

Corporate Governance Report

Brief Introduction of the Corporate Governance Code of CGN Power

The Company strives to maintain a high level of corporate governance to ensure the realisation of the Company's strategy, to protect the interests of shareholders and to enhance enterprise value. The Company has complied with the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Listing Rules") (hereinafter referred to as the "Hong Kong Stock Exchange Code"). The Hong Kong Stock Exchange Code sets out the principles of good corporate governance and two levels of recommendations:

- With respect to code provisions: companies shall duly comply with, and give reasonable explanations for any deviations from, the code provisions; and
- With respect to recommended best practices: for guidance only and companies are encouraged to comply with, and give explanations for any deviations from the recommended best practices.

The Board approved the Corporate Governance Code of CGN Power Co., Ltd. (First Edition) (hereinafter referred to as the "Corporate Governance Code of the Company") on November 18, 2014. We aim to give our shareholders and other business-related parties a direct presentation of our measures in respect of corporate governance, and enhance our corporate governance practice in a gradual manner. CGN Power has, since its inaugural meeting held on March 24, 2014, adopted a series of measures to establish and enhance its corporate governance standards on governance, such as adopting an array of regulatory documents, rules and regulations and procedures, with an ultimate goal to better protect the lawful interests of its shareholders, creditors and other stakeholders.

The contents of the Corporate Governance Code of the Company mainly include: corporate culture and value, corporate governance structure, accountability and auditing, remuneration of Directors, Supervisors

and senior management, communication with shareholders and other business-related parties etc. The Corporate Governance Code of the Company covers the basic requirements of the Hong Kong Stock Exchange Code and in many aspects exceeds the standards of its recommended best practices. During the period from the Listing Date to December 31, 2014, the Directors were of the views that the Company had complied with all code provisions contained in the Hong Kong Stock Exchange Code. Moreover, only one of the recommended best practices (namely, a listed company should announce and release reports on quarterly results) had not been adopted by the Company. We intend to publish such reports in the form of quarterly brief reports on production and operation and significant events. Through reporting and delivering sufficient information and data to shareholders, we endeavor to reduce costs and enhance efficiency for the benefits of shareholders. We will review the above considerations and practices should we receive any suggestions and feedback from our shareholders. We will continue to deliver reports to shareholders in a comprehensive and timely manner through various channels, such as annual reports and our company website.

The Corporate Governance Code of the Company is in compliance with all code provisions of the Hong Kong Stock Exchange Code and exceeds the recommended best practices in the Hong Kong Stock Exchange Code in the following aspects:

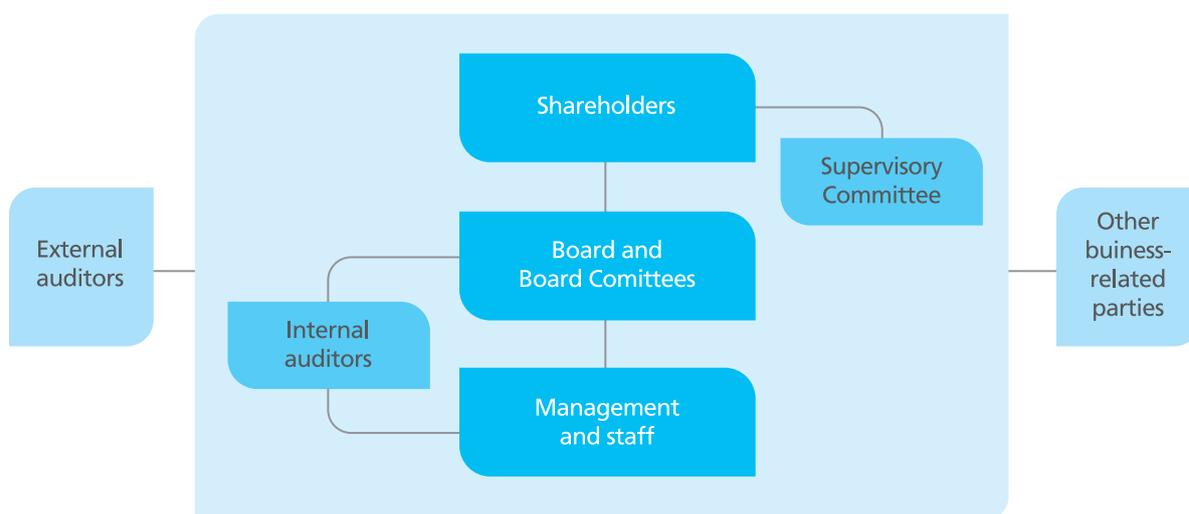
- We have formulated the corporate governance code, which was adopted by the Board after discussion and taking into consideration of the internal and external parties relating to our corporate governance to define our corporate governance framework. The Corporate Governance Code of the Company emphasizes on the effectiveness of corporate governance.
- Our procedures for convening general meetings (such as the notice period for convening a general meeting) are subject to the stricter requirements of the PRC laws and regulations.
- We have entered into service contracts with our Directors as well as our Supervisors, which define their respective rights, obligations and responsibilities, particularly the duties of independent non-executive Directors and executive Director.

- The coverage of the Directors' liabilities insurance we have purchased has been extended to all our subsidiaries, including major affiliated companies.
- The Board Secretary will, within one week after each board meeting, promptly prepare a list of action items and follow up the implementation of such items, and the status of the implementation of such items will be reported to the Board at the next board meeting.
- The Company shall disclose in its annual reports the compliance by its controlling shareholder of its undertakings under the non-competition deed.
- The Company has formulated its Code for Securities Transactions by Directors and Specific Persons on terms no less strict than the Model Code for Securities Transactions by Directors of Listed Issuers (hereinafter referred to as "Model Code") contained in Appendix 10 to the Listing Rules and its coverage is extended to other "specific persons", including our Supervisors and senior management.
- Pursuant to our Code for Securities Transactions by Directors and Specific Persons, our Directors and specific persons shall notify the Company in writing in a timely manner and follow strict approval procedures before they deal in the securities of the Company. In addition to disclosing Directors' interests and confirming their compliance with such code, we also disclose the interests of our Supervisors and Chief Executive Officer in our securities and their confirmation of compliance with such code.

Corporate Governance Framework

The corporate governance framework of CGN Power is designed to safeguard the interests of shareholders and it involves all the key participants in the corporate governance practices of the Company, reflecting the ways in which they relate to each other and their roles and functions in corporate governance.

Our internal governance structure comprises mainly our shareholders, the Board and the Board Committees, Supervisory Committee, our internal auditors and our management and staff. External auditors conduct independent review and assessment on the governance of the Company which help us continuously optimize our internal governance. Meanwhile, the interactions between the Company and other business-related parties, including customers, partners, social environment and regulators, also reflect the effectiveness of our corporate governance. We are fully aware of our significant corporate and social responsibilities as a public company and we need to constantly follow the best corporate governance practices.



The Corporate Governance Code of the Company is formulated based on the above corporate governance framework and describes how we ensure our corporate governance standards can meet the expectations of our shareholders and other stakeholders through a series of systems, procedures and measures.

Overview of Regulatory Documents on Governance and Key Rules and Regulations

On March 24, 2014, the Articles of Association of CGN Power Co., Ltd. (hereinafter referred to as the “Articles of Association”) were approved at the inaugural meeting and the first general meeting of the Company. On March 25, 2014, the Company was formally incorporated and, pursuant to the Articles of Association, the Company approved and passed a series of documents with regard to corporate governance, including Procedural Rules of General Meeting of CGN Power Co., Ltd. Based on these regulatory documents on governance, we have formulated a series of rules and regulations. The general meeting, the Board and the Supervisory Committee of the Company operate independently and effectively in accordance with the Articles of Association and their respective procedural rules.

As at the end of 2014, our regulatory documents on governance and key rules and regulations include:

- Articles of Association of CGN Power Co., Ltd.*
- Procedural Rules of General Meeting of CGN Power Co., Ltd.*
- Procedural Rules of Board of Directors of CGN Power Co., Ltd.* (hereinafter referred to as the “Procedural Rules of Board of Directors”)
- Procedural Rules of Supervisory Committee of CGN Power Co., Ltd. (hereinafter referred to as the “Procedural Rules of Supervisory Committee”)
- Provisions on the Corporate Governance Authorization of CGN Power Co., Ltd. (hereinafter referred to as the “Provisions on the Corporate Governance Authorization”)
- Terms of Reference for the Audit Committee of CGN Power Co., Ltd.*
- Terms of Reference for the Remuneration Committee of CGN Power Co., Ltd.*
- Terms of Reference for the Nomination Committee of CGN Power Co., Ltd.*

- Code for Securities Transactions by Directors and Specific Persons of CGN Power Co., Ltd. (hereinafter referred to as the “Code for Securities Transactions by Directors and Specific Persons”)
- Management Rules on Information Disclosure of CGN Power Co., Ltd.
- Management Measures on Inside Information and Insiders of CGN Power Co., Ltd.
- Management Rules on Investor Relations of CGN Power Co., Ltd.
- Management Rules on Connected Transactions of CGN Power Co., Ltd.
- Management Rules on Internal Auditing of CGN Power Co., Ltd.

* Disclosed at the website of the Hong Kong Stock Exchanges or the website of the Company.

Major amendments to the Articles of Association

Except for the Articles of Association being effective from the Listing Date of the Company and disclosed in the Prospectus, the Company has not introduced any significant amendments to the Articles of Association during 2014.

Compliance with Domestic Regulatory Requirements

The Corporate Governance Code of the Company and the actual governance practice of the Company were in compliance with the PRC laws and regulations, the relevant regulatory requirements of the China’s Securities Regulatory Commission (“CSRC”) and the Hong Kong Stock Exchange and the Company will revise and update on a continuous basis as required by the laws and regulations and regulatory requirements in the future. As at the end of 2014, none of the Company, its Directors, Supervisors or senior management was subject to any administrative punishment, notice of criticism or blame.

Relationship with Controlling Shareholder

Independence from Controlling Shareholder

The Company has an independent and complete business system and is able to operate independently. We are independent from our controlling shareholder in respect of our business, employees, assets, institutions and finance.

Among nine Directors of the Company, only three non-executive Directors hold positions in CGNPC. Mr. Gao Ligang, the executive Director and President of the Company, currently serves as the chairman of the board of Taishan Nuclear. We have entered into the Taishan Nuclear Equity Transfer Agreement with CGNPC, which will take effect upon approval of the relevant authorities (please refer to “Connected Transactions” of this Annual Report on page 108 for the relevant information of the agreement). Except Mr. Shu Guogang, our Vice President, acting as the general manager in the CGN Engineering, one of the custodian target companies, none of the senior management holds positions in CGNPC.

While maintaining our independent and complete business system and independent operating ability, we will continue to regulate our connected transactions and decrease potential competition to maximize shareholders’ interests.

Particulars of Horizontal Competition

We entered into a custodian management framework agreement with CGNPC on April 28, 2014 after going through the relevant procedures, pursuant to which the Group will provide certain custodian services and exercise rights or powers over the custodian target companies which currently remain within the CGNPC, including Guangxi Fangchenggang Nuclear Power Co., Ltd. (廣西防城港核電有限公司), CGN Lufeng Nuclear Power Co., Ltd. (中廣核陸豐核電有限公司), Xianning Nuclear Power Co., Ltd. (咸寧核電有限公司), Hubei Nuclear Power Co., Ltd. (湖北核電有限公司), CGN Engineering, Taishan Nuclear and Taishan Investment, on behalf of CGNPC.

In order to limit potential competition between the CGN Group of the Group, we and CGNPC have entered into a non-competition deed prior to the Listing, pursuant to which CGNPC has given certain non-competition undertakings to the Company (for itself and for the benefits of other members of the Group), to the effect that it would not, and it would procure that its associates and connected persons (other than any members of the Group) do not and would not, directly or indirectly, whether on its own account or in conjunction with or on behalf of any person, firm or company among other things, carry on, participate, be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise be involved, whether for profit, reward or otherwise), any restricted business (other than the disclosed retained business of CGN Group in the Prospectus) during the agreed restricted period. Only the independent non-executive Directors may participate in deciding whether or not to accept any new business opportunity. In addition, in order to avoid potential competition between CGN Group and the Group for certain nuclear power projects retained by the former, we have obtained the right to acquire and the pre-emptive right regarding the retained business to better protect the interests of the Group.

CGNPC confirmed that no default of non-competition deed has been found during this reporting period. The independent non-executive Directors will closely monitor the performance of CGNPC under the non-competition deed and the management of the Company will report to the Board on the relevant matters as and when appropriate.

Shareholders

Shareholders' Rights

Shareholders' rights are based on certain laws and regulations, such as the Company Law of the PRC, the Hong Kong "Companies Ordinance", the Listing Rules. Detailed descriptions on major rights of the shareholders are set out in the Corporate Governance Code of the Company, which mainly include:

- receiving dividends and other kinds of profit distribution in proportion to their respective shareholding;
- attending or appointing proxies to attend and voting at general meetings;
- supervising the Company's operating activities and making suggestions or inquiries;
- transferring shares in accordance with the laws, administrative regulations and the Articles of Association;
- requesting for the relevant information of the Company in accordance with the laws, administrative regulations and the Articles of Association.

To protect shareholders' interests and rights, the Company will submit separate resolutions in respect of all matters (including the election of specific Director or Supervisor) at general meetings of the Company.

All resolutions tendered at the general meetings will be subject to voting by way of poll in accordance with the Listing Rules, the poll results will be published timely on the websites of the Company and the Hong Kong Stock Exchange after the end of the general meetings after Listing.

The Company is of the view that effective communication with investors is of utmost importance in enhancing investor relations and understanding of the Group's business, performance and strategies by the investors. The Company also firmly believes in the importance of timely and adequate disclosure of the Company's data to shareholders and investors for making informed investment decisions. For the policies and methods of communication with shareholders and investors please refer to the section "Shareholders' Value".

In order to facilitate effective communication, the Company has adopted the Shareholders Communication Policies for the purpose of establishing mutual relationship and communication between the Company and the shareholders, and a website has been set up (www.cgnp.com.cn). The Company will publish the latest information, financial information, corporate governance practice and other information about its business operations and developments on the website for viewing by the public.

The annual general meeting of the Company provides an opportunity for shareholders and Directors to communicate directly. The Chairman of the Company and the chairmen of various Board Committees of the Company will attend the annual general meeting and reply to questions raised by shareholders. The external auditor of the Company will also attend the annual general meeting and reply to questions about audit practices, preparation and contents of the auditor's report, accounting policies and independence of auditors.

Convening Extraordinary General Meetings and Submission of Proposals

According to the Articles of Association, Shareholders who individually or jointly hold 10% or more of the voting shares of the Company may request for the convening of an extraordinary general meeting. The relevant request may be proposed in writing to the Board requesting the Board to convene an extraordinary general meeting to deal with the matters specified in the request. The relevant extraordinary general meeting shall be held within two months after such request has been made.

According to the Articles of Association, Shareholders who individually or jointly hold more than 3% of the shares of the Company may submit a proposal to the Board in writing 10 days before the date of the general meeting. The Board shall notify other shareholders within 2 days of receiving the proposal and include it for consideration at the general meeting. The written proposal shall be addressed to the Board at the headquarters in the PRC.

Further details about the procedures for shareholders to convene and put forward proposals at any general meeting are available on the Company's website.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could email their enquiries to the email address: IR@cgnpc.com.cn.

Shareholdings

Total number of registered shareholders

Unit: accounts

	As at December 9, 2014 (prior to the Listing)	As at December 31, 2014
Total number of registered shareholders	3	6,741
Registered shareholders of H shares	—	6,738

Shareholder structure

Nature of shares	Shareholders	Number of shares held (shares)	Approximate percentage of the Company's total issued shares (%)
Domestic shares	CGNPC	29,176,641,375	64.20
	Hengjian Investment	3,428,512,500	7.54
	CNNC	1,679,971,125	3.70
H shares	CLP Nuclear Power Company Limited	142,434,000	0.31
	National Council for Social Security Fund ("NSSF")	1,055,237,000	2.32
	Shareholders of other issued and sold H shares	9,965,954,000	21.93

The Hong Kong Stock Exchange has granted us a waiver from strict compliance with the requirements under the Rule 8.08(1)(d) of the Listing Rules. As described in the section headed "Waivers from Strict Compliance with the Listing Rules" of the Prospectus, the minimum public float of the Company was 24.25%. Our current minimum public float meets the requirements.

General Meetings

Pursuant to the Articles of Association, general meetings are divided into annual general meetings (“AGM”) and extraordinary general meetings (“EGM”). General meetings shall be convened by the Board. AGMs are held once every year and within six months from the end of the preceding accounting year.

The Board shall convene an EGM within two months after the occurrence of any of the following events:

- where the number of Directors is less than the number stipulated in the PRC Company Law or less than two-thirds of the number specified in the Articles of Association;
- where the unrecovered losses of the Company amount to one-third of the total amount of its paid-up share capital;
- where shareholder, or shareholders who individually or jointly hold, 10% or more of the Company’s issued voting shares make request(s) in writing for convening of an EGM.
- whenever deemed necessary by the Board or as requested by the Supervisory committee;
- other circumstances provided for by relevant laws, administrative regulations, regulations of the authorities and the Articles of Association.

The shareholdings referred to in item 3 above shall be calculated on the basis of the number of shares held as at the date of written request from the shareholders.

In 2014, we held a total of four general meetings, including three EGMs, and all resolutions were passed thereat. Details of those general meetings are as follows:

Name	Date	Mode	Number of shareholders/proxies attended	Total number of shares represented ('000 shares)	Percentage of total share capital (%)
The inaugural meeting and the first general meeting	March 24, 2014	Physical	3	35,300,000	100
The first EGM of 2014	April 15, 2014	Physical	3	35,300,000	100
The second EGM of 2014	June 16, 2014	By circulation	3	35,300,000	100
The third EGM of 2014	September 17, 2014	Physical	3	35,300,000	100

All resolutions were passed at the above meetings. The major resolutions considered and passed at the general meetings during this reporting period mainly include:

- Resolution on the Establishment of CGN Power Co., Ltd. and the Capital Contributions by Its Promoters
- Resolution on the Articles of Association of CGN Power Co., Ltd.
- Resolution on Approval of Execution of the Reorganization Agreement of CGN Power Co., Ltd.
- Resolution on Approval of Execution of the Corporate Bond Novation Agreement
- Resolution on the Election of Directors for the First Session of Board of Directors of CGN Power Co., Ltd.
- Resolution on the Election of Supervisors for the First Session of the Supervisory Committee of CGN Power Co., Ltd.
- Resolution on the Conversion of CGN Power Co., Ltd. into a Joint Stock Company with Limited Liability through Overseas Listing of Shares
- Resolution on the Initial Public Offering of H Shares of CGN Power Co., Ltd. and the Reduction and Transfer of State-owned Shares in the Process of the Listing
- Resolution on the Initial Public Offering of Overseas-listed Foreign Shares (H Shares) of CGN Power Co., Ltd. and the Listing on the Main Board of The Stock Exchange of Hong Kong Limited
- Resolution on the Use and Investment of Proceeds from the Issuance of H Shares of CGN Power Co., Ltd.
- Resolution on the Formulation of the Articles of Association of CGN Power Co., Ltd. (H Shares)
- Resolution on the Formulation of the Procedural Rules of General Meetings of CGN Power Co., Ltd.
- Resolution on the Formulation of the Procedural Rules of the Board of Directors of CGN Power Co., Ltd.
- Resolution on the Formulation of the Procedural Rules of the Supervisory Committee of CGN Power Co., Ltd.
- Resolution on Approval of Execution of, and Authorizing the Board of Directors to Revise, Relevant Connected Transactions Framework Agreement
- Resolution on the Engagement of Auditors for the Offering and Listing
- Resolution on Approval of Acquisition of Equity Interests in Taishan Nuclear Power Joint Venture Co., Ltd. and Taishan Nuclear Power Industry Investment Co., Ltd. by CGN Power Co., Ltd.
- Resolution on Approval of the General Mandate to Issue New Shares of CGN Power Co., Ltd.
- Resolution on Approval of the Distribution Policy on Distributable Profit of CGN Power Co., Ltd. Accumulated during the Period from the Date of its Establishment to the Listing Date
- Resolution on Approval of the Dividend Distribution Policy of CGN Power Co., Ltd.
- Resolution on Approval of the First Registration and Issuance of Short-term Financing Bills by CGN Power Co., Ltd.
- Resolution on Approval of Engagement of Auditors for 2014 by CGN Power Co., Ltd.
- Resolution on Approval of the Proposed Remuneration Plan for Directors and Supervisors for 2014 of CGN Power Co., Ltd.

We were serious about the organization and convening of each general meeting. All Directors, Supervisors and senior management will endeavour to attend each general meeting, with the presence of witnessing lawyer(s). The 2014 AGM is expected to be held in May 2015. The Chairman of the Company and the chairmen of each Board Committees of the Company will attend the AGM and reply to questions raised by shareholders. The external auditor of the Company will also attend the AGM and reply to questions about audit practices, preparation and contents of the auditor's report, accounting policies and independence of auditors.

Board of Directors

Composition of the Board of Directors

We fully recognize the benefits of diversity in Board members to the development of the Company and were committed to establishing a board with members with a diverse background in the election of Directors for the first session of the Board. The Board of the members formulated the Board Diversity Policy and delegated the Nomination Committee to review the policy on a regular basis. Differentiation and diversity in many aspects, such as professional skills, industry experience, ages and qualifications, are reflected in the composition of the members of this session of the Board. Pursuant to the Articles of Association, the Board of the Company comprises nine Directors, among which, except for Mr. Gao Ligang, being a Director and the President of the Company, all the remaining Directors are non-executive Directors who are independent of our management, including three independent non-executive Directors. Each of the independent non-executive Directors has confirmed that he is independent of the Company, thereby contributing to critical review and control of management process.

The Board comprises of Zhang Shanming (張善明) (Chairman of the Board and non-executive Director), Gao Ligang (高立剛) (executive Director), Zhang Weiqing (張煒清) (non-executive Director), Shi Bing (施兵) (non-executive Director), Xiao Xue (肖學) (non-executive Director), Zhuo Yuyun (卓宇雲) (non-executive Director), Na Xizhi (那希志) (independent non-executive Director), Hu Yiguang (胡裔光) (independent non-executive Director) and Francis Siu Wai Keung (蕭偉強) (independent non-executive Director). The Directors of the Company

have extensive experience in management in the power industry, financial and accounting management, legal, auditing and other fields, respectively. The Directors are fully aware of their responsibilities, rights and obligations, and will perform their duties with truthfulness, integrity and diligence. In order to improve the decision-making body and its scientificity and raise the quality of substantial decisions, the Board has established three specialized Committees, namely the Audit Committee, Remuneration Committee and Nomination Committee according to the Hong Kong Stock Exchange Code and the Board has delegated the responsibilities to these specialized Committees as set out in their respective terms of reference. The chairmen of the three specialized Committees are independent non-executive Directors. In particular, independent non-executive Directors make up a majority of these Committees. During the period from the Listing Date up to December 31, 2014, the Board has at all times complied with the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules that at least three independent non-executive Directors have been appointed. Among them, at least one independent non-executive Director must have appropriate professional qualification or professional knowledge of accounting or professional knowledge related to financial management.

Each of the independent non-executive Directors has confirmed his independence according to Rule 3.13 of the Listing Rules, and all of them are considered as independent parties by the Company.

Since provisions of the Hong Kong Stock Exchange Code require Directors to disclose the number and nature of positions held in listed companies or entities and other material commitments, and their identities and duration of employment with the issuer, therefore, the Directors have agreed to disclose their relevant information timely to the Company.

Please refer to "Board of Directors, Supervisors and Senior Management" set out on page 72 of this Annual Report for the biographical details of all Directors. Except for those disclosed in such section, none of other information relating to the relationship between Director and Supervisor and other Directors, Supervisors and senior management shall be disclosed according to the Hong Kong Stock Exchange Code.

The Board has set up the Procedural Rules of Board of Directors, which specify the details of the decision-making by the Board, the terms of reference and procedures for the Board meetings, etc., and also set out special arrangements for voting on resolutions regarding major connected transactions and contracts. Directors shall not vote on any contract, transaction, arrangement or proposal in which he/she or any of his/her associates is materially interested, nor shall his/her be counted in the quorum. Where the number of the Directors who can vote on this matter is less than three, such issue shall be submitted to a general meeting for voting. In addition, the independent non-executive Directors shall provide independent opinions in accordance with laws and regulations and the Listing Rules. The Company will strictly review each resolution proposed at the Board meetings to find out whether there is any conflict of interest that requires Directors to abstain from voting. For example, as for the review of the Resolution on Approval of Acquisition of Equity Interests in Taishan Nuclear Power Joint Venture Co., Ltd. and Taishan Nuclear Power Industry Investment Co., Ltd. by CGN Power Co., Ltd. (《關於批准中國廣核電力股份有限公司收購台山核電合營有限公司和台山核電產業投資有限公司股權的議案》) at the 4th meeting of the first session of the Board, Mr. Gao Ligang abstained from voting on the resolution by virtue of his capacity as the chairman of the board of directors of Taishan Nuclear.

Duties of the Board

As the operating decision-making body of the Company, the Board performs its duties in accordance with the provisions set out in the Articles of Association. The Board is responsible for overall leadership of the Group, and supervises strategic decisions and monitors business and performance of the Group. The Board reports its work to the general meeting, implements the resolutions resolved at the general meeting and is responsible to the general meeting. The Board has delegated the powers and responsibilities for daily management and operation of the Group to the senior management of the Group.

All Directors of the Company are aware of their joint responsibility for the Company's operations, business and development, and perform their duties in accordance with the provisions of the service

contract and the Corporate Governance Code of the Company. All Directors must ensure that they have complied with the applicable laws and regulations, and devote sufficient time and efforts to handle the affairs of the Company, to act with integrity, prudence and skills and to assume their respective responsibilities. The major responsibilities of the Board include:

- formulating strategic direction of the Company;
- establishing objectives for the management;
- assessing the performance of the management;
- ensuring that a prudent and effective regulatory framework is in place to assess and manage risks;
- performing functions related to corporate governance, or delegating such functions to one or more committees;
- authorizing the Audit Committee, the Remuneration Committee and the Nomination Committee to perform the specific responsibilities in accordance with the Procedural Rules of Board of Directors and the terms of reference of the Board Committees.

The main corporate governance duties of the Board include:

- developing and reviewing the policies and practices regarding the corporate governance of the Company;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the rules regarding code of conduct applicable to employees and Directors;
- reviewing the Company's compliance with the Corporate Governance Code of the Company and the Hong Kong Stock Exchange Code and the disclosure in the Corporate Governance Report.

Delegation by the Board

The Board retains the power to decide on all material matters pertaining to the Company, including: approval and supervision on all policy matters, overall strategies and budgets, internal control and risk management system, material transactions (in particular those possibly involve conflict of interests), financial information and other major financial and operation matters. The Directors may seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and consult with the Company's senior management independently.

The daily management, administration and operation of the Company are delegated to the senior management. The delegated functions and responsibilities will be reviewed by the Board on a regular basis.

Board Committees

The Board established three committees with specific terms of reference, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The specialized committees shall conduct study on specific matters and furnish advice and recommendations thereon as a reference for the Board in its decision-making.

Audit Committee

Please refer to the "Report of Audit Committee" set out on page 112 of this Annual Report for details of the Audit Committee, including its composition, duties and responsibilities and annual work summary.

Remuneration Committee

Please refer to the "Report of Remuneration Committee" set out on page 114 of this Annual Report for details of the Remuneration Committee, including its composition, duties and responsibilities, annual work summary, remuneration policies and remuneration of the Directors, Supervisors and senior management for 2014.

Nomination Committee

Composition

The Nomination Committee comprises three members, namely Na Xizhi (an independent non-executive Director and the chairman of the Nomination Committee), Zhang Shanming (the Chairman and a non-executive Director) and Hu Yiguang (an independent non-executive Director). The details of their personal particulars were set out in the "Board of Directors, Supervisory Committee and Senior Management" of this Annual Report on page 72.

The Board has delegated to the Nomination Committee with written terms of reference prepared according to the relevant requirements of the Articles of Association, the PRC Company Law and the Listing Rules. The terms of reference are detailed in the Terms of Reference for the Nomination Committee of CGN Power Co., Ltd. and set out on the websites of the Company and the Hong Kong Stock Exchange.

Meetings of the Nomination Committee shall be held at least once a year or an extraordinary meeting shall be convened where necessary. The meetings shall review the composition of the Board and the policy on Board diversity and discuss the annual work plan, etc. The Nomination Committee may, if needed, engage with relevant professional institutions and listen to their advice before making decisions and then makes recommendations to the Board of the Company.

Duties and Responsibilities

- To review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board on a regular basis annually, and make recommendations on any proposed changes to the Board to complement the Company's strategies;
 - To recommend individuals suitably qualified to become members of the Board, select and nominate such individuals for directorships or make recommendations of such;
 - To assess the independence of independent non-executive Directors;
 - To make recommendations to the Board for the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the general manager;
 - To review the policy on Board diversity and any measurable objectives for implementing such Board diversity policy as may be adopted by the Board from time to time, and to review the progress on achieving the objectives;
 - To fulfill such other duties and responsibilities delegated by the Board.
- considered the Board Diversity Policy of CGN Power Co., Ltd. (《中國廣核電力股份有限公司董事會成員多元化政策》) and approved the submission thereof for the Board's approval;
 - reviewed the current Board structure and composition;
 - discussed the Nomination Committee Work Plan for 2015.

After evaluating the relevance of the skills and experience of each of the Directors to the Company's business, the Nomination Committee has confirmed that the existing structure of the Board is reasonable.

Board Diversity Policy

The Board has adopted the Board Diversity Policy of CGN Power Co., Ltd. for the nomination and appointment of new Directors, in which it sets out: (1) the objective of formulating this policy by the Board; (2) the vision; (3) the principles; (4) factors of consideration in the selection of Director candidates for compliance with diversification, including but not limited to sex, age, cultural and education background, race, professional experience, skills, knowledge and service period; and (5) review and reporting; etc. This policy has been disclosed on the Company's website.

Annual Work Summary

On December 18, 2014, the Nomination Committee convened an on-site meeting. The following matters were reviewed, considered and discussed at the meeting:

- listened to the report in relation to the procedures for nominating Director candidate and the relevant duties and responsibilities of the Nomination Committee;

Particulars of Board Meetings

The Company has adopted the practice of holding Board meetings on a regular basis. The notice of regular Board meeting and the meeting documents signed and issued by the management or chairmen of specialized Board Committees will be sent to all Directors at least 14 days prior to the date of convening the meeting to enable them to attend the meeting, have sufficient time to familiarize themselves with the meeting content and decision-making matters and include relevant matters for consideration in the agenda.

During the reporting period, we convened a total of 7 Board meetings, including 5 regular Board meetings and 2 extraordinary Board meetings. The convening and voting procedures of such meetings were all in compliance with the requirements under the Articles of Association and the Procedural Rules of Board of Directors. Details of the meetings are as follows:

No.	Name of meeting	Date	Mode
1	First meeting of the first session of the Board of Directors	March 24, 2014	Physical
2	Second meeting of the first session of the Board of Directors	April 15, 2014	Physical
3	First extraordinary meeting of the first session of the Board of Directors	June 16, 2014	By circulation
4	Third meeting of the first session of the Board of Directors	July 18, 2014	Physical
5	Fourth meeting of the first session of the Board of Directors	September 17, 2014	Physical
6	Fifth meeting of the first session of the Board of Directors	November 18, 2014	Physical
7	Second extraordinary meeting of the first session of the Board of Directors	December 15, 2014	By circulation

All resolution proposed at above meetings were approved. Major resolutions considered and approved by the Board during this Reporting Period include:

- Resolution on Election of the Chairman of the Board of Directors of CGN Power Co., Ltd.
- Resolution on Appointment of the President of CGN Power Co., Ltd.
- Resolution on Appointment of the Vice President of CGN Power Co., Ltd.
- Resolution on Appointment of the Chief Financial Officer of CGN Power Co., Ltd.
- Resolution on Appointment of the Secretary to the Board of CGN Power Co., Ltd.
- Resolution on the Establishment of the Internal Management Structure of CGN Power Co., Ltd.
- Resolution on Approval of Execution of Non-competition Deed

- Resolution on the Formulation of 2014 Operation Plan and Objectives of CGN Power Co., Ltd.
- Resolution on the Provisions on the Corporate Governance Authorization of CGN Power Co., Ltd.
- Resolution on the Appointment of Company Secretary and Engagement of Joint Company Secretary to the Company
- Resolution on the Election of Members of Board Committees of CGN Power Co., Ltd.
- Resolution on the Formulation of Terms of Reference for the Board Committees of CGN Power Co., Ltd.
- Resolution on Approval of the Financial Reports of CGN Power Co., Ltd. for 2011, 2012, 2013 and the period from January to March 2014
- Resolution on Approval of the Profit Forecast Report for 2014 of CGN Power Co., Ltd.
- Resolution on Approval of the Internal Control Assessment Report of CGN Power Co., Ltd.
- Resolution on Approval of H Share Listing Prospectus (A1 Proof) of CGN Power Co., Ltd.
- Resolution on the Appointment of Authorized Representatives of CGN Power Co., Ltd.
- Resolution on Approval of Application of Registration of CGN Power Co., Ltd. as a Non-Hong Kong Company
- Resolution on Approval of the 2014 Remuneration Plan for Senior Management of CGN Power Co., Ltd.
- Resolution on the Approval of the Internal Control Assessment Plan of CGN Power Co., Ltd.
- Resolution on Approval of Materials in relation to the Corporate Governance of CGN Power Co., Ltd. and Disclosure of the Relevant Matters to the Public in Emergency Situations
- Resolution on the Consideration of the Share Incentive Plan of CGN Power Co., Ltd.

Attendance of Directors at the Board Meetings, Board Committee Meetings and General Meetings

The table below shows details of attendance of Directors at the Board meetings, Board Committee meetings and general meetings during this reporting period.

Name	Position	Attendance / Frequency of Meetings				General Meeting
		Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	
Zhang Shanming	Chairman of the Board, Non-executive Director and member of the Nomination Committee	7/7			1/1	4/4
Gao Ligang	Executive Director and President	7/7				4/4
Zhang Weiqing	Non-executive Director	7/7				4/4
Shi Bing	Non-executive Director	6/7 ^(a)				3/4 ^(b)
Xiao Xue	Non-executive Director, member of the Remuneration Committee	7/7		2/2		4/4
Zhuo Yuyun	Non-executive Director, member of the Audit Committee	6/7 ^(c)	3/4 ^(d)			4/4
Na Xizhi	Independent non-executive Director, Chairman of the Nomination Committee and member of the Audit Committee	7/7	4/4		1/1	4/4
Hu Yiguang	Independent non-executive Director, Chairman of the Remuneration Committee and member of the Nomination Committee	7/7		2/2	1/1	4/4
Francis Siu Wai Keung	Independent non-executive Director, Chairman of the Audit Committee and member of the Remuneration Committee	6/7 ^(e)	4/4	2/2		3/4 ^(f)

(a) Shi Bing, a Director, failed to attend the fourth meeting of the first session of the Board due to other business engagement. He delegated in writing to Zhang Weiqing, a Director, to attend and vote at such meeting on his behalf.

(b) Shi Bing, a Director, failed to be present at the 2014 third extraordinary general meeting due to other business engagement.

(c) Zhuo Yuyun, a Director, failed to attend the fifth meeting of the first session of the Board due to other business engagement. He delegated in writing to Xiao Xue, a Director, to attend and vote at such meeting on his behalf.

(d) Zhuo Yuyun, a Director, failed to attend the third Audit Committee meeting due to other business engagement.

(e) Francis Siu Wai Keung, a Director, failed to attend the first meeting of the first session of the Board due to other business engagement. He delegated in writing to Hu Yiguang, a Director, to attend and vote at such meeting on his behalf.

(f) Francis Siu Wai Keung, a Director, failed to attend the 2014 first general meeting due to other business engagement.

Training for Directors

As stipulated by the Listing Rules, a director shall be aware of his duties. All newly appointed Directors have been provided with necessary induction training and materials to ensure that they will have proper understanding of the operation and business of the Company and their responsibilities under the relevant laws, regulations and rules.

In order to provide better assistance to the Directors for performing their duties, we have actively made arrangements for the Directors to participate in trainings in relation to, among others, the business and corporate governance aspects of a listed company. Furthermore, we will provide the Directors with written information on applicable policies and regulations issued by the regulators from time to time. In addition, the management of the Company will regularly provide the Directors with a monthly management report, which sets out the particulars such as achievements of our operating indicators, safety and environmental management, production and operation, project construction, as well as the progress of our major operational events. We will arrange the Directors to carry out on-site inspections from time to time every year to enable them to have a better understanding of our operation and business, and invite and encourage them to furnish reasonable suggestions and advice to the Company based on their respective areas of expertise.

For the year ended December 31, 2014, the current Directors have received the following trainings in relation to the roles, functions and duties of directors of listed companies.

Director	Trainings received		
	Reading Materials	Specific Trainings	On-site Inspections
Zhang Shanming	√	√	
Gao Ligang	√	√	
Zhang Weiqing	√	√	
Shi Bing	√	√	
Xiao Xue	√	√	
Zhuo Yuyun	√	√	
Na Xizhi	√	√	√
Hu Yiguang	√	√	√
Francis Siu Wai Keung	√	√	√

Reading Materials Materials such as the Listing Rules, duties of a director, domestic and foreign laws and regulations have been studied and total four volumes of studying materials have been distributed. These Materials mainly include: Extracts of the Listing Rules (Volume 1); Guidelines for Directors and Corporate Code of Conduct (Volume 2); Extracts of the Hong Kong "Companies Ordinance" (Volume 3); and Extracts of the Hong Kong "Securities and Futures Ordinance" (Volume 4)

Specific Trainings On July 18, 2014, all Directors of the Company attended a specific training, i.e. Main Board Listed Companies in Hong Kong – Duties and Continuous Responsibilities of Directors, Supervisors and Senior Management.

On-site Inspections Organizing the Directors to conduct on-site inspections on the nuclear power projects managed by the Company. The inspection activities in 2014 mainly include:

- From June 22 to June 26, 2014, the independent non-executive Directors of the Company conducted on-site inspections on the nuclear operation unit and nuclear engineering unit of the Company and DNMC, Taishan Nuclear and Yangjiang Nuclear.
- From October 22 to October 24, 2014, the independent non-executive Directors of the Company conducted on-site inspections on Hongyanhe Nuclear.

Appointment and Re-election of Directors

The Articles of Association have stipulated the detailed procedures for election and appointment of Directors. According to the Articles of Association, the Directors shall be elected at the general meeting and each term of office shall be three years, Directors must retire by rotation at least once every three years and may be re-elected for continuous appointment.

Candidates other than those for independent non-executive Directors shall be nominated by the Board, the Supervisory Committee or shareholders who individually or jointly hold 3% or more of the Company's voting shares and be elected at a general meeting of the Company.

Candidates for independent non-executive Directors of the Company shall be nominated by the Board, the Supervisory Committee or shareholders who individually or jointly hold 1% or more of the Company's voting shares and be elected at the general meeting of the Company.

Prior to the election of independent non-executive Directors, the following procedures shall be performed:

- The nominator of a candidate for independent non-executive Director shall seek consent of the nominee, has sufficient understanding on the occupation, academic qualifications, job qualification, detailed working experience and all part-time jobs of the nominee, and is responsible to provide written materials of the same to the Company before making the nomination. The candidate shall give a written undertaking to the Company agreeing to be nominated, to undertake the truthfulness and completeness of his particulars disclosed and to warrant the performance of a Director's duties after being elected;

- The nominator of an independent non-executive Director shall give his opinion on the qualification and independence of the nominee to act as an independent non-executive Director. The nominee shall make a public announcement as to the absence of any connection between the Company and him/her which would affect his/her independent and objective judgment;
- If shareholders with nomination rights nominate a candidate for independent non-executive Director at a general meeting of the Company according to the law, a written notice stating their intention to nominate a candidate for the Board and the nominee's consent of acceptance to be nominated, together with the written materials and undertaking of the nominee referred to in the above-mentioned two sub-paragraphs shall be delivered to the Company not less than 7 days (calculated after the Company has sent out the notice of meeting) before the date of convening the general meeting.

Prior to the election of Directors other than independent non-executive Directors, the following procedures shall be performed:

- The nominator of a candidate for Director shall seek consent of the nominee, has sufficient understanding of the occupation, academic qualifications, job qualification, detailed working experience and all part-time jobs of the nominee, and is responsible to provide written materials of the same to the Company before making the nomination. The candidate shall give a written undertaking to the Company agreeing to be nominated, to undertake the truthfulness and completeness of his/her particulars disclosed and to warrant the performance of a Director's duties after being elected;

- If the nomination of candidates for Directors is made before the convening of a Board meeting or a meeting of the Supervisory Committee of the Company, the written materials relating to the nominee referred to in the above-mentioned first sub-paragraph shall be announced together with the resolution of the Board meeting or Supervisory Committee meeting or the notice of the general meeting;
- If shareholders with nomination rights nominate a candidate for Director at a general meeting of the Company according to the law, a written notice stating their intention to nominate a candidate for Director and the nominee's consent of acceptance to be nominated, together with the written materials and undertaking of the nominee referred to in the above-mentioned first sub-paragraph shall be delivered to the Company not less than 7 days (calculated after the Company has sent out the notice of meeting) before the date of convening the general meeting.

We will review the appointment qualifications of Directors in strict compliance with the laws and regulations, the Listing Rules and the Articles of Association, especially the appointment conditions and independence of independent non-executive Directors. All nominees shall firstly be evaluated by the Nomination Committee before suitable candidates are recommended for election to become members of the Board. The Nomination Committee are also responsible for evaluating the composition of the Board, supervise the appointment, re-election for consecutive appointment and succession plans of Directors.

All Directors shall, upon appointment, enter into the directors' service contracts with the Company specifying the details of Directors' duties and the regulatory requirements and restrictions on Directors. All Directors shall understand that they assume joint responsibilities to all shareholders in respect of the Company's operation, business and development and shall perform their responsibilities pursuant to the requirements in the service contracts of directors, the Corporate Governance Code of the Company and the Hong Kong Stock Exchange Code. All Directors shall ensure they will devote sufficient time and efforts in dealing with the affairs of the Company and act in a prudent manner and assume responsibilities accordingly.

All executive Directors, non-executive Directors and independent non-executive Directors have entered into service contracts with the Company.

Directors' Undertakings

Directors of the Company have confirmed that they have devoted sufficient time and attention to the affairs of the Company during the year. All Directors have also disclosed to the Company the number and nature of their positions held in public companies or entities listed in Mainland China, Hong Kong and overseas and other significant commitments, and provide the names of the public companies and entities and the time involved in working for the relevant positions.

Each of the Directors has signed the Declaration for Dealing in the Company's Securities by Directors, Supervisors and Senior Management Officers (《董事、監事和高級管理人員買賣本公司證券聲明書》), undertaking to comply with the relevant confidentiality provisions and the securities dealing requirements, and has undertaken to obtain the prior written approval from the Chairman of the Board or the designated Directors before dealing in the Company's securities and report and disclose the same to the Hong Kong Stock Exchange. Directors shall notify the Company in writing of any changes in their personal information on a timely basis in order for the Company to timely report the same to the Hong Kong Stock Exchange and the Hong Kong Companies Registry within the prescribed period.

The Board Office of the Company will regularly remind Directors to disclose to the Company Secretary on a timely basis the information required to be disclosed in connection with matters needing disclosure by individuals under the Listing Rules.

Directors' Interest

As recorded in the register required to be kept pursuant to Section 352 of Part XV of the Hong Kong "Securities and Futures Ordinance", none of the Directors held any shares of the Company or any of the Company's associated corporations as at December 31, 2014.

Model Code for Securities Transactions

The Company has adopted the Code for Securities Transactions by Directors and Specific Persons, the provisions of which are not less stringent than the Model Code contained in Appendix 10 to the Listing Rules. After specific enquiries have been made on all Directors, the Directors, Supervisors and senior management have confirmed that they have complied with the Code for Securities Transactions by Directors and Specific Persons during the period from the Listing Date to December 31, 2014.

Roles of Chairman and President

According to the requirements of provision A.2.1 of the Hong Kong Stock Exchange Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Zhang Shanming and Mr. Gao Ligang were the Chairman and the President of the Company, respectively. The Articles of Association have expressly specified the functions and powers of the Chairman and the President. The main functions and powers of the Chairman include presiding the general meetings, convening and presiding meetings of the Board and the responsibility to review the implementation status of passed Board resolutions. The main functions and powers of the President include being in charge of the Company's production, operation and management, coordinating the implementation of the passed Board resolutions and reporting to the Board.

Pursuant to the Articles of Association, the President shall coordinate the implementation of the passed Board resolutions and report his/her work to the Board; the Chairman shall prepare the Directors' Report on behalf of the Board in respect of the work of the Board and submit the same to the Company's annual general meeting for consideration.

Directors' Financial Reporting Responsibilities in respect of Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended December 31, 2014 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided the necessary explanations and information to the Board enabling the Board to make an informed assessment on the Company's financial statements submitted to the Board for approval. The Company has provided monthly updated information on the performance, conditions and prospects of the Company to all members of the Board.

The statement made by the auditor of the Company on their reporting responsibilities in respect of the Company's consolidated financial statements is contained in "Independent Auditor's Report" of this Annual Report on page 126.

Supervisory Committee

Please refer to the “Report of Supervisory Committee” as set out in this Annual Report for details of the Supervisory Committee, including its composition, duties and responsibilities and the annual work summary for the year.

Company Secretary

The Board has appointed Mr. Fang Chunfa as the joint company secretaries. Mr. Fang is also the Board secretary of the Company. Pursuant to the requirements under the Listing Rules, we have also engaged Ms. Yung Mei Yee from KCS Hong Kong Limited as the joint company secretaries to provide assistance to Mr. Fang Chunfa in conducting his work. The Company secretaries also play essential roles in supporting the Chairman, Board and Board Committees by ensuring on time and precise information flow, so the Board policies, procedures and decisions are followed. The company secretaries have the right to advise on the corporate governance matters and assist Directors to familiarize with the affairs of the Company and acquire professional development.

According to Rule 3.29 of the Listing Rules, the joint company secretaries of the Company had taken no less than 15 hours of relevant professional training during the financial year ended December 31, 2014.

Management and Staff

The task of the management and staff of the Company is the successful implementation of strategy and direction determined by the Board, and they must observe national and local laws and regulations, and safeguard the interest of shareholders.

The delegation of specific authorities by the Board to the management is stated in the Provisions on the Corporate Governance Authorization (《治理授權規定》), and any amendment to the corporate governance authorization of the Company requires approval of the Board. The authorization delegated to the management and staff below the level of President have been stated in the provisions on the management authorization, and any amendment to the management authorization of the Company requires approval of the President.

The Staff Manual 《員工手冊》, which is prepared by the Company as an appendix to the employment contract, has the same effect as that of the employment contract. All staff who has signed employment contracts with the Company shall sign for receipt of the Staff Manual and make a statement that they have received, been aware of and will comply with all provisions set out in the Staff Manual. All management and staff are subject to the specific obligations as set out in the Staff Manual in respect of the work time, disciplines, workplace code, confidentiality and non-competition restriction, conflict of interests, value and code of conduct. All management and staff receive training on the Staff Manual on regular basis in order to ensure their understanding of Staff Manual.

The Company has formulated the Management Regulations on Non-compliance with Disciplines and Rules by Staff, which are rules and procedures for dealing with incidents of non-compliance with the Staff Manual and shall be strictly complied with by all management and staff. During 2014, there were 5 breaches of the Staff Manual and the disciplinary actions implemented included, among others, interview, warnings and criticisms. None of them materially impacts to the Company's financial statements and overall operations. The Company has established appropriate whistleblower channels and encourages employees and related third parties (such as suppliers) to report any misconduct, malpractices or irregularity in any matters related to the Company in confidential way.

We have expanded the applicable scope of the Company's Code for Securities Transactions by Directors and Specific Persons to cover Senior Management. According to specific inquiries made by the Company, all senior management officers confirmed that they have been in compliance with the relevant requirements throughout the year ended December 31, 2014.

The principles and details of the remuneration of senior management officers are set out in the “Remuneration Committee Report” on page 114 of this Annual Report.

The Company has attached great importance to the continuous professional development of management and staff. The details of its talent cultivation are set out in the “Human Capital” on page 50 of this Annual Report. During 2014, the Company has regularly organized senior management officers to participate in a series of trainings on the capital market during their leisure time after work, and since April 12, 2014, it has held a total of 26 specific trainings in relation to corporate governance, responsibilities and obligations of Directors, Supervisors and senior management officers, connected transactions, investor relations management and capital market-related laws and regulations and operation practice.

Internal Auditors

The Company has established an internal audit department, which plays a major role in monitoring the internal governance of the Company. The Group has 54 auditing staff with professional qualifications (such as senior auditors, internal auditors with international certifications, PRC certified public accountants and members of the Association of Chartered Certified Accountants in UK).

Duties of the audit department of the Company include:

- Unrestricted access to review all aspects of the activities and internal controls of the Company;
- Specific audits on the business, procedures, expenditures and internal controls of all functional departments, business units and subsidiaries of the Company on a regular basis;

- Specific reviews or audits of areas of concern identified by management or the Audit Committee.

The director of the audit department reports directly to the Audit Committee and the President, and his opinions may be reflected directly to the Board through the Chairman of the Audit Committee.

During 2014, the audit department of the Company conducted specific audit on key areas of management such as internal controls, project management and corporate governance of the Company as well as areas of concern identified by the management, and issued reports to senior management officers.

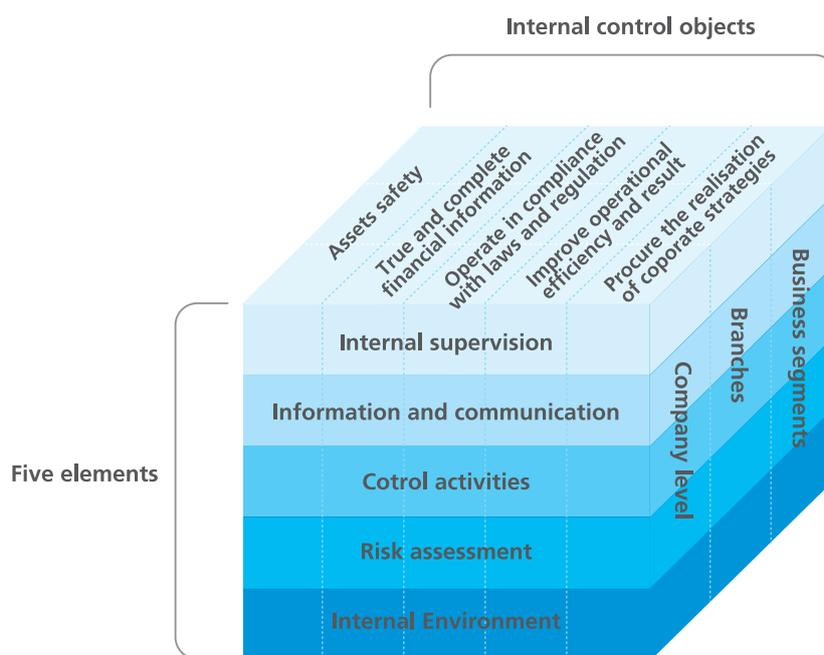
External Auditors

Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP have been appointed as international auditors and PRC auditors of the Company, to respectively audit the Company’s consolidated financial statements for the year ended December 31, 2014 prepared in accordance with IFRS and China Accounting Standards. Deloitte Touche Tohmatsu has audited the Company’s 2014 consolidated financial statements prepared in accordance with IFRS by the Company. The actual expense for auditing fees was RMB5.30 million in 2014.

Internal Control

Structure of the internal control system

Since its establishment, the Company has regarded the construction of internal control system as an integral component of the construction of its internal management system. The Company continued to enhance its internal control system under the framework as set out in the Basic Standards of Internal Control for Enterprises (《企業內部控制基本規範》) issued by five ministries and commissions including the Ministry of Finance, the CSRC, the National Audit Office of the PRC, the China Banking Regulatory Commission and the China Insurance Regulatory Commission of the PRC.



The internal control system structure of the Company covers the Board, the management and all staff. The Board and its Audit Committee oversee the internal control systems of the Company and monitor the effectiveness of initiatives and internal control measures taken by the management. The management is responsible for the design, implementation and improvement of the internal control measures.

The internal control system of the Company is based on clear management duties and authority, which covers the business operations of the Group. The Company specifies the management duties and internal supervision and check-and-balance mechanism as well as written process recording requirements by developing and releasing clear written management documents. Compliance with laws and regulations by the Company throughout its various activities is the basis for the Company’s operation.

The Company analyzes the internal environment of business organizations and operations, identifies risks and carries out rating of risks and develops specific control measures against risks of high rating in accordance with the Basic Standards of Internal Control for Enterprises and Application Guidelines of Internal Control for Enterprises (《企業內部控制應用指引》). We conduct self-assessment of internal control and independent inspections by the audit department annually. Depending on the assessment results, we shall develop the corresponding correction and improvement measures and follow up the effective implementation of the relevant correction and improvement measures.

Key Elements of Internal Control	Initiatives
Internal Environment	<ul style="list-style-type: none"> • The corporate governance structure specifies the management authority at various levels; • Internal organizations and posts clearly define the allocation of responsibilities and powers; • The internal supervision system • Corporate strategies • Integrity and moral values and corporate culture • Competency of staff
Risk Assessment	<ul style="list-style-type: none"> • Timely identifying and systematically analyzes risks associated with the realization of internal control objectives in the process of operation activities and reasonably determines strategies in response to risks
Control Activities	<ul style="list-style-type: none"> • Taking corresponding control measures and formulates internal rules, systems and procedures based on the risk assessment results to ensure the implementation of control measures • Covering major business areas such as funding activities, procurement, sales, engineering projects management, guarantee, research and development, business outsourcing, asset management and financial reporting • Formulating control measures from the perspectives of, among others, separation of incompatible duties, authority approval, accounting system control, property protection, budgets, operation analyses and evaluation
Information and Communication	<ul style="list-style-type: none"> • Timely and accurately collecting and communicating information in relation to internal controls to ensure effective communication of information within the enterprise or between the enterprise and external parties
Internal Supervision	<ul style="list-style-type: none"> • Regularly evaluating the implementation of systems and procedures • Independent internal monitor and audit activities • Self-assessment of internal control system on a regular basis

Internal control evaluation

According to the relevant provisions of the Basic Standards of Internal Control for Enterprises (《企業內部控制基本規範》), Assessment Guidelines of Internal Control for Enterprises (《企業內部控制評價指引》) and the Notice on Matters Concerning the Acceleration of Construction of Internal Control System of State Enterprises(《關於加快構建中央企業內部控制體系有關事項的通知》) published by State-owned Assets Supervision and Administration Commission, we have prepared the Internal Control Assessment Proposal for 2014 of the Company (hereinafter referred to as the “**Internal Control Assessment Proposal**”), which clearly provides the evaluation covers the full financial year ended December 31, 2014, and determines the major units, businesses and matters to be included in the scope of evaluation as well as high-risk areas based on the risk-oriented principle. The Internal Control Assessment Proposal was approved at the fifth meeting of the Board in November 2014.

In accordance with the approved Internal Control Assessment Proposal, entities included in the scope of the current internal control evaluation mainly comprised the Company and 9 subsidiaries, which covered all business segments and major business areas of the Company; as at December 31, 2014, the aggregate net assets and operating revenue of the aforesaid companies represented approximately 73% and 84% of the net assets and operating revenue in the combined financial statements, respectively. None of those subsidiaries which were not included in this evaluation had business or matters which would materially affect the Company’s operation and management.

Each of those entities which are included in the relevant evaluation shall, based on its own business characteristics and key points of management, follow the principles of comprehensiveness and importance to incorporate key business areas and major business processes into the scope of evaluation. Overall speaking, high-risk areas that need to be focused on mainly include, among others, investment management, security and emergency management, sales and revenue management, procurement and expenditure management, asset management and information technology system management. The aforesaid

businesses and matters included in the scope of evaluation together with high-risk areas cover the major aspects of the Company’s operational management and there is no material omission.

Based on the determination of material defects in the internal control on the Company’s financial reporting, as of the benchmark date (December 31, 2014) of the internal control evaluation report, there were no material defects in the internal controls on the financial reporting, and the Board considers that the Company has maintained effective internal control on financial reporting in all material aspects in compliance with the requirements of the Regulated System of Internal Control for Enterprises (企業內部控制規範體系) and the relevant provisions.

Based on the determination of material defects in the internal control on the Company’s non-financial reporting, as of the benchmark date of the internal control evaluation report, the Company was not aware of any material defect in the internal control on non-financial reporting.

From the benchmark date of the internal control evaluation report up to the issue date of the internal control evaluation report, there were no factors which would affect the evaluation conclusion of effectiveness of internal controls.

Monitoring inside information

The measures for the management and control of inside information by the Company are as follows:

- The Company has expressly stated in the Staff Manual that unauthorized use of confidential or inside information is strictly prohibited;
- The Company has regulated the channels of disseminating information;
- We have developed the Information Disclosure Management System (《信息披露管理制度》) and its ancillary procedures to regulate the management requirements and handling procedures of inside information;
- The relevant trainings on information disclosure have been provided to the Company’s management, subsidiaries and affiliated companies.

Conclusion

Our Board and the management have placed great emphasis on the continuous improvement in our corporate governance practices, which is not only a requirement on the Company's compliance with the laws and regulations, but also a safeguard for maintenance and enhancement of shareholders' value. Through the Corporate Governance Report, the Corporate Governance Code of the Company and the Company's website, we provide comprehensive information about our corporate governance practice to shareholders and other business related parties on a regular and non-regular basis. All Directors, Supervisors and management of the Company will try their best to practically comply with announced policies and fulfil their commitments. We will continue to monitor and improve our corporate governance measures in line with regulatory requirements, cumulative experience and international good practices.



The Board of the Company has been contributing in respect of the interests of the shareholders by upholding its standard and openness of its management philosophy