bank-financed Ertan dam, and the Qinshan Nuclear Power Plant. **SDB** continues to favour large power plants, making it one of the most important sources of funds for China's power industry.

The **SDB** receives its capital and funding from the government. It also issues debentures to domestic financial institutions, construction bonds in China, and bonds in international capital markets; and it borrows money from foreign governments, international financial institutions, and foreign commercial banks. Sovereign guarantees make these debt instruments relatively risk free.

In November 2003, **China Development Bank** signed a 5 billion yuan (US\$603.9 million) loan agreement with **Yangtze Power**. The money would be used by **Yangtze Power** to purchase generators for the Three Gorges project. (Business Daily Update, "**Development Bank signs US\$603.9m loan deal with Yangtze Power,**" November 17, 2003)

**China Development Bank (CDB)** registered a \$500 million bond sold by US-based Morgan Stanley with the Securities and Exchange Commission (SEC) on July 30, 2004. Goldman Sachs, Merrill Lynch and Morgan Stanley will lead the sale of \$500 million worth of bonds to US dollar investors, while BNP Paribas, HSBC and UBS manage a separate 500 million euro [US\$618 million] offering. Standard & Poor's estimates that 40 per cent of the loans on the books of state banks are non-performing, reports The Standard. (Tim Lee Master, "Six banks to manage bond sale," The Standard (Hong Kong), July 8, 2004; William Baue, "US banks criticized for involvement in China state bank bonds," [www.SocialFunds.com](http://www.SocialFunds.com), Aug 19, 2004)

**China Development Bank** and another eight Chinese banks are providing a total of US\$5.86 billion loan to finance the South-North Water Diversion (SNWD) Project. The SNWD project includes three water diversion routes connecting the Yangtze River, the Huai River, the Yellow River and the Hai River, bringing water to drought-hit regions such as Shandong Province, the municipality of Tianjin, and Beijing. **China Development Bank** will provide US\$2.4 billion. The first phase of the eastern and central routes will require an investment of almost US\$15 billion. The third and most challenging phase involves a 750-mile canal connecting the upper reaches of the Yangtze and the Yellow rivers and dissecting the Qinghai-Tibet Plateau. (Interfax, "China's massive water diversion project gets loan boost," June 17, 2004.)

The **State Development Bank (China Development Bank)** provided loans to **Harbin Electricity Equipment Group** and **Harbin Power Plant Co. Ltd** for the reconstruction of a hydroelectricity generator for the Three Gorges Project. The loans totaled 700 million yuan (US\$84 million). (Agence France-Presse, "Harbin firms receive loan for China's Three Gorges project," August 14, 1997)

In March 2003 **Yangtze Power** signed a five-year agreement with **Minsheng Bank** to open strategic cooperation. Agreements were made with respect to cooperation scope, cooperation patterns, loan granting, the collection of electric charges, personal finance and financial innovations. (SinoCast China Business Daily News, "China Yangtze Power Signs Strategic Agreement with Minsheng Bank," March 3, 2003)

### Chinese Insurance Companies

**China Ping An Insurance Company, China Pacific Insurance Company, and People's Insurance Company of China** – Three Chinese insurance companies signed a ten-billion-yuan [US\$1.21 billion] insurance contract in February 2001 to jointly underwrite the construction insurance for the installation of 14 hydropower generating units on the Three Gorges' left bank and the insurance for the transportation of transformers and gas insulated systems. The **People's Insurance Company of China (PICC)** will take 50 percent of the policy, the **China Pacific Insurance Company** 30 percent, and the **China Ping An Insurance Company** 20 percent. (Xinhua News Agency, "Ten-billion-yuan insurance contract signed for Three Gorges Project", February 23, 2001, [http://english.peopledaily.com.cn/english/200102/23/eng20010223\\_63211.html](http://english.peopledaily.com.cn/english/200102/23/eng20010223_63211.html))

### 3. Source Abbreviations

AFDCN=Asianfo Daily China News  
 AFP=Agence France Presse  
 AFR=Australian Financial Review  
 AFX Asia  
 AIW=Asia Intelligence Wire  
 APL=Asia Pulse Limited  
 BBC=BBC Worldwide Monitoring  
 BTS=Business Times Singapore  
 BW=Business Wire  
 BWY=Business Weekly  
 CD=China Daily  
 CNW=Canada Newswire  
 CP=Canadian Pacific Newswire  
 DFAIT=Department of Foreign Affairs and International Trade (Canada)  
 DPA= Deutsche Press Agentur (Germany)  
 DT=Die Tageszeitung (Germany)  
 ENR=Engineering News Record  
 ENS=Environmental News Service (Internet)  
 EPD=Electric Power Daily (U.S.)  
 FEER= Far Eastern Economic Review  
 FP= Financial Post (Canada)  
 FT=Financial Times (U.K.)  
 G&M= Globe and Mail (Canada)  
 GDN=The Guardian (U.K.)

GH=Glasgow Herald (Scotland)  
 HK STD=Hong Kong Standard  
 HRW=Hydro Review Worldwide  
 IPS=Inter Press Service (Internet)  
 IS=Independent Sunday (U.K.)  
 IWP&DC=International Water Power & Dam Construction  
 JP=Jiji Press (Japan)  
 KT=Korea Times  
 LE=Les Echos (France)  
 MG= Montreal Gazette  
 PA=Power in Asia (Financial Times)  
 Reuters= Reuters Newswire  
 SCMP= South China Morning Post (Hong Kong)  
 SNS= States News Service (U.S.)  
 SOS=Scotland on Sunday  
 SS= Shanghai Star  
 WD=Workers Daily  
 WSJ= Wall Street Journal  
 WRR=World Rivers Review  
 Xinhua=Xinhua News Agency  
 YS=Yomiuri Shimbun (Japan)