

Corporate Governance Report

Brief Introduction to 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 (the "Listing Rules"). 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) (the "Corporate Governance Code of the Company") on November 18, 2014. Pursuant to the latest revision of the Hong Kong Stock Exchange Code and the Procedural Rules of Board of Directors of the Company, the Board approved the revision of the

Corporate Governance Code on January 6, 2016, which mainly included the matters related to risk management in the duties of the Audit Committee and the addition of matters related to the Nuclear Safety Committee. On March 14, 2016, the Board approved to change the name of the Audit Committee into the Audit and Risk Management Committee.

In 2016, the Corporate Governance Code of the Company is in compliance with all code provisions of Hong Kong Stock Exchange Code. Only two of the recommended best practices (namely, a listed company should announce and release reports on quarterly results and issuers should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in its annual reports) had not been adopted by the Company. In 2016, we released a total of four quarterly operational briefings to disclose the Company's on-grid power generation, the operation status of the generating units in operation and the construction progress of the generating units under construction. During the end of each quarter, we also publish quarterly financial statement for the domestic market according to the requirement of the local debt securities market, and publish overseas regulation announcement on the website of the Hong Kong Stock Exchange to disclose the quarterly financial position on the basis of the PRC accounting rules, and to appropriately indicate the differences from that by the International Accounting Standards. 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 all kinds of periodic reports and the Company website.

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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 service contracts with our Directors and Supervisors do not contain any provisions under which the Company shall not terminate such contracts within one year without compensation (except for statutory compensation).
- The coverage of the Directors' liabilities insurance we have purchased has been extended to all directors of our subsidiaries and major affiliated companies. The maximum indemnity of the insurance policy for the renewal maintains at a relatively high level.
- The Board Secretary of the Company will sort out the actions from the meeting within one week after each board meeting, and continuously follow up the implementation of the actions from the meeting. The Board Secretary of the Company will report to the Board in respect of the implementation of actions at the next board meeting and continue to follow up the actions which are still within the timeframe.
- 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 (the "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 confirmation of their compliance with such code.

Corporate Governance Framework

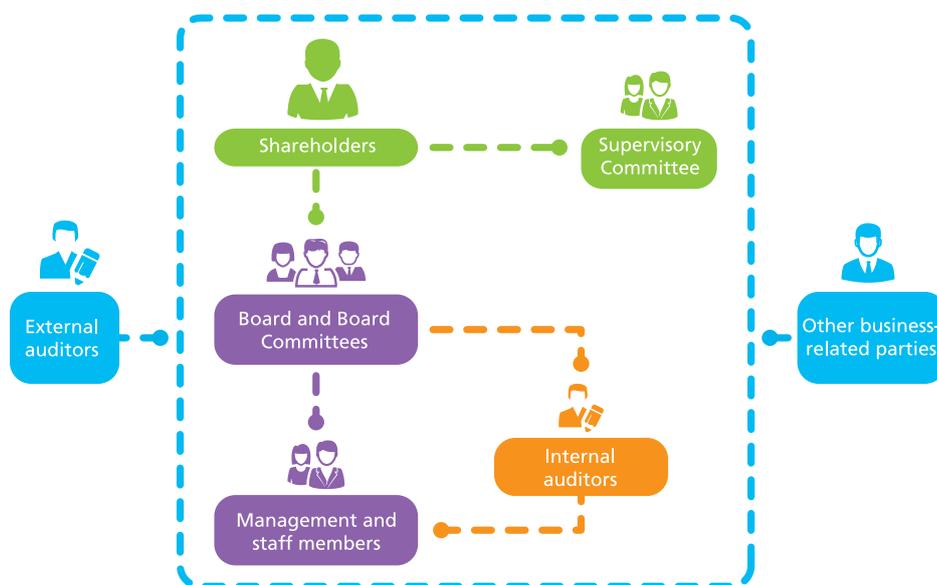
The corporate governance framework of CGN Power is designed to safeguard the interests of shareholders and it involves all the key participants in the corporate governance practices of the Company, reflecting the ways in which they relate to each other and their roles and functions in corporate governance.

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 to 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

In 2016, as the change of name of the Audit Committee into the Audit and Risk Management Committee and the change of registered address, the Company made amendments to the Articles of Association and the Procedural Rules of Board of Directors, which were approved at the 2015 AGM. The Board approved the amendments to the Corporate Governance Code of the Company and the Terms of Reference of the Audit and Risk Management Committee of the Board of Directors. The Board also authorised the executive Directors to confirm the purchase and sale of the Company's securities by the Chairman. The Company continuously improved the regulatory documents on governance and formulated the Identification and Responding Procedures of Capital Market Crisis of CGN Pwer Co., Ltd. (《中國廣核電力股份有限公司資本市場危機識別及應對流程》) and the Procedures of Trading Halt, Suspension and Resumption of CGN Pwer Co., Ltd. (《中國廣核電力股份有限公司股票短暫停牌、停牌及復牌流程》).



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As of the end of 2016, 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.* (the “**Procedural Rules of Board of Directors**”)
- Procedural Rules of Supervisory Committee of CGN Power Co., Ltd. (the “**Procedural Rules of Supervisory Committee**”)
- Provisions on the Corporate Governance Authorization of CGN Power Co., Ltd. (the “**Provisions on the Corporate Governance Authorization**”)
- Terms of Reference for the Audit and Risk Management 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.*
- Terms of Reference for the Nuclear Safety Committee of CGN Power Co., Ltd.*
- Board Diversity Policy of CGN Power Co., Ltd.*
- 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 Comprehensive Risk Management of CGN Power Co., Ltd.
- Management Rules on Internal Auditing of CGN Power Co., Ltd.
- Procedures of Trading Halt, Suspension and Resumption of CGN Pwer Co., Ltd.

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

Major amendments to the Articles of Association

On May 27, 2016, amendments to the Articles of Association have been passed on the AGM of the Company, which are mainly related to the change of registered address of the Company:

Article Number	Content Before Amendments	Content After Amendments
Article 3	The address of the Company: 24/F, Science & Technology Building, No.1001 Shangbuzhong Road, Futian District, Shenzhen, Guangdong, People's Republic of China. Zip Code: 518031 Tel: 86-755-83671649 Fax: 86-755-83699221	The address of the Company: 18/F, South Tower, CGN Building, No.2002 Shennan Road, Futian District, Shenzhen. Zip Code: 518026 Tel: 86-755-84430888 Fax: 86-755-83699089

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 of the end of 2016, none of the Company, the 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, etc.

Among nine Directors of the Company, three non-executive Directors hold positions in CGNPC. Among which, Mr. Zhang Weiqing, the non-executive Director appointed by CGNPC, has resigned due to retirement on July 22, 2016, and Mr. Gao Ligang, the executive Director and President, was appointed as the chairman of GNS in June 2016. Mr. Shu Guogang, the former vice president of the Company, resigned due to changes in his work commitments on May 26, 2016 and Mr. Shu served as general manager of CGN Engineering before his resignation. Other than that, none of the senior management of the Company holds positions in CGNPC.

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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. For example, during the consideration of the Resolution on Consideration of Acquisition of Equity Interest in Guangxi Fangchenggang Nuclear Power Co., Ltd. and Relevant Companies by CGN Power Co., Ltd. and the Guarantee Arrangement and the Resolution on Consideration of Entering into the Framework Agreements and Supplemental Agreements Related to Continuing Connected Transactions of the Company and the Annual Caps for Transactions on the fourth interim meeting of the first session of the Board of the Company, due to the constitution of connected transactions between the Company and the controlling shareholders, CGNPC, as a result of such agreements, our Directors Zhang Shanming and Shi Bing (as the representative directors of the controlling shareholder) abstained from voting on this resolution.

Particulars of Horizontal Competition

We entered into a custodian management framework agreement with CGNPC on April 28, 2014, pursuant to which the Group will provide certain custodian services and exercise rights or powers over the custodian target companies.

In 2015, we entered into supplementary agreements with CGNPC for two times, incorporating into our scope of custody services, CGN Huizhou Nuclear Power Co., Ltd. (中廣核惠州核電有限公司) (“**Huizhou Nuclear Power**”), CGN Cangnan Nuclear Power Co., Ltd. (中廣核蒼南核電有限公司) (“**Cangnan Nuclear Power**”) and CGN Ocean Power Co., Ltd. (中廣核海洋能源有限公司) (“**Ocean Power**”).

On March 14, 2016, the Group made further amendment to the Custodian Management Framework Agreement with CGNPC, which specified the custodian's right and responsibility in the operation management of the company under custody and the major operation matters of the company under custody required to be reported to the trustor for decision, and expanded the scope of custody to CGN Hebei Thermal Power Co., Ltd. (中廣核河北熱電有限公司) (“**Hebei Thermal Power**”). Given the relevant adjustment to the scope of custody and the scope of operation management, the maximum amount of custody fee also increased to RMB15 million for the three financial years from 2016 to 2018 after the amendment to the agreement.

As of 31 December 2016, the target companies under custody included: Xianning Nuclear Power Co., Ltd. (咸寧核電有限公司) (“**Xianning Nuclear**”), Hubei Nuclear Power Co., Ltd. (湖北核電有限公司), Huizhou Nuclear Power, Cangnan Nuclear Power, Ocean Power and Hebei Thermal Power.

In order to limit potential competition between CGNPC and its subsidiaries (our Company excluded, and CGNPC's associates included for purposes of the connected transactions) (“**CGN Group**”) and 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.

As of the date of this Annual Report, pursuant to the non-competition deed, in addition to the acquisition of Taishan Nuclear project by the Company pursuant to the executed relevant agreements, the Company also completed the acquisition of 61% equity interest of Fangchengang Nuclear, 100% equity interest of Lufeng Nuclear and 100% equity interest of CGN Engineering from CGNPC in 2016, details of which were set out in the announcements dated September 26, 2016, November 16, 2016 and November 30, 2016 and the circular dated September 29, 2016. In addition, CGNPC has sent a notification to the Company regarding the new business opportunity, which is a nuclear power station construction project located in the UK (the "UK Project"), three independent non-executive Directors of the Company have decided in writing that the Company will not participate in the investment in UK Project. Please refer to the announcement dated March 1, 2016 for details. 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. CGNPC confirmed that no default of non-competition deed has been found during this reporting period.

Shareholders

Shareholders' Rights

Shareholders' rights are based on certain laws and regulations, such as the Company Law of the People's Republic of China, the Hong Kong Companies Ordinance and 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.

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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.

We are 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. We also firmly believe in the importance of timely and adequate disclosure of the Company's information 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 us and the shareholders, and a website has been set up (www.cgnp.com.cn) to 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 AGM 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 AGM and reply to questions raised by shareholders. The external auditors 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.

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 EGM. The relevant request may be proposed in writing to the Board requesting the Board to convene an EGM to deal with the matters specified in the request. The relevant EGM 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 of December 31, 2015	As of December 31, 2016
Total number of registered shareholders	4,213	4,116
Registered shareholders of H shares	4,210	4,113

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
	Guangdong Hengjian Investment Holdings Co., Ltd. ("Hengjian Investment")	3,428,512,500	7.54
	China National Nuclear Corporation	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")	1,033,893,409	2.27
	Shareholders of other issued and sold H shares	9,987,297,591	21.98

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 is 24.25%. Our current minimum public float meets the requirements.

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General Meetings

Pursuant to the Articles of Association, general meetings are divided into AGM and EGM. General meetings shall be convened by the Board. AGM is 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 Company Law of the PRC 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 item 3 above shall be calculated on the basis of the number of shares held as of the date of written request from the shareholders.

In 2016, we held one general meeting and one EGM, both of which were held in Hong Kong, to ensure that the H shareholders can attend the general meetings conveniently. In particular, approximately 300 shareholders or their authorised proxies attended the 2015 AGM, representing 37.9 billion shares which accounted for 83.43% of the total number of shares. Approximately 200 shareholders or their authorised proxies attended the 2016 EGM, representing 38.4 billion shares which accounted for 84.49% of the total number of shares. All resolutions were passed on such two general meetings.

The resolutions considered and passed at 2015 AGM:

by Ordinary Resolution:

- Report of the Board of Directors for the year 2015
- Report of the Supervisory Committee for the year 2015
- 2015 Annual report
- Audited financial report for the year 2015
- Profit distribution plan for the year 2015
- Investment plan and capital expenditure budget for the year 2016
- Re-appointment of auditors for the year 2016
- Remuneration of Directors and Supervisors for the year 2016

by Special Resolution:

- Registration and Issuance of ultra-short-term debentures in the PRC
- Amendments to the Procedural Rules of Board of Directors
- Amendments to the Articles of Association
- The grant of a general mandate to issue shares

The resolutions considered and passed at the 2016 EGM include:

by Ordinary Resolution:

- Major and connected transaction in relation to the Acquisition of the target interests from CGN
- Continuing connected transactions in relation to the general services, engineering services and nuclear fuel supply and services framework agreements

by Special Resolution:

- Issuance of medium and long-term debentures
- Extension of the authorization period for the issue of short-term debentures

We are serious about the organization and convening of each general meeting. All Directors attended the AGM, with the presence of witnessing lawyer(s). The Chairman and the executive directors attended the AGM and replied to questions raised by shareholders. The external auditors of the Company also attended the AGM and the EGM, replied to questions about audit practices, preparation and contents of the auditors' report, accounting policies and independence of auditors. The independent financial advisor engaged by the Company also attended the 2016 EGM. The 2016 AGM is expected to be held in May 2017.

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.

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As of 31 December, 2016, the Board comprises Zhang Shanming (張善明) (Chairman of the Board and non-executive Director), Gao Ligang (高立剛) (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). Zhang Weiqing (張煒清), a former non-executive Director, has resigned due to retirement on July 22, 2016. Thus, currently there are 8 Directors, which will not affect the normal operation of the Board. 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 four specialized Committees, namely the Audit and Risk Management Committee, Remuneration Committee, Nomination Committee and Nuclear Safety Committee according to the Hong Kong Stock Exchange Code and the characteristics of the Company's industry and the Board has delegated the responsibilities to these specialized Committees as set out in their respective terms of reference. The chairmen of the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee are independent non-executive Directors. The Nuclear Safety Committee is chaired by our chairman Zhang Shanming. The Board has at all times complied with the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules for the year 2016 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, Supervisory Committee and Senior Management" set out on page 90 of this Annual Report for the biographical details of all Directors. Except for those disclosed in the 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 terms of reference of the Board 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 and remind all Directors for confirmation before meetings. For example, for the consideration of the Resolution on the Approval of Transfer of Nigang Road Property and Execution of Relevant Agreement by the Joint Venture (《關於批准合營公司轉讓泥崗路房產和簽署相關協議的議案》) on the twelfth meeting of the first session of the Board, due to the constitution of one-off connected transaction between the Company and the controlling shareholders, CGNPC, as a result of such agreement, Directors, Zhang Shanming, Zhang Weiqing and Shi Bing (as the representative directors of the controlling shareholder) abstained from voting on this resolution.

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, supervision on the Group's strategic decisions and supervision on business and performance. The Board reports its work to the general meeting, implements the resolutions resolved at the general meeting and is accountable 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 guideline of the Company;
- developing working targets of the management;
- evaluating the performance of the management;
- ensuring the Company to implement a prudent and effective regulatory framework to evaluate and manage risks;
- performing the function of corporate governance for the Company or arrange one or more committees to perform related duties;
- authorizing dedicated committees 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.

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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 four committees with specific terms of reference, namely the Audit and Risk Management Committee, the Remuneration Committee, the Nomination Committee and the Nuclear Safety 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 and Risk Management Committee

Please refer to the "Report of Audit and Risk Management Committee" set out on page 140 of this Annual Report for details of the Audit and Risk Management 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 143 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 2016.

Nomination Committee

Please refer to the "Report of Nomination Committee" set out on page 146 of this Annual Report for details of the Nomination Committee, including its composition, duties and responsibilities and annual work summary.

Nuclear Safety Committee

Please refer to the "Report of Nuclear Safety Committee" set out on page 148 of this Annual Report for details of the Nuclear Safety Committee, including its composition, duties and responsibilities and annual work summary.

Particulars of Board Meetings

The Company has adopted the practice of holding Board meetings on a regular basis. The Company set out the next year's meeting schedule one year in advance. 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 8 Board meetings (5 regular board meetings and 3 interim 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	Eleventh meeting of the first session of the Board of Directors	January 6, 2016	Physical
2	Twelfth meeting of the first session of the Board of Directors	March 14, 2016	Physical
3	Thirteenth meeting of the first session of the Board of Directors	May 26, 2016	Physical
4	Third interim meeting of the first session of the Board of Directors	July 22, 2016	By circulation
5	Fourteenth meeting of the first session of the Board of Directors	August 24, 2016	Physical
6	Fourth interim meeting of the first session of the Board of Directors	September 25, 2016	Physical
7	Fifteenth meeting of the first session of the Board of Directors	November 15, 2016	Physical
8	Fifth interim meeting of the first session of the Board of Directors	November 30, 2016	By circulation

All resolutions proposed at above meetings were approved. Save for the resolutions passed at above general meetings, major resolutions considered and approved by the Board during this Reporting Period also include:

- Resolution on Approval of 2016 Operational Plan of the Company
- Resolution on Approval of 2016 Internal Audit Plan of the Company
- Resolution on Approval of 2016 Comprehensive Risk Management Report of the Company
- Resolution on Approval of Amendment to the Custodian Framework Agreement by the Company
- Resolution on Approval of 2015 Internal Control Assessment Report of CGN Power Co., Ltd.
- Resolution on Approval of 2015 Comprehensive Risk Management and Supervision Assessment Report of CGN Power Co., Ltd.
- Resolution on Approval of Transfer of Nigang Road Property and Execution of Relevant Agreement by the Joint Venture

Corporate Governance Report

- Resolution on Approval of the 2016 Remuneration Plan for the Chief Financial Officer and Other Senior Management of CGN Power Co., Ltd.
- Resolution on Approval of the 2015 Performance Assessment Result and the 2016 Performance Assessment of the President of the Company
- Resolution on Approval of the 2015 Performance Assessment Result and the 2016 Performance Assessment of Chief Financial Officer and Other Senior Management
- Resolution on Approval of Renewal of Directors' Liabilities Insurance of the Company
- Resolution on Appointment of Board Secretary and Company Secretary of the Company
- Resolution on Approval of Issue of 2015 Environmental, Social and Governance Report of the Company
- Resolution on Approval of Authorizing the Executive Directors to Confirm the Purchase and Sale of the Company's Securities by the Chairman
- Resolution on Approval of Authorizing the Chairman to Handle the Matters Related to "Trading Halt, Suspension and Resumption" of the H Shares of the Company with Full Power
- Resolution on Approval of Transfer of 17% Equity Interest in Yangjiang Nuclear Power Co., Ltd. Through Public Tender
- Resolution on Approval of Execution of the Transfer Agreement of 17% Equity Interest in Yangjiang Nuclear Power Co., Ltd.
- Resolution on Approval of Increase of Registered Capital of Taishan Nuclear Power Joint Venture 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					
		Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Nuclear Safety Committee	General Meeting
Zhang Shanming	Chairman of the Board and Non-executive Director Member of the Nomination Committee Chairman of the Nuclear Safety Committee	8/8			2/2	2/2	2/2
Gao Ligang	Executive Director and President Member of the Nuclear Safety Committee	7/8 ^(a)				1/2 ^(g)	2/2
Zhang Weiqing	Non-executive Director	2/3 ^(b)					1/1
Shi Bing	Non-executive Director	7/8 ^(c)					2/2
Xiao Xue	Non-executive Director Member of the Remuneration Committee Member of the Nuclear Safety Committee	7/8 ^(d)		1/1		1/2 ^(h)	1/2 ⁽ⁱ⁾
Zhuo Yuyun	Non-executive Director Member of the Audit and Risk Management Committee Member of the Nuclear Safety Committee	7/8 ^(e)	4/5 ^(f)			2/2	2/2
Na Xizhi	Independent non-executive Director Chairman of the Nomination Committee Member of the Audit and Risk Management Committee Member of the Nuclear Safety Committee	8/8	5/5		2/2	2/2	2/2
Hu Yiguang	Independent non-executive Director Chairman of the Remuneration Committee Member of the Nomination Committee	8/8		1/1	2/2		2/2
Francis Siu Wai Keung	Independent non-executive Director Chairman of the Audit and Risk Management Committee Member of the Remuneration Committee	8/8	5/5	1/1			2/2

Corporate Governance Report

- (a) Gao Ligang, a Director, failed to attend the eleventh meeting of the first session of the Board due to other business engagement. He delegated in writing to Zhang Shanming, a Director, to attend and vote at such meeting on his behalf.
- (b) Zhang Weiqing, a Director, reached the age of retirement on July 22, 2016, and three board meetings and the AGM were held during his term of office. He failed to attend the eleventh meeting of the first session of the Board due to other business engagement. He delegated in writing to Shi Bing, a Director, to attend and vote at such meeting on his behalf.
- (c) Shi Bing, a Director, failed to attend the fourteenth meeting of the first session of the Board due to other business engagement. He delegated in writing to Gao Ligang, a Director, to attend and vote at such meeting on his behalf.
- (d) Xiao Xue, a Director, failed to attend the fourteenth meeting of the first session of the Board and the fourth meeting of the EGM due to other business engagement. He delegated in writing to Zhuo Yuyun, a Director, to attend and vote at such meeting on his behalf.
- (e) Zhuo Yuyun, a Director, failed to attend the fifteenth 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.
- (f) Zhuo Yuyun, a Director, failed to attend the thirteenth meeting of the Audit and Risk Management Committee due to other business engagement. He delegated in writing to Na Xishi, a Director, to attend and vote at such meeting on his behalf.
- (g) Gao Ligang, a Director, failed to attend the third meeting of the Nuclear Safety Committee due to other business engagement.
- (h) Xiao Xue, a Director, failed to attend the fourth meeting of the Nuclear Safety Committee due to other business engagement.
- (i) Xiao Xue, a Director, failed to attend the 2016 EGM 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.

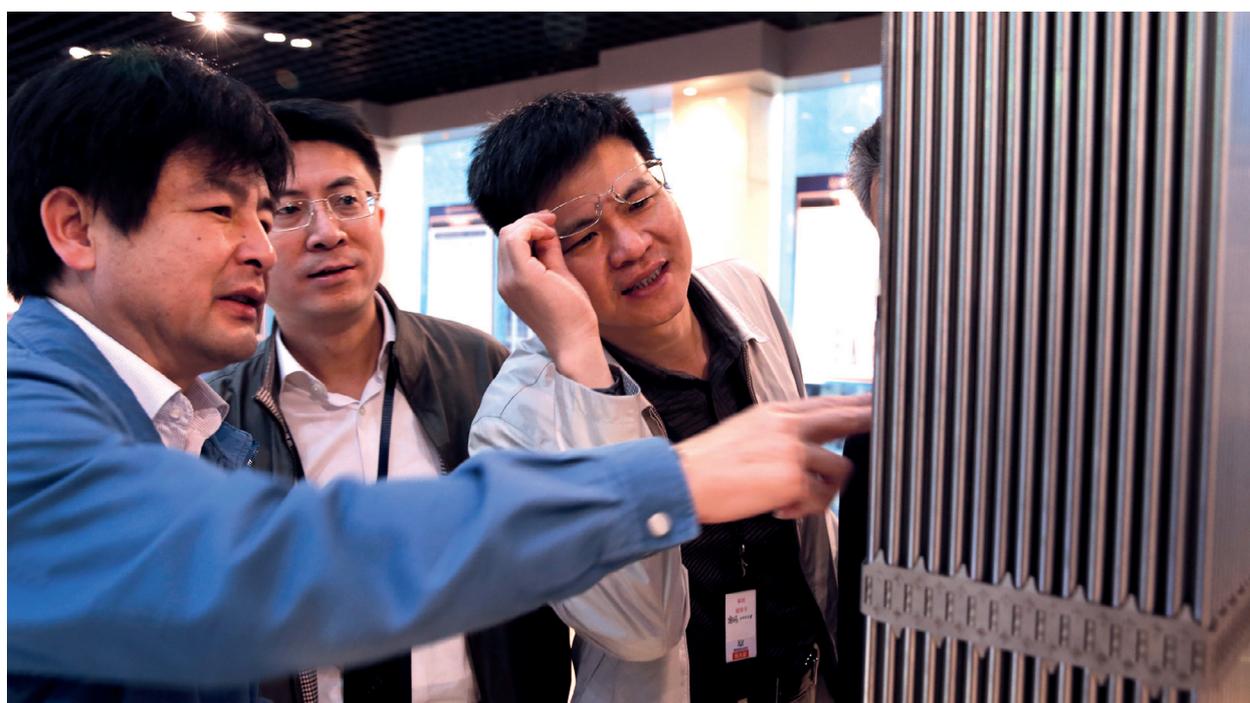
In order to provide better assistance to the Directors for performing their duties, we have actively made arrangements for the Directors to participate in trainings in relation to, among others, the business and corporate governance aspects of a listed company. Furthermore, we will provide the Directors with written information on applicable policies and regulations issued by the regulators from time to time. In addition, the management of the Company will monthly 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. Since 2016, we have added financial information of the Company and industry information in the monthly management report. 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, 2016, 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	√	√	√

Note: Mr. Zhang Weiqing, a non-executive Director, has resigned due to retirement on July 22, 2016.

Reading Materials	Materials include Company Management Monthly Report (a total of 12 issues) and Company Comprehensive Risk Management Quarterly Report (a total of 4 issues).
Special Trainings	<p>The Company has organized two special trainings for Directors in 2016, including:</p> <ul style="list-style-type: none"> • On August 24, 2016, the seminar of “the Management and Procedure System of CGN’s Nuclear Power Plants” given by senior lecturer in the field of nuclear power operation training. • On November 15, 2016, the seminar of “2017 Marco Economy Outlook” held by China International Capital Corporation Limited and the training of “Relevant Amendment to the Hong Kong Stock Exchange Listing Rules” held by King & Wood Mallesons.
On-site Inspections	<p>In 2016, the Directors of the Company participated in 4 inspections related to nuclear power plants, including:</p> <ul style="list-style-type: none"> • On January 4, 2016, the Directors conducted on-site inspections in Huaneng Haifeng Power Plant. • From April 21 to 23, 2016, the Directors conducted on-site inspections in CGN Uranium Resources Co., Ltd. (“CGN Uranium”) and CNNC Jianzhong Nuclear Fuel Co., Ltd (“CNNC Jianzhong”). • On May 26, 2016, the Directors conducted on-site inspections in CGN Design Institute. • From September 5 to 8, 2016, the Directors conducted on-site inspections in CNNC 404 Co., Ltd. and CNNC Lanzhou Uranium Enrichment Co., Ltd.



In April 2016, Directors of the Company conducted on-site inspections in CNNC Jianzhong Nuclear Fuel Co., Ltd.

Corporate Governance Report

Appointment and Re-election of Directors

The Articles of Association have stipulated the detailed procedures for 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 seven 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, supervising 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 for a term of three years. As the first session of the Board of the Company were elected on March 24, 2014, the tenure of the first session of the Board will expire on March 23, 2017 according to the Articles of Association, and the candidates for Directors of the second session of the Board of the Company will be proposed to the 2016 AGM for election. The Directors of the first session of the Board will continue to perform their duties before the second session of the Board of the Company are elected.

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. All Directors have signed the confirmation for disclosure of interests by Directors, Supervisors and Senior Management on both board meetings for annual and interim results. 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 of December 31, 2016.

Corporate Governance Report

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 for the year 2016.

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 AGM 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, 2016 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 auditors 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 162.

Supervisory Committee

Please refer to the "Report of Supervisory Committee" as set out in this Annual Report on Page 149 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. Wei Qiyang as a joint company secretary. Mr. Wei is also the Board secretary of the Company. Pursuant to the requirements under the Listing Rules, we have also engaged Ms. Mok Ming Wai from KCS Hong Kong Limited as the joint company secretary to provide assistance to Mr. Wei 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.

Mr. Fang Chunfa, the former Board Secretary, has tender his resignation as a joint company secretary and Board secretary for reason of job transfer and the Board has appointed Mr. Wei Qiyuan in replacement of Mr. Fang as a joint company secretary. Ms. Yung Mei Yee has also tendered her resignation as a joint company secretary, an authorised representative and the agent for services of process in Hong Kong of the Company for personal reasons, and the Board has appointed Ms. Mok Ming Wai in replacement of Ms. Yung as a joint company secretary, an authorised representative and an agent for acceptance of services of process in Hong Kong of the Company. The resignations of Mr. Fang and Ms. Yung and the appointments of Mr. Wei and Ms. Mok are effective since March 16, 2016. For further details, please refer to the announcement of the Company dated March 14, 2016.

According to Rule 3.29 of the Listing Rules, the then joint company secretaries of the Company, Mr. Wei and Ms. Mok, had taken no less than 15 hours of relevant professional training during the financial year ended December 31, 2016.



Mr. Wei Qiyuan was awarded the “Best Board Secretary for Listed Companies” in the Sixth Golden Bauhinia Award.

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.

Corporate Governance Report

The Company has formulated the Management Regulations on Non-compliance with Disciplines and Rules by Staff and the Listing Company's Code of Conduct and has amended the Management Regulations on Non-compliance with Disciplines and Rules by Staff in 2016, for dealing with incidents of a breach of regulations and discipline. Meanwhile, the Company has issued the Implementation Rules of the Eight Requirements of the Central Committee, which must be strictly complied by all of the management and staff. In addition, we have formulated the comprehensive supervision management measures and the disciplinary supervision management measures, facilitated the establishment of an all-round comprehensive supervision and management system, created supervision collaboration and enhanced the effectiveness of supervision. In 2016, the Company found 12 breaches of discipline and regulations. The disciplinary actions carried out included warnings, demerits, demotions (reduction in rank), dismissals, etc. Such cases concerning non-compliance with discipline and regulations did not have significant impact on our financial statements and the overall operation. 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, 2016.

The principles and details of the remuneration of senior management officers are set out in the "Remuneration Committee Report" on page 144 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 69 of this Annual Report. During 2016, the Company has regularly organized senior management officers to participate in a series of trainings including the "News Spokesman" and the "Relevant Amendment to the Hong Kong Stock Exchange Listing Rules", and the Company's management and staff have participated in the online learning and mobile learning of the "Information Disclosure Training".

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 48 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 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, subsidiaries and major associates of the Company on a regular basis;
- Specific reviews or audits of areas of concern identified by management or the Audit and Risk Management Committee.

The manager of the audit department reports directly to the Audit and Risk Management Committee and the President, and his opinions will be reflected directly to the Board through the Chairman of the Audit and Risk Management Committee.

During 2016, 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.

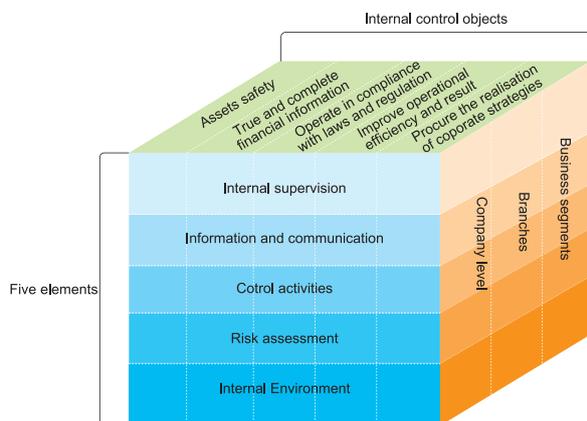
External Auditors

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, 2016 prepared in accordance with IFRS and China Accounting Standards. Deloitte Touche Tohmatsu has audited the Company's 2016 consolidated financial statements prepared in accordance with IFRS by the Company. The auditing expenses for the Group in 2016 were RMB6.83 million and the international and domestic auditors of the Company did not provide non-auditing services.

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 and Risk Management 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.

We established our three-layer internal control system to ensure the effective implementation of internal control. The corporate level is responsible for establishing the internal control measures and local branches carried out the internal measures through the system procedures and application of the information system. The business units develop a well-established internal system to comply with the requirements of management and control as well as its own internal control in accordance with the Basic Standards of Internal Control for Enterprises.

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 (《企業內部控制基本規範》) 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.

Corporate Governance Report

Key Elements of Internal Control	Initiatives
Internal Environment	<p>The corporate governance structure specifies the management authority at various levels</p> <p>Internal organizations and posts clearly define the allocation of responsibilities and powers</p> <p>The internal supervision system</p> <p>Corporate strategies</p> <p>Integrity and moral values and corporate culture</p> <p>Competency of staff</p>
Risk Assessment	<p>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</p>
Control Activities	<p>Taking corresponding control measures and formulates internal rules, systems and procedures based on the risk assessment results to ensure the implementation of control measures</p> <p>Covering major business areas such as funding activities, procurement, sales, engineering projects management, guarantee, research and development, business outsourcing, asset management and financial reporting</p> <p>Formulating control measures from the perspectives of, among others things, separation of incompatible duties, authority approval, accounting system control, property protection, budgets, operation analyses and evaluation</p>
Information and Communication	<p>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</p>
Internal Supervision	<p>Regularly evaluating the implementation of systems and procedures</p> <p>Independent internal monitor and audit activities</p> <p>Self-assessment of internal control system on a regular basis</p>

Internal control evaluation

According to the relevant provisions of the Corporate Governance Code of CGN Power (《中國廣核電力股份有限公司企業管治守則》), we have prepared the Internal Control Assessment Proposal for 2016 of the Company (the “**Internal Control Assessment Proposal**”), which clearly provides the evaluation covers the full 2016 financial year, 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 by the Audit and Risk Management Committee of the Board in August 2016.

The Board shall be responsible for the internal control system of the Group, and has completed the review on the effectiveness of the operation of internal control system of the Group in 2016. 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 13 subsidiaries, which covered all business segments and major business areas of the Company; as of December 31, 2016, the aggregate net assets and operating revenue of the aforesaid companies represented approximately 73.8% and 82.5% of the net assets and operating revenue of all the companies of the Group, 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 things, security management, engineering projects, financing activities, etc. 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, 2016) 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.

Corporate Governance Report

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.
- The Information Disclosure Management System (《信息披露管理制度》) and its ancillary procedures have been formulated in order 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 on a sustained basis.

In 2016, we carried out trainings on information disclosure through various ways such as face-to-face training, video communication, internet learning and mobile learning, covering almost 90% of the staff. We have also conducted random inspection on the implementation of relevant systems and procedures information disclosure and found no non-compliance.

Conclusion

As of December 31, 2016, the Company has adopted the principles of the Corporate Governance Code contained in Appendix 14 to the Listing Rules, complied with all applicable code provisions, and continuously reviewed and improved the Hong Kong Stock Exchange Code with reference to the amendment consultation summary and good practices issued by the Hong Kong Stock Exchange in respect of the review on and amendment to the provisions related to internal control set out in the Corporate Governance Code and the Corporate Governance Report, to ensure that business activities and decision making processes are regulated in a prudent manner. Good corporate governance are critical to creating value for our shareholders. The Company will closely study the development of corporate governance practices among the world's leading corporations, changes in the relevant regulatory requirements and the requirements of the investors on an ongoing basis and review and enhance the corporate governance measures and practices regularly so as to ensure the long-term sustainable development of the Company.