Its history can be traced back to the 1930s. In 1888, the first electric light in Guangdong was lighted in the Palace of the Governor-General of Guangdong and Guangxi. In 1890, patriotic overseas Chinese set up China’s first electric light company with national capital in Guangzhou. On August 8, 2001, Guangdong Provincial Government took the lead in carrying out the electric power system reform across the country, and Yuedae Group was established to inherit the power generation business of former Electric Power Group Company of Guangdong Province. The company’s registered capital is RMB 23 billion yuan, with 76% stock right held by People’s Government of Guangdong Province and 24% held by China Huaxing Group. Now it has over 13,000 employees, and has become the most powerful and largest power generation enterprise in Guangdong.

By the end of 2016, Yuedae Group had total assets about 130 billion yuan, controllable installed capacity about 30 million kilowatt, controllable shipping capacity of 2.47 million deadweight tons, and operating revenue of over 40 billion yuan throughout the year, and possessed 17 wholly owned, holding and equity participation companies as well as a holding listed company – Guangdong Electric Power Development Co., Ltd. (Yue Power). The core businesses of Yuedae Group involve coal power, hydropower, gas power generation, wind power, nuclear power, solar power generation, etc., and its diversified businesses involve coal mine, shipping, port, LNG receiving station, equipment manufacturing industry, finance industry, etc., which spread all over Guangdong and actively expand to other provinces and overseas countries. It has 35 subordinate power plants, including 15 million-kilowatt power plants; the proportion of installed capacity of generating sets with 600 thousand kilowatts and above is 63.8%, and the installed capacity of clean energy has exceeded 5 million kilowatts. The company ranked 285 and 33 respectively among top 500 Chinese companies and top 500 companies in Guangdong in 2016, and has obtained excellence for fifteen straight years in the examination of management responsibility system of province-owned national assets.

Besides providing safe, economical, and firm power to the society, Yuedae Group also actively fulfills its social responsibility and creates green energy wholeheartedly to realize the company’s sustainable development. It also encourages clean production in subordinate power plants in the whole process with an uni-directional way, works hard to constantly reduce pollutant emission index, and vigorously promotes transformation in energy conservation and emission reduction, as well as environmental monitoring, so as to ensure the discharge under standard.

Keeping the enterprise philosophy of “achieving harmonious co-existence, innovating while keeping integrity” and enterprise mission of “benefiting both the country and people with great virtue and kindness”, Yuedae Group will insist on making progress while maintaining stability and conducting reform and innovation, adapt to the new normal with a new state, and facilitate new development with new achievements, strengthen Party building of the state-owned enterprises in an all-around way, firmly hold the bottom line on risks, work hard to realize double improvement in development quality and benefits, and develop into a national large-scale energy enterprise group that integrates traditional energy with new energy, possesses outstanding competitive power, and that ranks high among national energy enterprises.
TEN BIG EVENTS OF YUDEAN GROUP IN 2016

01 Yudean became the first local power generation group that has obtained approval of DFI qualification in the whole country.
On July 15, 2016, Yudean Group successfully obtained approval of DFI qualification, becoming the first local power generation group that has obtained DFI qualification in the whole country and also the first province-owned company that has obtained DFI qualification in Guangdong. DFI is an innovative debt financing tool launched by National Association of Financial Market institutional investors recently. After obtaining the qualification, the Group can choose the type, scale and period of issuing according to its own fund demands and market conditions, thereby effectively improving the bond issuing efficiency, reducing the financing cost, preventing fund risks, and further enhancing the Group’s reputation and status in the bond market.

02 Excellent achievement was made in operating performance examinations for fifteen consecutive years.
In October 2016, Yudean Group both won “excellence” in 2015 operating performance examination of province-owned companies and the term of 2013-2015 operating performance examination of province-owned companies, and ranked the first among province-owned class A companies. Yudean Group has won excellence in annual operating performance examination for the fifteenth consecutive year since it was established in 2001. In 2015, Yudean Group responded actively to the grim situation, stuck to the working guideline of “pushing for more economic savings, speeding up the progress and guaranteeing goal realization”, adopted a multi-tiered approach to control cost and reduce consumption, and achieved profitability throughout the year.

03 The 9th inspection team of the Provincial Committee of CPC patrolled the Party Committee of the group company.
From October 10 to December 27, 2016, according to the unified arrangement of the Provincial Committee of CPC, the 8th inspection team of the Provincial Committee of CPC patrolled and supervised the Party Committee of Yudean Group. The inspection team conducted supervision and inspection to the condition of the Group’s leading group and its members carrying out the Constitution of the Communist Party of China and other party laws & regulations, obeying party disciplines, and assuming the primary responsibility and supervision responsibility for running the Party with strict disciplines in an all-around way through discussing with individuals, dealing with letters and visits of the people, consulting relevant documents and materials, and in-depth understanding. Party Committee of the Group fully cooperated with the inspection team of the Provincial Committee of CPC, voluntarily accepted the supervision and inspection, attached high priority to the problems found and solutions given by the inspection team, and took prompt actions to make corrections, and promoted close integration of the corrective actions with party building of the state-owned enterprise, enterprise development and strengthening of internal governance.

04 New breakthrough was made in the financial sector.
In December 2016, Yudean Captive Insurance Company was approved by China Insurance Regulatory Commission and became the first captive insurance company established with approval among domestic province-owned enterprise groups, as well as the first captive insurance company in the electric power industry and the fourth captive insurance company in the whole country. At the same time, Yudean Financial Leasing Company was established in Nansha, Guangzhou.

05 Several personnel appointments of the leading group.
In 2016, according to the decision of Guangdong SASAC on appointment, Yudean Group made several personnel appointments of its leading group. Comrade Li Mingliang was appointed as Director of the Group; comrade Yao Jiuheng was appointed as Vice-general Manager of the Group; comrade Li Yuanzhi was appointed as Director of the Group and Vice Secretary of the Party Committee; comrade Li Kaisheng was appointed as Vice Secretary of the Party Committee and Secretary of the Commission for Discipline Inspection of the Group.

06 Yudean made the development planning in the 13th Five Year Plan period in a scientific way.
In 2016, Yudean set out the development strategy and planning of the Group in the 13th Five Year Plan period. Taking “innovation, coordination, green, openness, and sharing” as the development concept, the planning has defined the aim to build the Group into a competitive energy enterprise group and the direction and path of development of the Group in the future five years. Based on the planning, the Group and affiliated units will divide the development tasks reasonably and promote the implementation of the planning in an all-around way according to the state and provincial energy policies and situations.

07 The Group carried out “studies on the theoretical and practical issues of party building”.
In 2016, Yudean Group carried out the studies on the theoretical and practical issues of party building. The Group Party Committee held 12 special study meetings, deeply studied the Party Constitution, Party regulations and the spirit of General Secretary Xi Jinping’s major policy addresses, and held a special study meeting in commemorating the 95th anniversary of the establishment of the Communist Party of China and the special study meeting on the “studies on the theoretical and practical issues of party building” of the central group of the Party Committee. The Group leaders and Secretary of the party organizations of all levels of the Group system delivered special Party lectures at their subordinate units or Party branches, and organized the Party members to take part in on-line examinations for obtaining the chance of further study in the whole province.

08 The Group won Excellence Award in the evaluation of innovation-driven and transformation and upgrading.
In 2016, Yudean Group promoted comprehensive innovation in work with scientific and technological innovation as the core, and won an Excellence Award in the comprehensive evaluation of innovation-driven and transformation and upgrading in work conducted for the first time by Guangdong SASAC. The Group invested more than 2.1 billion yuan in carrying out technology innovation throughout the year, and has made notable achievements: including 3 second and third prizes of China Electric Power Science and Technology Award and Guangdong Science and Technology Award respectively, 6 National Technological Achievement Awards of Power Company Employees, and 43 new patents etc. The Group’s capacity for scientific and technological innovation is growing continuously.

09 The group actively promoted the ultra-low emission and energy saving transformation project of coal-burning units.
In 2016, Yudean Group strictly followed the state requirements for energy conservation and emission reduction, and actively promoted the ultra-low emission and energy saving transformation project of coal-burning units. On the basis of finishing the pilot transformation of ultra-low emission of 3 generating sets, the Group conducted transformation of ultra-low emission of 13 generating sets throughout the year, wherein the transformation of 6 generating sets have been finished and the generating sets have been put into service, on-site construction of the transformation and overhaul & repairs of 7 generating sets has been finished, and transformation of other coal-burning units in the province will also be finished in 2017.

10 The Group continued accelerating the development and construction of clean energy.
In 2016, according to the planning of Yudean Group in the 13th Five Year Plan period, Yudean accelerated its development of clean energy. The total installed capacity of clean energy under construction was about 8 million kilowatts throughout the year, wherein, the installed capacity of clean energy project exceeded 4.7 million kilowatts, accounting for about 59%; great breakthrough was made in the preliminary work of more than 2 million kilowatts of power supply project, wherein, the clean energy project accounted for about 73%, which laid a foundation for the Group to optimize its power structure and develop green energy.
Cost control and consumption reduction, development of market. In 2016, we responded actively to the slow increase of power demands, aggravated excess power capacity, and spurt in coal price, worked with a focus on strengthening risk response, coordination and cooperation, cost control, and market development, tried hard to improve our capacity for resource integration, gave full play to the synergetic effect of diversified operation, and steadily improved the company's overall competitiveness. We have fulfilled the expected goal of operation, and have obtained excellent scores in performance examination for fifteen consecutive years. We actively adapted to the reform of electric power system, and explored the power marketing system with Yuede characteristics. We also made great innovation in our business model, and facilitated Yuede to transfer from a production-driven company to a production service and market oriented company and from a single power generation company to a comprehensive energy supplier.

Change of manner and optimization of structure. In 2016, we actively changed our way of development, increased the development of clean energy, accelerated implementation of the going-out strategy deployment, steadily promoted diversified industrial development, and strived to optimize the Group's assets structure and energy structure. We made favorable achievements in scientific development: the proportion of clean energy projects exceeded 60% of the total investment projects throughout the year; the going-out strategy was moving steadily forward, and substantial progress was made in overseas projects; effective breakthrough was made in the preliminary work of the projects in fields of natural gas, water supply, and environmental protection.

Environment-friendly, green development. Yuede Group has been devoted to creating green energy wholeheartedly. In 2016, we actively pressed ahead with ultra-low emission and energy-saving transformation, realized the 10% decline of net coal consumption rate and further improved the energy efficiency of generating sets on the basis of a sharp decrease of service hours of generating sets and continual increase of environmental facilities; we also strengthened our efforts in environmental monitoring. Environmental facilities in all power plant of the system were running in a good condition, all thermal power units realized discharge under certain standard, and relevant indicators continued maintaining a leading position in the industry.

Reform with keen determination, and innovation-driven development. In 2016, we continued deepening the reform of state-owned enterprise, constantly promoted pilot reform and innovation in the institution and mechanism of "different policies for different enterprises", tried hard to enhance the vitality and competitiveness of the state-owned enterprise, and promoted the innovation-driven development of new energy companies and harbor businesses etc. In 2016, we optimized the industrial layout, and made new breakthroughs in the financial sector: The financial leasing company was formally established, and establishment of the captive insurance company was also approved, which laid a solid foundation for fostering new competitive advantages.

Our achievements in 2016 can be without the correct leadership of the Provincial Committee of CPC, Provincial Government and Guangdong SASAC, as well as the diligent work of all Yuede people. Here, I would like to pay the highest tribute to leaders at all levels, shareholders and all sectors of the society who view favorably and support the development of Yuede! I would also wish to express my sincere thanks to all the staff and workers for your diligent work and selfless contributions!

Despite of the difficulties and obstacles on our way of advance, we will move forward with strong determination. The year 2017 is a critical year for the Group to implement the 13th Five Year Plan, as well as a crucial year for electric power system reform and state-owned enterprise reform. The Central Economic Working Conference has put forward new requirements for us to adapt to the new normal in economy and improve structural reform of the supply side. In the face of the increasingly serious market environment with aggravated excess capacity of power energy and fast increase of coal power price etc., we should have a sense of crisis and take our responsibility firmly, work steadily to make great progress, try to make new breakthroughs in reform and innovation, and make big progress in benefit creation, forge ahead with tenacity and resolve to build our group into a competitive energy enterprise, push the development of Yuede Group to a new stage jointly, and wait for the successful holding of the 19th National Congress of the Communist Party of China and the 20th Provincial Communist Party Congress with superior performance!
CORPORATE GOVERNANCE

Tackling Difficulties Head on, Resolving to Make Big Progress

Working Unwaveringly to Make Yudean Group Better, Larger, and More Powerful

——Work Report of General Manager (Summary)

黄镇海
Director, General Manager, Vice Secretary of the Party Committee

In 2016, under the correct leadership of the Provincial Committee of CPC, Provincial Government and Guangdong SASAC, Yudean Group strengthened the company’s party building comprehensively, continued improving reform of state-owned enterprises, actively adapted to reform of the electric power system, and tried hard to cope with the difficulties and challenges caused by the slow growth rate of power demand, aggravated excess capacity of the industry, considerable rise of coal price, and increasing pressure on energy conservation and emission reduction; we also made constant progress in steady development, and took the lead in making innovations; beside, we also actively developed markets, strengthened internal management, and worked hard to control cost and reduce consumption. With the joint effort of all staff and workers, we fulfilled the work objectives of the whole year satisfyingly.

Review of Work

Generally, the situation of safety in production was stable.

In 2016, Yudean Group adhered to the principle that both CPC committees and governments are held accountable and that officials take responsibility for workplace safety in performing their duties, placed concerted efforts in supervision and management, held those with dereliction of safety duties accountable, and paid special attention to and assumed our primary responsibility for safety in production; we set out the systems and standards for safety in production in an all-around way, strengthened safety training, and carried out the system which requires the personnel at key posts in safety in production to take appointment with certificate; we steadily conducted safety risk inspection and elimination, continued improving the emergency management system, and established the Group’s emergency command system; we succeeded in the emergency draining of Xingfengjiang Dam, and confronted with the attack of several super typhoons successfully; we also fulfilled the state requirements for energy conservation and emission reduction, actively pressed ahead with ultra-low emission and energy saving transformation, and carried out more studies of key technologies concerning energy saving and ultra-low emission, as well as key points and difficulties in safety in production, the number of nonscheduled shutdown dropped greatly in the whole year.

Our operational benefits rose constantly in steady development.

In 2016, we made great innovations in business model, and established a new power selling model with Yudean characteristics; we actively explored new ways for integration of maintenance and technical resources, and provided total technical solutions for power enterprises and relevant companies of the industry; we further integrated financing with the industry, and unleashed the potential of existing assets; we actively developed the market and strived for more market shares; the sales amount of power energy of the power sales company ranked the first in the whole province in the year round; we also placed great efforts in cost control in an all-around way, and effectively controlled the coal price. Both the operating cost of the shipping sector and the net coal consumption rate declined year-on-year. We got the highest scores in the operator examination of 2015 and examination during the term of 2013 – 2015 among province-owned companies.

We firmly and effectively conducted enterprise management.

In 2016, Yudean Group, taking improving the government capital efficiency and increasing the vitality of state-owned enterprises as the central task, tried hard to establish a company operation mechanism where rights and liabilities are defined clearly, the company is running in a coordinate way, and check and balance exists effectively, we optimized and integrated our assets through property right transfer in a legal and ordered way; we revised and improved the decision-making management system for important issues like invitation for bid and fuel purchase etc., implemented the decision-making management system for “important decisions, important personnel appointment and removal, important project arrangement, and operation of large sums of funds”, and strengthened risk prevention and control in decision making, we continued standardizing and strengthening talent team development, broadened the recruitment channel, optimized the talent structure, and selected and appointed officials in a standard way; we further deepened overall budget management, and implemented the preparation mode guided by the budget preparation outline; we also improved our fund management system, constantly optimized our financing, insurance and tax affairs etc., and saved our financial expenses.
Challenges and Opportunities

At present, the global economy still sees a muted recovery; in China, the economy has developed into a new normal, the demand for power increases slowly, and excess capacity remains a serious problem. The Group is still confronted with many problems and difficulties in operation and development.

Competition in the power market is becoming increasingly fiercer.

Reform of the electric power system is accelerated, the power amount in the market has increased sharply to 20% of the social power consumption; newly increased cogeneration and excess hydropower in the southwest region participate in the competition; 40% of the coal power in Guangdong province comes into the competitive market according to the new rule of uniform clearance based on a long-term agreement price.

Excess capacity becomes a more serious problem.

It’s expected that in 2017, the social power consumption in Guangdong province will be increased by 2% year-on-year, coordinated installed capacity in Guangdong province will be increased by 5.3% year-on-year, and the power transmission amount of XG Group will be increased by 2.6 billion kWh year-on-year. There is a serious problem of oversupply in the power market.

The industrial structure and structure of installed capacity need to be optimized urgently.

With excess power capacity and the policy which gives priority to the use of clean energy, the proportion of installed capacity of new energy of the Group is small, and the installed capacity of coal-burning generating sets is big but not competitive, so the Group faces a daunting task to adjust the industrial structure, optimize the structure of installed capacity, and develop non-hydro renewable energy projects.

The tasks of reform of state-owned enterprises and reform of the electric power system remain arduous.

Reform of the electric power system and reform of state-owned enterprises have been deepened, and rapid changes have taken place to both internal and external business environments. The production-oriented management philosophy and management & control mode of traditional power generation enterprises as well as the institutions and mechanisms of state-owned enterprises need to be adjusted and innovated urgently.

The responsibility for safety & environmental protection is heavy.

The state laws and regulations on the management and control of safety in production, and energy conservation and environment protection are higher and stricter, and our responsibility for safety & environmental protection is heavier; capital construction projects and environmental renovation tasks spread widely; there are great risks in construction safety; safety management and equipment management are somewhat lax.

With such serious and complicated situations, we should move faster to change our ideas, enhance the market awareness, sense of crisis, and consciousness of responsibility, meet challenges actively, and foster new competitive advantages of Yuedae.
Looking to 2017

General requirements

We should act in line with the strategic deployment and work requirements of the Provincial Committee of CPC, Provincial Government and Guangdong SASAC, uphold the fundamental principle of making progress in steady development, make both active and prudent efforts to carry out the reform of state-owned enterprises, move faster to adjust to the reform of the electric power system, adhere to guide by the innovation-driven policy, strengthen transformation and upgrading, strive to improve our business performance, pay adequate attention to risk prevention and control, and work hard to promote the healthy, stable, and sustainable development of Yuedian Group.

Primary objectives

Safety objectives: To thoroughly put an end to all grave and serious work safety accidents and environmental pollution accidents, and try to prevent all types of work safety accidents. To prevent the important events that affect the group company’s image.

Management objectives: To manage a trusted group company that can demonstrate the guidance of Xi Jinping, and send an energy of 96.5 billion kWh.

Development objectives: To make breakthrough in the preliminary work at the 2 million kilowatts of power supply project, newly increase projects of 300 thousand kilowatts that put into operation, and make fresh breakthroughs in the field of related diversification and the going-out strategy.

Key jobs

1. Deepening the reform of state-owned enterprises and reform of the electric power system.
2. Focusing on implementing the innovation-driven development strategy.
3. Strengthening operation and further improving our business performance.
4. Realizing the integration of industry and finance, and strengthening construction of the financial sector.
5. Improving the management efficiency, and putting due efforts to risk prevention and control.
6. Building a talent team suitable to the Group’s development.
7. Fulfilling duties and strengthening work safety management extensively.
8. Establishing a harmonious relationship and building a good development environment.

Shaoqian Power Plant
Risk Management and Control

By the end of 2016, the risk control system had been established in 31 enterprises, accounting for about 77% of the Group’s total assets.

Self-evaluation of risk control was conducted by using the scientific assessment tools, in-depth analysis was made to risk management and control of the headquarters’ policy on ‘important decisions, important personnel appointment and removal, important project arrangement, and operation of large sums of funds’ as well as risk management and control of the procurement plan of the fuel company, and 56 corrective suggestions and 256 optimization suggestions were put forward.

Enterprise philosophy
- Achieving harmonious co-existence, innovating while keeping integrity

Enterprise mission
- Benefiting both the country and people with great virtue and wisdom

Core values
- Specialty, high performance, synergy, integrity

Enterprise vision
- To become an energy group with international competitiveness

Human Resources

Labor productivity of personnel on duty

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Structure of the staff on duty

Education background
- Postgraduate and above 25.76%
- University degree 43.57%
- Junior college 14.4%
- Technical secondary school and below 14.4%

Age distribution
- 50 years old and above 15.54%
- 40-49 years old 45.34%
- 30-39 years old 27.3%
- Below 30 years old 10.62%

Special technical position structure
- Senior 8.66%
- Intermediate 19.5%
- Junior 21.77%
- Junior worker and below 51.26%

Skill structure
- Highly skilled talent 22.45%
- Senior technician 2.76%
- Technician 54.40%
COMPANY PERFORMANCE

- Safety Production
- State of Operation
- Development and Construction
Safety Production

In 2016, Yudean Group, with an aim to ensure safety production, practiced the philosophy of “Zero Tolerance in Safety Guarantee,” worked with a focus on consolidating safety fundamentals by basing itself upon technical and management innovation, and maintained an overall stable safety situation in the whole year.

There were no major and above power generation accidents, traffic accidents, fire accidents, dam failures, flooding of plants, and environmental pollution accidents in the whole year; there were 2 class B failures, and 26 class C failures.

We made intensive efforts to inspect and eliminate safety risks, organized fire inspections and major safety inspections before the Spring Festival and the two sessions, and before seasonal floods, and also took measures to check special safety risks. Throughout the year, we found 357 potential accidents during inspection, and eliminated 100% of them.

We established the Group’s emergency command system, realized audio communication with 38 hydro and thermal plants, and played a positive role in dealing with the attacks by typhoons and flash floods.

We made innovation in equipment management and adapted to the new normal in the power market. We tackled key problems in the operation with a low load, optimized the peak shaving mode of frequent starting, and took measures for upkeep of the generating sets in long-time halt.

We strengthened risk control, optimized the management flow, and finished the modification, interpretation, and publicity and implementation of the Management Method of Invitation for Bid of Production Projects; we carried out standardized studies and construction of safety production in the field of wind power and CIBM power generation, and prepared 9 core management standards including the Intensive Production Management Standard for Wind Power Generation Enterprises, and the Norm of Safety Production of CIBM Power Generation Enterprises.

We took active measures to ensure systemic building. We made in-depth studies of the excellent management standard systems of thermal power, hydropower, and wind power generation enterprises, based on which we established an integrated standard system covering all departments of the whole system in a coordinated way from the headquarters to each sub-branch, developed the standard system management information system, ensured the normalized and information-based management of standard systems, and strengthened implementation of the standards. By the end of 2016, 16 power generation enterprises had passed the on-site class AAA and above authentication of Good Standardizing Practice.

With a guidance of achieving excellent performance, we further strengthened the activities to become advanced in work, and prepared and published the Standard for Evaluation of Advanced Power Generation Enterprises. In the evaluation of advanced power generation enterprises of the year 2015, 25 power generation enterprises were granted as class AA and above.

We made great achievements in scientific and technological innovation. We won 3 second and third prizes of China Electric Power Science and Technology Award and Guangdong Science and Technology Award respectively, 6 National Technological Achievement Awards of Power Company Employees, and launched 43 new patents. We won an Excellence Award in the comprehensive evaluation of innovation-driven transformation and upgrading organized by Guangdong SASAC.
State of Operation

In 2016, Yudean Group acted actively to adapt to the reform of the electric power system, made innovations in its business model, strengthened coordination, reduced the cost and improved efficiency, and increased the business performance continuously.

Coordinated purchase of electricity in Guangdong province
100%

Yudean in Guangdong province
16.7%

Others in Guangdong province
50.5%

Others outside Guangdong province
32.8%

In 2016, the on-grid energy of controllable power plants of Yudean Group in Guangdong province accounted

The group realized operating revenue of 40.034 billion yuan.
We implemented a multilevel marketing strategy: throughout the year, we strived for another 2.55 billion kWh from thermal power plants in Guangdong province, the generating capacity of hydropower projects reached 2.5 billion kWh more than the annually planned one, and the on-grid energy generated by using clean energy reached 17.682 billion kWh, increased by 7.82% year-on-year.

We actively conducted business innovations, explored to set up a comprehensive energy service system, and established energy strategic cooperation with Guangdong Rising Group, Guangdong Group, Guangdong Airport Authority, and Haizun Petrochemical Shengri Cement Co.

We also controlled our costs strictly; throughout the year, the unit price of standard coal consumed by the power plants was increased by 1.2% year-on-year, which was 6.25 percentage points lower than the market growth rate; operating cost of the shipping sector was down by 13.3%, 254 million yuan, year-on-year.

We continued promoting reform in the shipping sector and developing the shipping market; the accumulated volume of freight traffic reached 14.72 million tons in the whole year, with a rate of external marketization of 47%.

We became the second largest shareholder of Guangzhou Power Exchange Center and Guangdong Power Exchange Center, holding 9.3% and 10.0% stock right respectively.

Yudean Caihui Insurance Company was established with the approval from China Insurance Regulatory Commission, becoming the fourth captive insurance company in the whole country and the first captive insurance company in this industry and among province-owned companies.

Financial Leasing Company was established formally in Guangzhou Nansha Free Trade Zone.

We successfully received approval of DFI qualification, becoming the first local power generation group in the country that has obtained DFI qualification.

We continued improving and optimizing the fund management system, and saved about 503 million yuan of financial expenses in the whole year. We also optimized insurance management and tax planning, and saved cost of 324 million yuan in the whole year.

We deepened overall budget management, and implemented the preparation mode guided by the budget preparation outline; we won the first prize with full marks in the overall budget management evaluation of provincial-owned companies organized for the first time by Guangdong SASAC.

### Development and Construction

In 2016, Yudean Group responded to the difficult situations in a scientific way, finished the preparation of the development strategy and planning in the 13th Five Year Plan period, continued to change the way of development and optimize the industrial structure, promoted the construction and development of new energy, and made active progress in all jobs in the whole year.

The total installed capacity under construction was about 8 million kilowatts, whereas, the total capacity of clean energy project exceeded 4.7 million kilowatts, accounting for about 69%.

The total electricity capacity of the Group’s controllable installed capacity reached 29.6491 million kilowatts.

We facilitated the following application for gas and power project initiation and approval in Guangdong province: Hueduo LNG cogeneration project was approved; land acquisition for Zhongdingpinghe LNG cogeneration project was finished.

We made all-out efforts to develop new energy. Six wind power projects including Meizhou Mingchunzhai project were approved; five wind power projects including phase II of Heyuan Leping Ziyuchang project were included in the wind power development and construction program of Guangdong and Guizhou Province in 2016; six PV projects including Lianfen Dahu project were put on recent Development Company signed a PV development cooperation agreement with China Coal Pinghu Group, and Guizhou Company signed a PV development cooperation agreement with Sichuan Yanyuan county government.

Diversified industries were developing steadily. We have basically finished the layout of receiving stations in eastern and western Guangdong regions, and successfully obtained the development right of LNG receiving station in eastern Guangdong; we made further progress in promoting the reorganization of the provincial pipeline company, and the negotiation of natural gas purchase contract of the cogeneration project; we signed the cooperation agreement for the water supply project of Nanshan reservoir, the shipping industry, environmental protection business, and cloud computing also developed or expanded steadily.

We implemented the going-out development strategy steadily. Overseas investment in the mine-power joint operation of 1.2777 thousand kilowatts of oil shale circulating fluidized bed project of Jordan Alatar Power Company has been approved; Indonesia Kalimantan Tengah power station project etc. have passed the bidding prequalification.
CORPORATE CITIZEN

- Power Supply
- Energy Conservation and Environment Protection
- Tax Paying
- Charity and Public Welfare
Power Supply

Since Yudean Group was established, its accumulative generating capacity has reached 1494.4 billion kWh, ranking the first in Guangdong province, which made outstanding contributions to ensuring the power supply and promoting the social and economic development of Guangdong.

<table>
<thead>
<tr>
<th>Generating Capacity (100 million kWh)</th>
<th>On-grid Energy (100 million kWh)</th>
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<td>1343.7, 1276.87, 1206.4, 1152.35, 1085.07</td>
<td>1168.6, 1200.1, 1135.48, 1185.56, 994.62</td>
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Energy Conservation and Environment Protection

In 2016, Yudean Group created green energy wholeheartedly and vigorously strengthened transformation of energy conservation and emission reduction, and environmental monitoring.

- Yudean Group took measures for energy conservation and technical improvements in an all-around way; we maintained the same level of station service power consumption rate and reduced coal consumption of power supply rate year-on-year on the premise of a reduction of service hours of thermal power units and an increase of environmental facilities in the whole year, saved coal by 105 thousand tons, and reduced the emission of carbon dioxide by 284 thousand tons.
- We conducted the ultra-low emission and energy saving transformation of 13 coal-burning units and the transformation of other coal-burning units in Guangdong province will be finished in 2017.
- The municipal sewage recultivation project in thermal plants conducted jointly by Zhongyuan Energy and Zhanjiang Power Plant reduced the intake of underground water by 13.05 million tons accumulatively in five years.
- Yudean Group also strictly controlled the risks in environmental protection, strengthened environmental protection monitoring, as well as completed equipment operation & maintenance, efficiency increase and transformation, comprehensively inspected and sorted out the technical performance, operation state, and actual emissions of environmental facilities, monitored the facilities in real time and tracked the process closely, and ensured the discharge under certain standard.
Tax Paying

Yudean Group has always been paying tax according to law with credibility. Since it was established in 2001, it has paid taxes by 83.371 billion yuan in all.

Overview of Taxes Paid (109 million yuan)

Charity and Public Welfare

In 2016, Yudean Group donated 19.843 million yuan for poverty alleviation in all.

- By the end of 2016, we had donated 129 million yuan for poverty alleviation in all, and won the gold award of Guangdong Poverty Alleviation Hangman Cup for six consecutive years.
- We actively fulfilled the corporate mission of “benefiting both the country and people with great virtue and kindness”, organized “Caring Student” activities, and contributed about 60 thousand yuan to help 12 schools and 254 students in the whole year; we carried forward the voluntary spirit of “dedication, love, mutual assistance and advancement”, and organized more than 600 league members to participate in the voluntary service activities including popularization of electrical power knowledge, maintenance of home appliances, and publicity of environmental protection knowledge in communities and sub-district offices for more than 50 times, bringing more warmth to communities and cities; We also increased afforestation actively, and planted about 900 trees in the whole year, with a planting area of 22.9 mu, which fulfilled our promise of building a Green Home with actual deeds.
COMPANY HONORS

- Yudean Group won “excellence” in 2015 operating performance examination of province-owned companies and the term of 2013-2015 operating performance examination of province-owned companies organized by Guangdong SASAC, and ranked the first among province-owned class A companies.


- Ocean Shipping Company won the title of “Safety & Good Faith Company”.

- Jinghai Power Generation Company won the title of “Winner of National Anqik Cup Contest”.

- Jinghai Power Generation Company and Dabu Power Generation Company won the title of “Advanced Unit of Safety Culture Publicity in National Anqik Cup Contest”.

- Honghuawan Power Generation Company won the title of “Excellent Enterprise of Electric Power Enterprise Management Authentication in 2016”.

- Huizhou Natural Gas Power Generation Company won the title of “Corporate Culture Demonstration Unit of the Electric Power Industry in 2015”.

- Tianyi Power Plant won the title of “National Excellent Unit of Ideological and Political Work in the Electric Power Industry in 2015”.

- Honghuawan Power Generation Company won the title of “National Model Workers’ Home in 2015”.

- Finance Company won the title of “National Best Finance Company in 2016”.

- Shajiao A Power Plant won the title of “China Power Informatization Promotion Demonstration Unit in 2016” and “Unit with Outstanding Contributions of Corporate Culture in Guangdong Province in 2016”.

- Ten units including Jinghai Power Generation Company, Shaguan Power Plant, Yueyang Power Generation Company, and Yuehua Power Generation Company won the title of “Environmental Protection Credit Enterprise (green media) in 2016”.

- Zhenning Thermal Power Company and Xinfengjiang Power Generation Company won the title of “AAA Good Standardizing Practice Enterprise (Guangdong Association for Standardization)”.

- Shajiao A Power Plant won the title of “Guangdong Best Credit Enterprise”.

- Shajiao A Power Plant, Honghuawan Power Generation Company, and Yuehua Power Generation Company won the title of “Guangdong Credit Demonstration Enterprise”.

- Guangdong Electric Power Company and Dabu Power Generation Company won the title of “Eco-friendly Guangdong Propaganda Civilization Award”. Honghuawan Power Generation Company won the title of “Ecological Guangdong Propaganda Achievement Award”.

- Huizhou Natural Gas Power Generation Company, Yueyang Power Generation Company, and Shaguan Power Plant won the title of “Guangdong Labor Day Award”.

- Yuehua Power Generation Company and Honghuawan Power Generation Company won the title of “Advanced Unit of News Propaganda of Guangdong Province Electricity Trade Association in 2015”.

- Jinghai Power Generation Company won the title of “Guangdong Excellent Enterprise in 2015”.

- Tianyi Power Plant won the title of “Guangzhou Class A Tax-paying Credit Enterprise in 2015” and “Top 100 Enterprises in Guangzhou in 2016”.

- Yuehua Electric Power Company won the title of “Excellent Unit of Planning and Accountability in Poverty Alleviation in 2013-2015 in Guangdong Province”.

- Honghuawan Power Generation Company won the title of “Advanced Unit as a Full-time Fire Brigade and Fire Fighting Enterprise and Public Institutions in Guangdong in 2016”.

- Yudean Guizhou Company won the title of “Advanced Unit in the Wind Power Skill Contest in Guizhou”.

- Zhanying Rongmao Power Generation Company won the title of “High-tech Enterprise”.

- Yuehua Power Generation Company won the title of “Advanced Group of Grid System Operation and Dispatching in Guangzhou in 2015”.

- Xinfengjiang Power Generation Company won the title of “Advanced Unit of Electric Power Dispatching in 2015”.

- Relay Protection Squad of Honghuawan Power Generation Company won the title of “Advanced Unit of Automated Management of Dispatching in 2015” and “Advanced Unit of Automatic Safety Operation Management in 2015”.

- Centralized Control and Operation Team B of Dabu Power Generation Company won the title of “National Quality Trustworthy Team in 2016”.

- Power Generation Business Division of Production and Management Department of Jinwan Power Generation Company won the title of “Guangdong Youth Civilian in 2014-2015”.

- Number 1 generating set of Shajiao A Power Plant won the second prize of “National Thermal Power 200MW Pure Condensing Turbine Contest (2015)”. Number 3 generating set won the third prize of “National Thermal Power 200MW Pure Condensing Turbine Contest (2014)”.

- Shajiao A Power Plant won the first prize of “IT Achievement Award of Power Generation Enterprises in the Twelfth Five-Year Plan Period” and “Power Generation Company Award”.


- The Centralized Fund Management System of Yudean Group-Yudean Remittance Solution of Finance Company won the first prize of “Outstanding IT Achievement Award” in the electric power industry in 2016; the Whole-staff and Whole-time Management System at the Production site of Honghuawan Power Generation Company won the second prize.


- The Improvement and Extensive Application Project of the High Efficiency Filter of Combustion Engine of Huizhou Natural Gas Power Generation Company and Structural Variation Analysis and Active Control of Large-scale Turbine-generator Sets of Jinwan Power Generation Company won the third prize of “National Technological Achievement Award of Power Company Employees”.

- The Application and Study of Web-based Media Office Mode of Shajiao A Power Plant won the title of “China Electric Power Informatization Demonstration Project in 2015”.

- The Energy Saving Analysis of Depass Peak Regulation and Study of On-line Optimization Control Technology of On-grid Generating Sets of Shajiao A Power Plant and Jinghai Power Generation Company won the second prize of “Progress in Science and Technology in Guangdong Province”.

- Building of the Remuneration Distribution System for Promoting Company Reform and Development of Tianyi Power Plant won the second prize of the 15th National Innovation Achievements of Modernized Enterprise Management”.

- Yudean Group 2015 CSR Report won the title of “Golden Tree 2016 Excellent CSR Report Employee Responsibility Information Disclosure Award”.

- The Harbor Works of Phase I Project of Shanwei Power Plant of Honghuawan Power Generation Company won the second prize of “Excellent Design Award of Water Transportation in 2015”.

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BRIEF TIMELINE

On January 6, Yuedan Group held 2016 videoconference on safety in production.

From 18 to 19 January, Yuedan Group held the third session of the third congress of workers and staff and 2016 working conference.

In January, the PV generation project of Yuedan Yangjiang Zhiling Farm was put on record by Guangdong NDRD.

From 3 to 4 March, Yuedan Group held the initial meeting of sentiment cultivation and training courses on relevant professional knowledge of subordinate units.

In March, four wind farm projects, namely Meiljiang Mingshangzhang wind farm, Nanxiang Gaoling wind farm, Pingyuan Maiping wind farm, and Shixi Xuefengshan wind farm of Yuedan’s subordinate Guangdong Wind Power Generation Co., Ltd., were approved by Guangdong NDRD.

On March 25, seven units of Yuedan Group won the 5th National Equipment Management Innovation Achievements Award in the Electric Power industry.

On April 26, Yuedan Group held the working conference on “studies on the theoretical and practical issues of party building”.

On April 27, the May Day Celebration and Model Worker Commendation Meeting was held in Guangdong province, some advanced groups and individuals of Yuedan Group were commended.

On May 20, Cai Xuifen, Vice Secretary of the Party Committee and Deputy Director of Guangdong SASAC, declared her incumbency at Yuedan Group; Li Mingliang was appointed as Director of Yuedan Group; Yao Jinhong was appointed as Vice-general Manager of Yuedan Group.

On May 26, Yuedan Group, together with South China Energy Regulatory Bureau of National Energy Administration and Heyuan municipal government, successfully held the large-scale emergency drilling of Xinengliang Dam.

On June 3, Yang Zhaohui, Deputy Director of Guangdong SASAC, inspected the poverty alleviation work of Yuedan Group.

On June 15, Yuedan Group and CNOOC NO Generation Group Co., Ltd, signed the Framework Agreement for Sales and Purchasing of Natural Gas.

On June 21, 24 generating set of Dabus Power Generation Co., Ltd, passed the 168-hour full load trial operation, and was formally put into commercial operation.

On June 24, Yuedan Group and ICBC Guangdong Branch signed the Cooperation Agreement for Green Credit for Clean and Renewable Energy Projects and obtained a special line of credit of 20 billion yuan for development of clean energy projects from ICBC.

On June 30, the agricultural PV overall development project of Zhihong Farm Team 21 with the investment of Yuedan’s subordinate development company was combined to the grid.

On July 3, the Party Committee of Yuedan Group held the special meeting in commemorating the 95th anniversary of the establishment of the Communist Party of China and the meeting on “studies on the theoretical and practical issues of party building” of the central group of the Party Committee at Yuedan Plaza.

On July 15, Yuedan Group successfully won the DFI qualification.

On July 22, Yuedan Group held 2016 CSR report news conference.

In July, the agricultural PV overall development project of Liangzhu Dahu and fishery & PV generation project of Penggang Farm of Yuedan’s subordinate development company were put on record by Guangdong NDRD.

On July 28, the first wind turbine generator of Dadingxian wind farm of Guizhou Company was successfully combined to the grid, becoming the first wind power project combined to the grid in Yungren City, Guizhou Province.

On August 4, Yuedan Huadi NO cogeneration project (2 * 400MW) was approved by Guangdong NDRD.

On August 15, Yuedan Group held the orientation meeting of new directors and vice secretary of the party committee, Li Zhuiyan, Party Committee Secretary and Board Chairman of the Group read the notice of appointing Li Yanru as Director and Vice Secretary of the Party Committee of Yuedan Group.

On August 17, Yuedan Group signed a Strategic Cooperation Framework Agreement with Shandong municipal people’s government.

On September 21, Xu Shaohua, Standing Committee Member and Executive Vice Governor of Guangdong province, together with directors of relevant government sectors, visited Yuedan Group and held a symposium.

On September 22, the Inspection Team of the Administration for the Protection of State Secrets of Guangdong Province inspected the self-inspection and self-evaluation of confidential work of Yuedan Group.

In September, the Department of Environmental Protection of Guangdong Province disclosed the enterprise environment credit rating results of the year 2016, and ten thermal plants affiliated to Yuedan Group won the title of Environmental Protection Credit Enterprise (green medal).

On October 18, Jiao Kailin, Vice Chairman and Secretary of the Secretariat of All China Federation of Trade Unions, together with his fellows, visited Shajiao Airpower Plant.

In October, Yuedan Group won “excellence” in 2015 operating performance examination of province-owned companies and 2013-2015 operating performance examination of province-owned companies, and ranked the first among province-owned class A companies.

On November 8, Dagashan wind power project of Yuedan Group in Tongdao County, Huashui City, Hunan was approved.

On November 22, Wu Yanjun, Vice Minister of the Organization Department of the Provincial Community, inspected the party building work of the Party Committee and subordinate enterprises of Yuedan Group.

In November, China Electricity Council released the decision on commending the advanced groups and individuals of electric standardization work in 2015-2016, and several units and individuals of Yuedan Group were commended.

In December, the 9th inspection team of the Provincial Community inspected the work of the Group Party Committee.

In December, the Centralized Control Center of Zhanjiang Wind Power Company was put into trial operation successfully, naming that the first centralized control center in the wind power area of Yuedan Group was established.

On December 7, Cai Xuifen, Vice Secretary of the Party Committee and Deputy Director of Guangdong SASAC, led an inspection team to supervise the production safety in Yuedan Power Generation Company.

On December 14, Chi Zhonggen, Secretary of Guangdong Provincial League Committee, together with his fellows, visited Yuedan Group and held a symposium.

On December 20, Yuedan Group and Guangdong Guangxi Holdings Group Ltd. signed a power transaction contract for the year 2017.

On December 20, Guangdong Yuedan Financial Leasing Co., Ltd. was formally established.

In December, Guangdong Yuedan Captive Insurance Company (under preparation) was approved to be established.

On December 28, the Research and Application of Marine Life Pollution Control Technology of Binhai Power Plant developed jointly by Yuedan Group and Guangdong Research Institute of Petrochemical and Fire Chemical Industry was invited to Guangdong Scientific-technical Achievements and Industry Matching Symposium, and participated in the contract signing of the matchmaking project.

On December 29, Cai Xuifen, Vice Secretary of the Party Committee and Deputy Director of Guangdong SASAC, held a meeting declaring incumbency of the new Vice Secretary of the Party Committee and Secretary of the Commission for Discipline Inspection at the Group’s headquarters, and appointed Li Kesheng as Vice Secretary of the Party Committee and Secretary of the Commission for Discipline Inspection of Yuedan Group.