Risk Management Report

We are committed to continually improving our risk management framework, capabilities, and culture across the Group so as to ensure the long-term growth and sustainability of our business.

CLP's Risk Management Philosophy

Risk is inherent in CLP's business and the markets in which it operates. The aim is to identify risks and then manage them so that they can be understood, reduced, mitigated, transferred or avoided. This demands a proactive approach to risk management and an effective group-wide risk management framework.

CLP's overall risk management process is overseen by the Board through the Audit Committee as an element of solid corporate governance. CLP recognises that risk management is the responsibility of everyone within CLP. Rather than being a separate and standalone process, risk management is integrated into business and decision-making processes including strategy formulation, business development, business planning, capital allocation, investment decisions, internal control and day-to-day operations.

CLP's risk management objectives:

- At a strategic level, CLP focuses on the identification and management of material risks at the Group, business and functional levels, in order to better equip itself to pursue the Group's strategic and business objectives. In pursuing growth opportunities, CLP aims to optimise risk / return decisions whilst establishing strong and independent review and challenge processes.
- At an operational level, CLP aims to identify, assess, evaluate and mitigate operational hazards and risks in order to create a safe, healthy, efficient and environmentally-friendly workplace for its employees and contractors whilst ensuring public safety and health, minimising environmental impact, and securing asset integrity and adequate insurance.

CLP's Risk Appetite and Risk Profiling Criteria

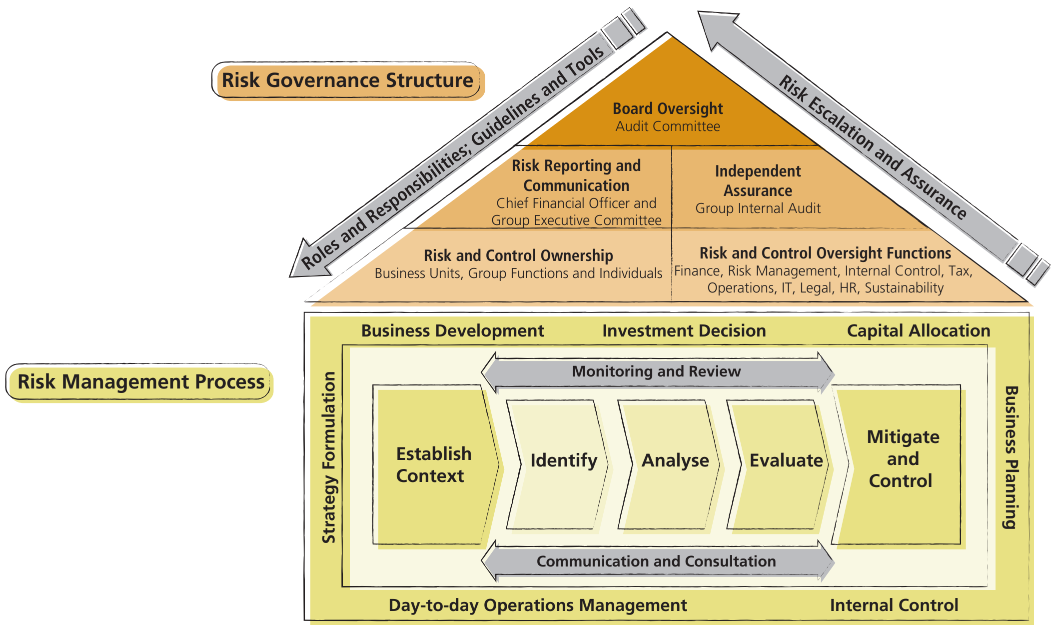
CLP's risk appetite represents the amount of risk the Group is willing to undertake in pursuit of its strategic and business objectives. In line with CLP's Value Framework and expectations of its stakeholders, CLP will only take reasonable risks that (a) fit its strategy and capability, (b) can be understood and managed, and (c) do not expose the Group to:

- material financial loss impacting ability to execute the Group's business strategy and / or materially compromising the Group's ongoing financial viability,
- incidents affecting safety and health of our staff, contractors and the general public,
- material breach of external regulations leading to loss of critical operational / business licence and / or substantial fines,
- damage of the Group's reputation and brand name,
- business / supply interruption leading to severe impact on the community, and
- severe environmental incidents.

Based on the above, CLP has established its risk monitoring in the form of a risk assessment matrix to help rank risks and prioritise risk management efforts at the Group level. Business units are required to adopt the same risk matrix structure in order to establish their own risk profiling, determine consequence and likelihood of identified risks with reference to their own materiality and circumstances as well as establishing risk mitigation strategies.

CLP's Risk Management Framework

CLP's risk management framework comprises two key elements: risk governance structure and risk management process.



CLP's Risk Governance Structure
- Facilitates risk identification and escalation whilst providing assurance to the Board.
- Assigns clear roles and responsibilities and facilitates implementation with guidelines and tools.
- Consists of multiple layers of roles and responsibilities as explained below.

Board Oversight	**Audit Committee, acting on behalf of the Board** • Evaluate and determine the nature and extent of the risks the Board is ready to endorse for the Group to take in pursuing the delivery of the Group's strategic objectives. • Ensure that an appropriate and effective risk management framework is established and maintained by the Group. • Oversee management in the design, implementation and monitoring of the risk management framework. • Oversee management in their risk mitigation efforts.
Independent Risk Assurance	**Group Internal Audit** • Capitalise on the audit processes and plans of Group Internal Audit to review the effectiveness of risk management framework.
Risk Reporting and Communication	**Chief Financial Officer and Group Executive Committee** • Provide leadership and guidance for the balance of risk and return. • Supported by Group Risk Management, communicate and assess the Group's risk profile and material risks at the Group level. • Track progress of mitigation plans of material risks and report on detailed examinations of specific risks as required. • Ensure that a review of the effectiveness of the risk management framework has been conducted at least annually and provide such confirmation to the Board through the Audit Committee.
Risk and Control Oversight Functions	**Group Functions with Risk and Control Oversight Role:** Finance, Risk Management, Internal Control, Tax, Operations, Information Technology, Legal, Human Resource, Sustainability. • Establish relevant group-wide policies, standards, procedures, guidelines where appropriate. • Oversee business units as well as group risk and the control activities relevant to respective functions.
Risk and Control Ownership	**Business Units, Group Functions and Individuals** • Responsible for identifying and assessing key risks in their areas of responsibility, making effective risk management decisions, establishing risk mitigation strategies as well as promoting a risk-aware culture. • Carry out risk management activities and reporting in their day-to-day operations and ensure that risk management processes and mitigation plans follow good practices and guidelines established by the Group. • Ensure that a review of the effectiveness of the risk management framework for their areas of responsibility has been conducted at least annually and provide such confirmation to the Group Executive Committee. • Risk managers or coordinators at business units and group functions have been appointed to facilitate communication, experience sharing and risk reporting.

CLP's Risk Management Process

- Is integrated into business and decision-making processes including strategy formulation, business development, business planning, capital allocation, investment decisions, internal control and day-to-day operations management.
- Involves establishing the context, identifying risks, assessing their consequences and likelihood, evaluating risk level, control gaps and priorities, and developing control and mitigation plans. This is a continuous process with periodic monitoring and review in place. It is also an interactive process with stakeholder communication and consultation.

Quarterly Risk Review Process at Group Level – An integrated bottom-up and top-down risk review process

CLP adopts an integrated bottom-up and top-down risk review process to enable (1) comprehensive identification and prioritisation of all material risks throughout the Group, (2) escalation of material risks at the right managerial level, (3) effective risk dialogue among the management team, and (4) proper oversight of risk mitigation efforts.

Bottom-up Process

- Every quarter, our business units and group functions are required to submit their material risks identified through their risk management process to Group Risk Management.
- Group Risk Management, through aggregation, filtering and prioritising processes as well as consultation process, compile a Quarterly Group Risk Management Report for discussion at the Group Executive Committee, chaired by the CEO. The Committee reviews and scrutinises the material risks and ensures the appropriate controls and mitigation measures are in place or in progress.
- Following review by the Group Executive Committee, the Quarterly Group Risk Management Report is submitted to the Audit Committee with a summary of the material risks circulated to the Board. "Deep dive" presentations on selected risks are presented to the Audit Committee for more detailed review.

Top-down Process

- Emerging risks and / or overarching strategic risks, which might have a material impact on the Group over a longer timeframe, are monitored and discussed on a quarterly basis by the Group Executive Committee.
- Group Risk Management facilitates ongoing emerging risk review and management discussion by compiling relevant information from both internal and external sources. Overarching strategic risks are reviewed and discussed during the annual business planning process. Emerging risks that are identified and considered material are further assessed and monitored by relevant business units or group functions. (An example of emerging risk is set out on page 138)

Risk Review Process for Investment Decisions

- All new material investments must be endorsed by the CLP Holdings Investment Committee, chaired by the CEO, before seeking approval from the Board or Finance & General Committee.
- CLP adopts a multi-gated system of periodic project appraisals during their development and investment cycles both prior to and after a final investment decision is made.
- CLP requires independent multi-disciplinary review of any investment proposal before submission to the Investment Committee. Independent risk appraisal by Group Risk Management is part of the investment review process.
- Group Risk Management control ensures for each investment project a detailed project risk assessment with proper documentation. Detailed checklists and worksheets are adopted for identifying risks / mitigations and assessing risk level. Material risks and associated mitigations are highlighted and discussed at the Investment Committee.

Risk Management Integrated with Internal Control Systems

- Risk management is closely linked to CLP's Integrated Framework of Internal Control. Key controls are subject to testing in order to assess their effectiveness. Details on Internal Control are set out in the Corporate Governance Report on pages 108 to 129.

Risk Management in the Business Planning Process

- In the annual business planning process, business units are required to identify all material risks that may impact their achievement of business objectives. Identified risks are evaluated based on the same set of risk profiling criteria as the quarterly risk review process. Plans to mitigate the identified risks are developed for implementation and budget purposes. The material risks set out on pages 134 to 137 of this Annual Report have been extracted from our 2015 business planning process.

Major Risk Management Initiatives in 2015

- Hong Kong Stock Exchange has amended its Corporate Governance Code, effective 1 January 2016, relating to risk management. Whilst CLP is, in general, already in compliance with the amendments, further adjustments are being made to relevant processes to ensure timely compliance.
- Group Risk Management has reviewed, in relation to risk management, the Terms of Reference of the Audit Committee, the General Representation Letter checklist, the group-wide risk management framework etc. It also supported China business unit in preparing risk management training materials, conducting training sessions, and sharing risk management practices with some of our key partners in China, including Guohua Electric Power Corporation and China General Nuclear Power Corporation.
- CLP Power Hong Kong has further enhanced its risk management monitoring by identifying and mapping significant events or key issues in the coming years which may potentially impact its business.
- China business unit has promoted reviews and discussions of enterprise risks in addition to operational risks at the Board meetings of its assets e.g. Fangchenggang, Jiangbian and Huaiji. It also commissioned independent risk assessment for Jiangbian and Huaiji subsequent to the incidents relating to extreme weather events.
- Following the establishment of the new corporate strategy, EnergyAustralia undertook a reassessment of its enterprise-wide risks which could materially impact the achievement of objectives. Supporting this reassessment, EnergyAustralia's IT also commissioned independent reviews of their cyber security and IT control risks. In addition, EnergyAustralia's controls across credit and market risks were further enhanced with the incorporation of strategic third-party credit management assessment.

Material Risks of the Group

Our 2015 business planning process has identified the following as material risks of the Group.

Risk Description	Changes in 2015	Key Risk Mitigations
Regulatory Risk remains the key challenge of most business units. Notably in Hong Kong, some calls to lower the level of rate of return, an increased focus on renewable energy and energy efficiency on the next SoC Agreement, for which discussions have already started between the Government and CLP Power Hong Kong. The Australian energy market continues to face regulatory uncertainty on numerous fronts from carbon, renewable energy targets, liabilities of mine rehabilitation to retail pricing re-regulation. The Chinese Government has issued power market reforms, the practical implementation of which is still very difficult to assess.		
Regulatory & political risk of Hong Kong business Medium-term risk of adverse changes to the post-2018 regulatory structure exists. The results of Hong Kong Government's public consultation on future development of the electricity market recognised the value of SoC and supported a continuation of the established regulatory framework, although there was a range of views expressed on the level of the rate of return as well as greater expectations for more renewable energy, energy efficiency and conservation and further improvements to the penalty / incentive scheme under the new regulatory regime.	*Consultation on electricity market development ended with results announced*	• Implement comprehensive stakeholder engagement plan to facilitate sensible and informed discussion on the post-2018 regulatory regime. • Focus on operating performance, customer service and brand building to reinforce CLP's demonstrated performance and commitment to our customers and the wider community.
Uncertain regulatory outcomes impacting EnergyAustralia's performance EnergyAustralia's performance remains under the influences of regulatory uncertainty such as carbon mitigation, renewable energy targets, spot market rule changes, technical & regulatory obligations of assets, potential changes in regulations about mine remediation, Greenhouse Gas Emissions Reduction scheme, retail pricing re-regulation etc.	*Renewable Energy Target (RET) revised down to 33TWh by 2020 (down from 41TWh previously)*	• Centralised regulation and compliance team to manage EnergyAustralia's position on proposed regulatory changes. • Stakeholder and government engagement to advocate our position on regulatory changes.
Market Risk is another driver of volatility facing the Group with lower economic growth, change in GDP structure and environmental efforts in China potentially reducing output of thermal power plants. Lower worldwide demand and prices for commodities have also dampened the Australian economy, in which the oversupply situation of the wholesale generation market continues to impact EnergyAustralia.		
Significant energy market changes impacting EnergyAustralia's stability EnergyAustralia continues to face threat of demand reduction, lower pool prices and increasing retail competition.	*Oversupply situation of the wholesale generation market continues*	• New organisational structure and strategy focused on the customer, low cost operating model, digital transformation and NextGen products. • State-based marketing plans to address account and customer erosion through product and service differentiation.
Electricity volume risk affecting China portfolio Volume risk due to resource variability, supply-demand imbalances and grid constraints / curtailments in certain areas. In 2015, Fangchenggang's generation output remained low due to increased hydro generation in Guangxi and more subdued electricity demand. Turnaround depends on upcoming capacity such as nuclear, hydro generation and economic performance of Guangxi.	*Fangchenggang dispatch remained low*	• Review of operations and development strategy. • Proactively engage with Government and grid companies advocating for more dispatch. • Explore steam sales and direct electricity sales to boost generation.

Risk Description	Changes in 2015	Key Risk Mitigations
Financial Risk – The Group's liquidity remains strong and financial risks have been decreasing with major financing and refinancing activities completed across the Group. Credit rating outlooks of CLP Holdings, CLP Power Hong Kong and EnergyAustralia have been revised to stable from negative, thanks to initiatives in further enhancing the Group's capital structure, robust cashflow and stronger credit metrices as a result of better operational performance in overseas entities (particularly EnergyAustralia) and lower debt gearing with early debt repayment after CAPCO / PSDC acquisitions and significant proceeds raised through the sale of the Iona Gas Plant.		
Potential further downgrade of EnergyAustralia's credit ratings EnergyAustralia's business and credit rating is looking more positive, particularly after the sale of Iona Gas Plant, proceeds of which help strengthen the balance sheet and lower financing cost after debt repayment.	*Maintained BBB- with outlook revised to stable from negative in May 2015*	• Review business strategies, revisit capital structure and lock in long-term funding to ensure liquidity. • Sufficient undrawn debt facilities to meet calls for credit support by counterparties in case of a further downgrade. • Repay (part of) debt with proceeds of divestment.
Group's liquidity risk of inadequate funding The Group's liquidity remains strong through completion of cost-effective financing and diversified refinancing initiatives.	*Credit rating outlooks of CLP Holdings and CLP Power Hong Kong revised to stable from negative in May 2015*	• Maintain current dividend practices, good investment grade credit ratings, and adequate liquidity. • Solicit adequate and cost-effective funding in advance and maintain an appropriate mix of committed credit facilities. • Ensure funding diversification (sources, instruments, currencies and tenor). • Maintain good, long-lasting relationship with lenders.
Foreign currency risk associated with the Group's investments The Group is exposed to transaction and translation exchange rate risks, particularly Indian rupee, Renminbi and Australian dollar, and the associated financial cost risks. Group level earnings may also be impacted by marked-to-market fair value gains / losses as some of the economic hedges are classified as "ineffective" according to Hong Kong Financial Reporting Standards.	*Currency volatility has become a market norm*	• Hedge currency exposures in line with Group Treasury Policy. • Natural hedge by matching currency of revenue, cost and debt. • Project level debts to be denominated in and / or swapped into functional currency where possible.
Default of Group's financial counterparties Inability to enforce financial derivatives for hedging CLP's economic obligations. Exposures relating to unrecoverable amounts from financial counterparties.	*Event risks overhanging*	• Transact only with creditworthy and pre-approved financial institutions. • Allocate exposure limits based on bank's credit standing to avoid over-concentration whilst maintaining meaningful competition. • No recourse to CLP Holdings for counterparties of subsidiaries and affiliates.

Risk level increased

Risk level decreased

Risk level remains broadly the same

Risk Description	Changes in 2015	Key Risk Mitigations
Commercial Risk – Commercial disputes with offtakers in India over the implementation of power purchase agreements may take time to settle.		
EnergyAustralia's Mount Piper coal supply Mount Piper is supplied by the Springvale mine. State and federal approvals underpinning ongoing operations of the mine were granted in 2015. Continuing supply of coal remains subject to environmental, economic, geological, operational, delivery and credit risks.	*New*	• Collaborate with the Springvale joint venture to mitigate ongoing sources of environmental, economic, geological, operational, delivery and credit risks. • Engage with local community and other stakeholders on long term regional sustainability. • Contingency planning for potential supply disruptions affecting dispatch levels.
Major commercial disputes with offtakers over Power Purchase Agreements (PPAs) in India Paguthan's Deemed Generation Incentive litigation is pending a Supreme Court hearing. An adverse judgment may require CLP India to pay all previously time barred amounts in addition to amounts already paid. *(See contingent liabilities disclosure on pages 240 to 241.)* Jhajjar's disputes with offtakers over applicable tariff, energy charges, and availability penalty are pending dispute resolution through adjudication.	*Pending court hearing / adjudication*	Paguthan's Deemed Generation Incentive litigation • No further mitigations anticipated. Jhajjar's disputes with offtakers • Dispute resolution through adjudication process of Central Electricity Regulatory Commission (CERC). • Provisions to be made as appropriate.
Risk of PPA renegotiation / extension at Paguthan Given the non-availability of gas at affordable prices, the offtaker is unwilling to schedule dispatches. CLP India won two rounds of auctions by the Federal Government on subsidised imported gas. The supply commenced in June 2015 and will continue until March 2016, translating into lower costs for our customers and higher dispatches.	*Successfully in bidding for subsidised imported gas*	• CLP India, in conjunction with the offtaker, will continue to participate in subsidised imported gas bidding scheme. • Monitor gas supply situation and try to obtain domestic contracts when available. • Paguthan's development options upon PPA expiry being reviewed.
Volatility of fuel costs for Hong Kong business and challenge of tariff adjustments Rising costs of our Hong Kong business, particularly higher fuel costs as a result of increasing gas consumption necessary to meet emissions standards, create increasing tariff pressure in the longer term. Public expectations for tariff reductions will be high in terms of lower energy prices given the recent decreases in international fuel prices.	*Special one-off fuel rebate for the first half of 2015 and Average Total Tariff reduction of 0.9% concluded for the 2016 Tariff Review*	• Implement optimal fuel mix strategy. • Mitigate gas price volatility with supply diversification. • Exercise stringent cost management. • Help customers mitigate tariff impact. • Continue to enhance energy efficiency and conservation initiatives. • Step up stakeholder engagement efforts.
Counterparty risk of Indian distribution companies Offtakers' ability to meet their PPA obligations.	*Experiencing some delays in receivables only*	• Monitor the credit ratings and financial health of State utilities with particular focus on their implementation of approved debt restructuring package and payment records. • Follow up with utilities at a commercial level and escalate to senior level when required.

Risk Description	Changes in 2015	Key Risk Mitigations
Industrial / Operational Risks – Operational issues continued to challenge Jhajjar as the supply of domestic coal improved in volume but remained very substandard in quality. CLP is continually focusing on preventive measures and remediation relating to safety, emissions compliance, fuel supply, plant performance, human capital, data privacy, cyber-attack and increasing occurrence of extreme weather events.		
Major accident at construction or operating plants With new construction sites in China and India, there is increased incidence risk of contractors' safety management.	*Improving safety performance*	• Implement CLP Group Health, Safety, Security and Environment (HSSE) Management System and related standards and guidelines, including the Critical Risk Standards, to enhance the awareness of both employees and contractors (see more details on pages 88 to 92).
Uncertainty in Jhajjar's plant performance Current concerns include capability of the plant to operate in a trouble-free manner if it has to run on 100% domestic coal instead of blending with imported coal.	*Planning for plant modification in progress*	• Major plant modifications to be implemented in line with the schedule of major overhauls with target completion by mid-2018. • Continue to strengthen asset management. • Completed review of the coal handling plant. Earlier issues related to coal handling and boiler tube leakage are under control.
Performance risk of wind power projects across the Group Our coastal wind projects in Shandong province of Mainland China continued to achieve performance consistent with our long-term expectations. Grid curtailment affected our projects in northeast China as well as Tamil Nadu and Rajasthan in India.	*Grid curtailment in certain areas continued to be a key challenge*	• Improve wind yield estimation and operational data analysis. • Conduct forensic analysis. • Proactively engage with the Government and grid companies advocating for more dispatch. • Seek contractual protection by warranty, plant availability guarantee and power curve performance guarantee.

Risk level increased

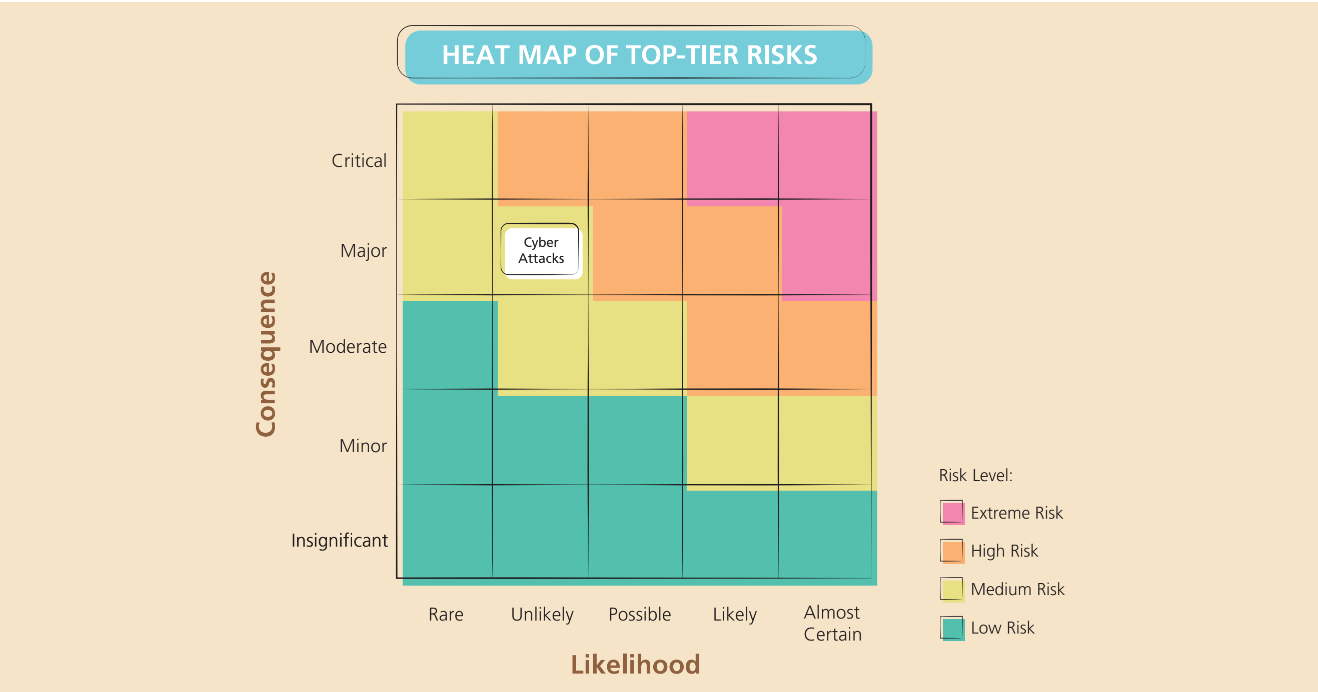
Risk level decreased

Risk level remains broadly the same

An Example of Emerging Risk:
Cyber-attack on business and power systems of the Group

The CLP Group's business operations can be impacted by a cyber incident via a targeted attack from a hacker, collateral damage as a result of a non-targeted attack, insider attack, an accidental cyber incident or any combination of these.

Potential impacts include (1) disruption to energy supply and / or safety incidents, either via impact to generation, transmission or distribution control systems, and (2) theft of sensitive data, such as customer information, contracts, financials, leading to regulatory breach and brand impact.



Key Mitigations:

- Well defined group-wide cyber security incident response process.
- Group-wide staff awareness and cultural change program on information security and sensitive information handling.
- Different protection technology implementation to manage network perimeter defense, data loss, cyber-spoofing, distributed denial of service attack, mobile devices and monitor suspicious cyber activities with regular testing and verification of controls by third parties.

Outlook and Major Initiatives for 2016

- Continue to enhance the group-wide risk management framework and its implementation, and ensure that they comply with the Hong Kong Stock Exchange Corporate Governance Code and are consistent with leading industry standards.
- Continue to assist business units in the roll-out of their own frameworks in line with group-wide framework and guidelines.
- CLP Power Hong Kong will continue to reinforce its company-wide risk management framework and guidelines ensuring effective and consistent implementation across its units.
- China business unit will continue to roll out its risk management framework and procedures across subsidiary and majority-owned entities, to drive risk accountability as well as conduct risk awareness training for all Mainland China assets.
- As part of a broader review of its enterprise risk framework, EnergyAustralia will focus on the reassessment of risk appetite to reflect the level of risk the business is willing to accept. It will continue to enhance the management of credit and commodity risk exposures in order to support the optimisation of its position in centralised generation.
- Following the agreement reached in Paris at COP21, we are reviewing our strategies and plans regarding the management of the impacts of climate change.

CLP is facing a wide range of current and emerging risks which demand continuous and close attention based on an effective risk management framework. It should be acknowledged that our risk management framework is designed to manage rather than eliminate the risk of failure in achieving our strategic and business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Geert Peeters
Executive Director & Chief Financial Officer
Hong Kong, 29 February 2016

Audit Committee Report

The Audit Committee is appointed by CLP Holdings' Board of Directors. It has four members, all of whom are Independent Non-executive Directors, namely, Mr Vernon Moore as the Chairman, Mr Nicholas C. Allen, Mrs Fanny Law and Ms Irene Lee; full biographies of the members are set out on pages 104 and 105. In 2015, the Committee held six meetings.

The Committee's terms of reference from the Board were prepared by reference to international best practice. They comply with the HKICPA's "A Guide for Effective Audit Committees" and the Stock Exchange Code. In May 2015, the terms of reference of the Committee were updated to reflect work the Committee had undertaken to review the assurance of sustainability data and amendments to the Stock Exchange Code related to risk management and internal control. Its terms of reference are set out in the CLP Code and on CLP's and the Stock Exchange's websites.

Special Audit Committee meetings may be called by its Chairman or at the request of the CEO or Director – Group Internal Audit (GIA) to review significant control or financial issues. No special meetings were called in 2015.

Individual attendance of members at the meetings of the Audit Committee held in 2015 is set out in the Corporate Governance Report on page 118.

CLP's subsidiary, EnergyAustralia, has its own board of directors that includes independent non-executive directors. The EnergyAustralia board has established an audit and risk committee (ARC) that carries out the functions of an audit committee for EnergyAustralia's business. The CLP Audit Committee's function as an audit committee with respect to the operations of EnergyAustralia is strengthened and supplemented by EnergyAustralia ARC. There is an open invitation between the CLP Audit Committee and the EnergyAustralia ARC for members to attend the others' meetings. In 2015, the Chairman of the Committee participated in one EnergyAustralia ARC meeting. Between 1 January 2015 and the date of this Report, the Chairman of EnergyAustralia ARC participated in three meetings of the Committee.

Responsibilities

The Committee is accountable to the Board and its members are provided with the minutes of every meeting of the Committee. The Chairman reports to the Board on the Committee's review of significant internal control issues and the Company's annual / interim results. In addition, the Chairman reports to the Board annually on the Committee's activities. The Committee's primary responsibilities are to:

- assure that adequate risk management and internal control systems are in place and followed;
- assure that appropriate accounting principles and reporting practices are followed;
- assure that appropriate assurance process for the sustainability and / or ESG data is followed;
- satisfy itself as to the adequacy of the scope and direction of external and internal auditing;
- satisfy itself that good accounting, audit principles, risk management, internal controls and ethical practices are applied on a consistent basis throughout the CLP Group (without limiting the responsibilities of the boards of CLP subsidiaries in this respect); and
- perform the corporate governance duties described further in this Report and fulfil the functions conferred on the Committee by the CLP Code.

Summary of Work Done

The Committee met eight times during 2015 and in 2016 up to the date of this Report to discharge its responsibilities. The work performed by the Committee is summarised in the following paragraphs.

Risk Management, Internal Control and Compliance

The Committee oversees the development and implementation of the Group Risk Management Framework which was established to facilitate the implementation of a structured approach in identifying, assessing, communicating and managing the risks across the Group. The top tier risks identified in this process, and the associated key mitigating actions being taken, were reviewed quarterly by the Committee.

In addition to the regular review of interim and annual financial statements, internal control and its effectiveness, the results of internal and external audit and progress on their rectification, topics of importance are brought to the Committee on an ad hoc basis for review and oversight. Reviewing Group-wide cyber security annually has become an important task in recent years, and in 2015, the Group's physical security was reviewed for the first time.

The Committee reviewed the findings and opinion of GIA and management on the effectiveness of the Company's system of internal control. No significant areas of concern in respect of the Group's internal control were identified during 2015 and in 2016 up to the date of this Report.

The thorough review of the basis of preparation and contents of interim and annual financial statements and the interim and annual reports is a fundamental task of the Committee. In addition to implementing an effective internal control system and auditing procedures and preparing the financial reports by skilled professionals, management provides a General Representation letter to the Committee. While the letter is signed by the CEO and CFO, behind their representation to the Committee is a process of representation from relevant levels of management in respect of any financial and non-financial issues under their areas of responsibilities. These representations closely follow the representation management gives to the external auditor. This comprehensive review provides assurance to the Committee that effective internal controls are in place and operating.

Based on the information received from management, the external auditor and GIA, the Committee believes that overall financial and operating controls were in place for the Group during 2015, and at the date of this Report, continue to be effective and adequate. The Committee is also satisfied that the Group has complied with the Stock Exchange Code with respect to internal controls. Further information about control standards, checks and balances and control processes is set out in the Corporate Governance Report on pages 125 to 126.

As part of the process of reviewing the financial statements, the Committee reviews the Group's compliance with applicable legal and regulatory requirements including the CLP Code, the Stock Exchange Code, the Listing Rules, the Companies Ordinance and the Securities and Futures Ordinance; the only notable exception is CLP does not publish quarterly financial results – further information on this is set out in the Corporate Governance Report on page 110.

Interim and Annual Financial Statements

The Committee reviewed the 2014 and 2015 Annual Reports including the Corporate Governance Report, the Directors' Report and Financial Statements for the years ended 31 December 2014 and 2015, together with the associated annual results announcement, and recommended them for approval by the Board. The Committee also reviewed the 2015 Interim Report including the CLP Group Interim Financial Statements for the six months ended 30 June 2015 and the interim results announcement, and recommended the Board to give its approval.

In carrying out these reviews the Committee paid particular regard to judgmental issues. The principal inputs to their review were description and analysis by management and the external auditor's report of their audit. Major judgmental issues considered in the 14 months preceding the date of this Report were the valuation of the cash generating units in EnergyAustralia that resulted in impairment of generating assets, testing the carrying value of goodwill from the Group's acquisitions, and the disclosure and accounting treatment of litigation in India.

In 2015, the Committee reviewed the assurance process for the sustainability and ESG data and asked that the verification be completed to the same timetable as the financial information; this was achieved for the 2015 Annual Report.

The Committee also reviewed legal cases in which CLP Holdings or any member of the CLP Group was a named defendant. Only those disclosed under Note 31 Contingent Liabilities to the Financial Statements are material to the Group.

Internal and External Auditing

The Committee was advised that one report out of a total of 23 submitted by GIA carried an unsatisfactory audit opinion. It reported that the systems providing information about the positions held in the Australian energy markets required improvement. No significant impact on the Financial Statements resulted from the deficiencies. To address these findings in a comprehensive manner, both long and short term measures will be undertaken and implemented by management.

The Committee reviewed the adequacy of resources, staff qualifications and experience, training programme and budget of the GIA function and the audit plans for 2015 and 2016, with areas of emphasis identified.

An external review of CLP's GIA department as an internal audit function is conducted every four years and this was conducted in 2015. The Committee reviewed the findings and recommendations and from which, noted the function as a high performing one and also the recommendations for consideration in 2016.

The Committee reviewed the audit fees payable to the external auditor, for the years ended 31 December 2014 and 2015 for approval by the Board.

For many years PwC have audited all companies in the CLP Group which require statutory audit. Shareholders reappointed PwC as CLP's independent auditor for 2015 at the AGM held on 7 May 2015. PwC's audit strategy for the year ended 31 December 2015 was reviewed and approved by the Committee. After reviewing their performance and satisfying itself of their independence, the Committee has recommended to the Board that shareholders be invited to reappoint PwC as independent auditor for 2016 at the next AGM.

The Committee has reviewed the proposed engagement of the external auditor in respect of permissible audit-related and non-audit services. Details of fees paid to PwC for their permissible audit-related and non-audit services are set out in the Corporate Governance Report on page 123.

Corporate Governance

The Audit Committee has been delegated by the Board of all corporate governance functions set out in the Stock Exchange Code that may be delegated as appropriate to the Audit Committee. In this regard, in addition to considering the state of corporate governance taken as a whole, the Committee reviewed, and approved changes where applicable, to:

- procedures to monitor connected transactions and continuing connected transactions (CCTs);
- policies and practices of shareholders' communication, code of conduct, whistleblowing, and gifts and entertainment;
- the adequacy of resources, staff qualifications, experience, training, and succession plan of accounting, financial reporting and internal auditing;
- breaches of the Code of Conduct. None of the six breaches (out of 42 cases reported) of the Code in 2015 was material to the Group's financial statements or overall operations. None of the reported Code of Conduct violations involved senior managers; and
- the results of the management's ethical and controls commitment surveys completed during the year.

A full description of the corporate governance framework at CLP can be found in the Corporate Governance Report on page 108 of this Annual Report.

Audit Committee Effectiveness

The Company Secretary evaluated the performance and effectiveness of the Audit Committee during 2015. He concluded that it was performing its responsibilities in an effective manner and in accordance with its terms of reference. The evaluation was reviewed by internal and external auditors who did not disagree. The CLP Holdings Board endorsed the Company Secretary's evaluation.

Vernon Moore
Chairman, Audit Committee
Hong Kong, 29 February 2016

Sustainability Committee Report

The Sustainability Committee is appointed by the Board to oversee CLP's position and practices on sustainability issues. The new terms of reference (which are set out in the CLP Code and on the CLP's and the Stock Exchange's websites) were adopted in February 2015 with the objective that the Committee oversees management and advises the Board on matters required to enable:

- the CLP Group to operate on a sustainable basis for the benefit of current and future generations;
- sustainable growth by maintaining and enhancing CLP Group's economic, environmental, human, technological and social capital in the long term; and
- the effective management of CLP Group's sustainability risk.

The Committee is chaired by the CEO, Mr Richard Lancaster, and comprises Mr Nicholas C. Allen, Mrs Fanny Law, Ms Irene Lee, Mr Andrew Brandler and the Chief Corporate Development Officer, Ms Quince Chong. The Committee meets as frequently as required but not less than twice a year. Any Committee member may call a meeting of the Committee.

Responsibilities

The Committee is accountable to the Board. Its primary responsibilities include the review of:

- CLP's sustainability standards, priorities and goals and to oversee CLP Group level strategies, policies and practices on sustainability matters to attain those standards and goals;
- the adequacy and effectiveness of CLP Group level frameworks insofar as they are related to sustainability matters;
- key international trends in legislation, regulation, litigation and public debate as regards social, environmental and ethical standards of corporate behaviour;
- sustainability risks, opportunities and performance of CLP with regard to the impact on stakeholders from CLP's operations, reputation of CLP and CLP's social license to operate and to recommend strategies for improvements;
- CLP's community, charitable and environmental partnerships, strategies and related Group level policies and make recommendations to the Board on any changes to those partnerships, strategies and policies; and
- CLP's public reporting as regards its performance on sustainability matters.

Summary of Work Done

Between 1 January 2015 and 29 February 2016 (the Relevant Period), the Committee met four times and discharged its responsibilities in its review of CLP's sustainability standards, performance and reporting. The work performed by the Committee during the Relevant Period are summarised in the following paragraphs.

Sustainability Standards

CLP's sustainability standards stem from our commitment to enable sustainable growth of the Company from generation to generation. The standards are encompassed in CLP's Value Framework, Climate Vision 2050 and other policies and statements.

In light of the development of the new United Nations Sustainable Development Goals, a review of CLP's Sustainability Framework was conducted in 2015. The Committee endorsed management's proposal to retire the existing Sustainability Framework as the relevant goals are now embedded within CLP's operations and proceeded to endorse the new Sustainability Principles, which are categorised under four focus areas of environment, community, people and economic sustainability, which CLP believes are fundamental to its business. The Sustainability Principles set a foundation for more strategic goal setting and encourage the Company to be forward looking.

Given the importance of COP21 in Paris, the Committee had monitored the climate change-related developments throughout the year, including the submission of Intended Nationally Determined Contributions (INDCs) by countries to the United Nations Framework Convention on Climate Change (UNFCCC) and the rise of the investor movement towards divestment of companies with exposure to coal.

The Committee also received several updates throughout the year on climate change related developments in the lead up to the COP21 meeting in Paris in December. The Committee noted that after several years of limited progress, momentum appeared to be building globally for regulatory action to support carbon reduction. The Committee observed that this momentum gave rise to several medium term sustainability risks and opportunities, including the approach of investment funds and insurance companies and the trend to divest interests in companies with exposure to coal. In response to these developments, the Committee is overseeing a review of the Group's strategy to manage carbon risk and opportunity.

Sustainability Committee Report

In 2015, we strengthened our understanding of the evolving topic of Human Rights and carried out a benchmarking exercise with companies recognised as having best practices in this area.

The Committee endorsed the preparation of our 2015 Sustainability Report to be in accordance with the Core Level of the GRI G4 Reporting Guidelines that were launched in 2013. SR

During the Relevant Period, the Committee also reviewed the reporting standards and goals for the upcoming years, as well as emerging sustainability risks and opportunities for the business.

Sustainability Performance

CLP's sustainability performance is monitored by a Sustainability Framework which includes 15 sustainability goals which have been embedded within CLP's operations and is reflected in various investor-related sustainability ratings. The Committee reviewed the achievement of these goals which rest on an approach whereby:

- each business sets its own targets under each of the 15 goals as a contribution to the Group's sustainability objective as part of its business planning process;
- each target should make an efficient and positive contribution to business value – this aspect of CLP's activities is treated as part of everyday business operations and should also increase the value of the business to its shareholders; and
- performance against the targets set during the annual business planning process is assessed at year end, at both business unit and Group level and incorporated into the overall annual CLP Group's performance assessment process.

The following table highlights the 2015 performance in achieving the sustainability goals.

Critical Area – Objective	Goals	2015 Highlights	Examples of Relevant KPIs*
People – meet the evolving expectations of our stakeholders	• Zero injuries in all our workplaces • Support a healthy workforce • Develop committed and motivated employees • Meet or exceed customer expectations • Earn and maintain community acceptance • Operate our business ethically	• Strong safety performance including zero employee or contractor fatalities • Many initiatives across the Group supporting healthy lifestyle and work life balance initiatives • Relatively low turnover rates • Excellent customer service performance in Hong Kong and continued improvement in customer service performance in Australia • Numerous and varied community engagement initiatives organised and supported throughout the Group • Compliance with the Code of Conduct, including reporting six breaches of the Code, none of which were material to the Group's financial statements or overall operations • Continuing progress on implementing responsible procurement practices in line with CLP's Procurement Policy	• Health and safety (e.g. number of fatalities, lost time injury incidence rate, total recordable injury rate)* • Employee turnover (e.g. voluntary turnover rates)* • Level of employee engagement (e.g. number of meetings with the Managing Director / General Manager events, feedback from survey) • Customer satisfaction (e.g. 12-month average customer satisfaction percentage, same day reconnection percentage, percentage of calls answered within 30 seconds)* • Community initiative & engagement (e.g. number of engagements, number of programmes sponsored)* • Ethical behaviour (e.g. compliance with the Code of Conduct)* • Progress in implementing CLP's Responsible Procurement Policy Statement, including requirements in supplier selection and monitoring*

Critical Area – Objective	Goals	2015 Highlights	Examples of Relevant KPIs*
Business Performance – continually increase business value	• Create long-term shareholder value • Adapt proactively to a changing business environment • Enhance individual and organisational capability	• Strong performance relative to business plans • Execution of risk management processes in accordance with the CLP Group Risk Management Policy • Constructive engagement activities with government and meaningful engagement with industry stakeholders • Opportunities for new energy efficiency products and services and more advanced generation technologies pursued • Several staff training initiatives pursued, training man-days targets met and succession planning initiatives implemented	• Performance against business plan metrics, primarily earnings, capital expenditure and operating expenditure • Management of risk in accordance with the CLP Group Risk Management Policy • Engagement with governments and major industry stakeholders • Number of partnerships/projects to support research and development of new technologies • Development and training (e.g. number of training man-days, succession index)*
Energy Supply – deliver world-class products and services	• Supply energy reliably • Be operationally efficient • Adopt emerging technology in a timely manner	• A wide variety of quantitative operational performance targets set and largely achieved across the Group • Demand Response programmes ongoing and other energy efficiency improvement programmes executed in Hong Kong • Power station energy efficiency improvement programmes executed • Different types of new and more efficient power generation technologies investigated and pursued	• Service performance (e.g. unplanned customer minutes lost, average service availability, average supply restoration) • Operational performance (e.g. equivalent forced outage rate, energy efficiency targets) • Incremental efficiency improvements of existing assets; pursue new products and opportunities* • Contribute thought leadership to industry level discussions, expand our renewables portfolio, and investigate and consider adopting new technologies
Environment – minimise environmental impacts	• Move towards zero emissions • Move towards a more sustainable rate of resource use • Move towards no net loss of biodiversity	• Group carbon emissions intensity decreased in 2015 relative to 2014 due mainly to increased gas consumption in Hong Kong and decreases in output from coal-fired assets in China and Australia • Many initiatives to decrease water use and waste production across the Group • Biodiversity efforts conform to local regulations and comply with Group's Environmental Impact Assessment guidelines	• Reducing emissions (e.g. operational efficiency improvements, use of lower emitting fuel)* • Reducing resource use (e.g. water and waste recycling)* • Minimising our impact on biodiversity (e.g. including biodiversity impact assessments in environmental impact assessments, land rehabilitation)*

* KPIs – key performance indicators are also part of the Stock Exchange's ESG Reporting Guide.

Sustainability Committee Report

The Committee reviewed CLP's sustainability performance against external sustainability indices with a view to identifying and focusing on the potential areas of sustainability performance for further improvement.

A summary of selected 2015 sustainability ratings for CLP's 2014 sustainability performance is shown in the following table. The scoring for the year reflects the performance of the year before.

Index Name	2015 Score	2014 Score	2013 Score	
Dow Jones Sustainability Index (DJSI)	57	63	64	CLP named to DJSI Asia Pacific and DJSI Asia Pacific 40 again in 2015. The global electric utility industry average score decreased from 54 (2013) to 52 (2015). Relatively speaking, other companies around the world outside of the electric utility industry have improved their sustainability performance and as a result our scores have been declining on a comparative basis.
Carbon Disclosure Project (CDP)	96	95	94	The CDP score includes two different components. Our Disclosure score increased by one point to 96 while our Performance score was "C" in 2015, downgraded from "B" in previous years. Downgrade is likely a result of CLP's absolute increase in carbon emissions from 2013 to 2014.
Hang Seng Corporate Sustainability Index	AA	AA	AA+	CLP was recognised as having the best overall score in the utilities industry with the strongest performance in Organisational Governance.
Bloomberg ESG	Overall: 64.88	Overall: 64.05	Overall: 68.18	The 2015 score reflects our 2014 performance. The 2013 score reflects our 2012 performance when certain operational issues resulted in lower emissions, thus resulting in a higher environmental score compared to other years such as that for 2014.

Sustainability Reporting

In view of CLP's move towards Integrated Reporting, combined with the Stock Exchange's December 2015 decision to strengthen the ESG Reporting Guide in the Listing Rules, CLP has continued its practice of commissioning independent assurance of selected key performance indicators published in its Sustainability Report in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information. Since 2014, CLP's independent assurance has also been in accordance with International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements. The number of key performance indicators has also increased from 29 data points in 2014 to 31 in 2015. SR

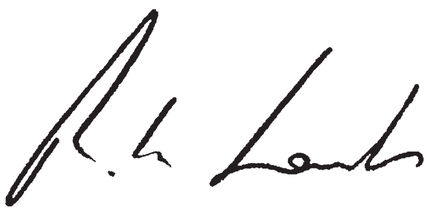
The overall scope of CLP's Sustainability Reporting, which predates the introduction of the ESG Reporting Guide, is wider than that of the ESG Reporting Guide, which is organised around two ESG subject areas: environmental and social. Our Sustainability Reporting was constructed around the GRI Guidelines and evolved to incorporate those areas, objectives and goals which we considered most relevant to our business. This year our Sustainability Report was written in accordance with the Core Level of the GRI G4 Reporting Guidelines. The Committee reviewed the 2014 CLP Group Sustainability Report, the 2015 CLP Group In Essence Sustainability Report and Sustainability Assurance findings. SR

There is a table, in our Sustainability Report, which refers the reader to the relevant sections of our Sustainability Report where we set out in detail the manner in which CLP has met, and in many respects exceeded, the terms of the ESG Reporting Guide. The Five-year Summary of statistics on the Group's environmental and social performance on pages 260 and 261 of this Annual Report includes cross-references to the KPIs suggested in the Stock Exchange's ESG Reporting Guide.

The Committee was also briefed on longer term ESG trends, including the continuing increase in expectations on reporting and transparency. Prospective risks and opportunities which might arise as a result of the 2015 release of the United Nation's revised Sustainability Development Goals were also discussed.

Looking Ahead

The Sustainability Committee will continue to review its role in offering effective support to the Board and oversight to management in the development, implementation, measurement and reporting of the Group's performance on social, environmental and ethical matters as a whole with a view to enabling the CLP Group to operate on a sustainable basis for the benefit of the current and future generations.



Richard Lancaster
Chairman, Sustainability Committee
Hong Kong, 29 February 2016

Sustainability Report

Human Resources & Remuneration Committee Report

1. Introduction

On behalf of the Board, the Human Resources & Remuneration Committee (HR&RC) scrutinises the remuneration policies applied within the CLP Group, including the remuneration of Non-executive and Executive Directors and of Senior Management. Our objective is to ensure that CLP applies properly structured and fair remuneration policies which align the interests of Directors and Senior Management with those of the Company and its shareholders. This Report explains the policies applied to determining remuneration levels and sets out the remuneration paid to Non-executive Directors, Executive Director and Senior Management. This Report has been reviewed and endorsed by the HR&RC.

The contents of sections 6 to 9 and 11, in the highlighted boxes below, comprise the "auditable" part of the HR&RC Report and have been audited by the Company's Auditor.

2. Membership

A majority of the members of the HR&RC are Independent Non-executive Directors. In line with good practice, there are no Executive Directors on the Committee. Mr Vincent Cheng, an Independent Non-executive Director, is the Chairman of the Committee. Other members of the Committee include Mr William Mocatta, Mr V. F. Moore, Mr Nicholas C. Allen and Mrs Zia Mody.

3. Responsibilities and Work Done

The HR&RC considers major human resources and pay issues. It also provides forward guidance on EnergyAustralia's remuneration policy through interactions between the Committee and the EnergyAustralia Remuneration Committee. Between 1 January 2015 and 29 February 2016 (the Relevant Period), the HR&RC approved the 2014 and 2015 HR&RC Reports, and reviewed:

- the Group performance for 2014 and 2015 and Group targets for 2015 and 2016;
- 2014 and 2015 organisation performance for CLP Power Hong Kong and CLP India and targets for 2015 and 2016;
- the base pay for 2015 and 2016 for Hong Kong payroll staff, CLP India and China;
- Non-executive Directors' fees;
- CEO's remuneration;
- the remuneration of direct reports to the CEO, including annual incentive payments for 2014 and 2015 and pay review for 2015 and 2016;
- training and continuous professional development of Senior Management;
- Senior Management succession plan and update on talent development initiatives;
- retirement age policy;
- medical coverage for senior grade staff and travel medical coverage for business travellers;
- retirement benefits;
- MPF – offsetting mechanism;
- EnergyAustralia Remuneration Committee decisions on 23 February 2015;
- EnergyAustralia executive remuneration matters; and
- remuneration payable to EnergyAustralia non-executive directors.

4. Remuneration Policies

The main elements of CLP's remuneration policy have been in place for a number of years and are incorporated in the CLP Code:

- No individual or any of his or her close associates should determine his or her own remuneration;
- Remuneration should be broadly aligned with companies with whom CLP competes for human resources; and
- Remuneration should reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performing individuals and promoting the enhancement of the value of the Company to its shareholders.

5. Non-executive Directors – Principles of Remuneration

The above policies apply to the remuneration of the Non-executive Directors, with appropriate adjustments to reflect good corporate governance practices, the particular nature of their duties and that they are not employees of the Company.

In considering the level of remuneration payable to Non-executive Directors, we have referred to the:

- Report of the Committee on the Financial Aspects of Corporate Governance of December 1992;
- "Review of the Role and Effectiveness of Non-executive Directors" of January 2003 as subsequently codified in the Financial Reporting Council's "The UK Corporate Governance Code" published in September 2014 (2014 UK Code); and
- The Stock Exchange Code and associated Listing Rules.

In light of these considerations, CLP's Non-executive Directors are paid fees in line with market practice, based on a formal independent review undertaken no less frequently than every three years. Those fees were most recently reviewed at the beginning of 2016 (the 2016 Review). The methodology adopted in the 2016 Review is the same as that used in the previous reviews and as explained to shareholders in the CLP Code. The methodology is aligned with the recommendations of the 2014 UK Code and includes:

- the application of an average of the hourly rates at partner level charged by legal, accounting and consulting firms in providing professional services to CLP. Based on this, the average hourly rate at partner level has been increased from HK$4,500 to HK$5,000 for 2016. It should be noted that the previous hourly rate of HK$4,500 has remained unchanged since its first application to the calculation of Non-executive Directors' fees in 2010. The proposed increase in hourly rate is also broadly comparable with increases in the Consumer Price Index over the past three years;
- a calculation of the time spent by Non-executive Directors on CLP's affairs (including attendance at Board and Board Committee meetings, reading papers, etc.); and
- an additional fee of about 40% and 10% per annum for the Chairmen of the Board/Board Committees and the Vice Chairman of the Board respectively (reflecting the additional workload and responsibility which these offices involve).

Having regard to the principle that levels of remuneration should be sufficient to attract and retain high-calibre candidates needed to run a company successfully, but no more than is necessary for this purpose, CLP then reviews the level of fees produced by the above methodology, by benchmarking them against the levels of fees paid to non-executive directors of other leading Hong Kong listed companies included within the HSI and other Hong Kong indices, as well as fees paid to non-executive directors of utility companies listed on exchanges in London, Hong Kong, Australia and New Zealand.

The 2016 Review revealed a significant increase in the overall time spent by Non-executive Directors in performing their duties on the Board and Board Committees during the period from 2013 to 2015, when compared to the period from 2010 to 2012 examined in the last review. However, it was also noted that there could be significant year-to-year fluctuations in the time spent by Non-executive Directors, based on the data CLP has collected since 2004. This led to a recommendation to take an average of time spent by Non-executive Directors over a longer duration of three review periods, rather than over the three years immediately preceding the review, in order to smooth out the effect of short-term fluctuations in workload. The benchmarking exercise carried out in the 2016 Review validated the recommendation to use an average of total working hours over three review periods because the resulting fees are closer to the relative position in the benchmarks, when compared to the benchmarking exercise in 2013.

The fee review takes place every three years and the methodology takes into account past and present data, rather than any forward-looking projections. The methodology applied in determining those fees is unchanged from the last review in 2013, save for the adoption of an average of total working hours over three review periods as mentioned above. We have also applied the methodology in a conservative manner.

The proposed fees represent a moderate but justifiable increase on those paid between 2013 and 2015. This is in line with a measurable increase in the workload shouldered by our Non-executive Directors, albeit now measured over a longer duration of three review periods. As in the case of the 2013 review, the Board has recommended that, instead of implementing the increase under the 2016 Review at once, the adjustment in fees should be partially deferred by being spread out over the next three years.

In line with our policy that no individual or any of his or her close associates should determine his or her own remuneration, the levels of fees set out in the following table were proposed by management, reviewed by J.S. Gale & Co and will be put for approval by our shareholders at the AGM on 5 May 2016. In this respect, CLP's approach goes beyond that required by law or regulation in Hong Kong or the provisions of the Stock Exchange Code. Further to CLP's commitment to the adoption of a transparent methodology for determining Non-executive Directors' remuneration, the 2016 Review and the opinion of J.S. Gale & Co on that 2016 Review are placed on CLP's website.

Proposed Fees for Non-executive Directors[1]

	Current Fees per annum HK$	Proposed Fees per annum (w.e.f. 6 May 2016) HK$	Proposed Fees per annum (w.e.f. 6 May 2017) HK$	Proposed Fees per annum (w.e.f. 6 May 2018) HK$
Board				
Chairman	666,900	698,300	731,200	765,600
Vice Chairman	524,000	548,600	574,500	601,500
Non-executive Director	476,400	498,800	522,300	546,900
Audit Committee				
Chairman	463,800	468,200	472,600	477,100
Member	334,700	336,100	337,600	339,100
Finance & General Committee				
Chairman	397,500	414,200	431,700	449,900
Member	287,400	297,700	308,400	319,400
Human Resources & Remuneration Committee				
Chairman	85,300	85,800	86,300	86,800
Member	58,800	60,200	61,600	63,100
Sustainability Committee				
Chairman	106,100	108,200	110,300	112,500
Member	78,400	78,600	78,800	79,000
Nomination Committee[2]				
Chairman	14,000	14,000	14,000	14,000
Member	10,000	10,000	10,000	10,000
Provident & Retirement Fund Committee[2]				
Chairman	14,000	14,000	14,000	14,000
Member	10,000	10,000	10,000	10,000

Notes:

1 Executive Directors and management serving on the Board and Board Committees are not entitled to any Directors' fees.

2 A nominal fee has been maintained for the Chairman and Member of the Nomination Committee and the Provident & Retirement Fund Committee.

6. Non-executive Directors – Remuneration in 2015

The fees paid to each of our Non-executive Directors in 2015 for their service on the CLP Holdings Board and, where applicable, on its Board Committees are set out below. There was a small increase in total Directors' fees compared to 2014. This was primarily due to an increase in the levels of Non-executive Directors' fees which took effect on 1 May 2015.

Higher levels of fees were paid to Chairmen of the Board and Board Committees and the Vice Chairman of the Board as indicated by "C" and "VC" respectively. Executive Directors and management serving on the Board and Board Committees are not entitled to any Directors' fees.

In HK$	Board	Audit Committee	Nomination Committee	Finance & General Committee	HR&RC	Provident & Retirement Fund Committee	Sustainability Committee	Total 2015	Total 2014
Non-executive Directors									
The Hon Sir Michael Kadoorie	654,505.47(C)	–	14,000.00(C)	–	–	–	–	**668,505.47**	631,495.88
Mr William Mocatta[1]	514,235.61(VC)	–	–	396,645.21(C)	55,709.59	14,000.00(C)	–	**980,590.41**	940,041.10
Mr Ronald J. McAulay	467,523.29	–	–	–	–	–	–	**467,523.29**	441,049.32
Mr J. A. H. Leigh	467,523.29	–	–	–	–	–	–	**467,523.29**	441,049.32
Mr Andrew Brandler	467,523.29	–	–	286,578.08	–	–	75,506.85	**829,608.22**	602,752.06
Dr Y. B. Lee	467,523.29	–	–	–	–	–	–	**467,523.29**	441,049.32
Mr I. D. Boyce[2]	–	–	–	–	–	–	–	**–**	248,335.34
Mr Paul A. Theys[3]	–	–	–	–	–	–	–	**–**	152,940.82
Independent Non-executive Directors									
Mr V. F. Moore	467,523.29	445,356.17(C)	–	286,578.08	55,709.59	–	–	**1,255,167.13**	1,163,421.91
Sir Rod Eddington	467,523.29	–	–	286,578.08	–	–	–	**754,101.37**	739,886.85
Mr Nicholas C. Allen	467,523.29	321,056.16	10,000.00	286,578.08	55,709.59	–	75,506.85	**1,216,373.97**	1,130,264.38
Mr Vincent Cheng	467,523.29	–	10,000.00	286,578.08	79,908.22(C)	–	–	**844,009.59**	799,687.67
Mrs Fanny Law	467,523.29	321,056.16	–	–	–	–	75,506.85	**864,086.30**	789,350.69
Ms Irene Lee	467,523.29	321,056.16	–	286,578.08	–	–	75,506.85	**1,150,664.38**	1,051,743.30
Dr Rajiv Lall[4]	284,794.52	–	–	176,342.46	–	–	–	**461,136.98**	725,127.40
Mrs Zia Mody[5]	238,852.60	–	–	–	29,480.55	–	–	**268,333.15**	–
Professor Judy Tsui[6]	–	–	–	–	–	–	–	**–**	261,976.98
							Total	**10,695,146.84**	10,560,172.34

Notes:

1 Mr William Mocatta also received HK$300,000.00 as fee for his service on the board of CLP Power Hong Kong Limited. In 2014, he received HK$307,895.90 as fees for his service on the boards of CLP Power Hong Kong Limited, Castle Peak Power Company Limited and Hong Kong Pumped Storage Development Company, Limited.

2 The fee paid to Mr I. D. Boyce (a former Director) is included in the table, solely for the purpose of comparing the total fees paid to Non-executive Directors in 2014 with those in 2015.

3 The fee paid to Mr Paul A. Theys (a former Director) is included in the table, solely for the purpose of comparing the total fees paid to Non-executive Directors in 2014 with those in 2015.

4 Dr Rajiv Lall resigned as an Independent Non-executive Director and a member of the Finance & General Committee after the conclusion of the Board of Directors Meeting held on 13 August 2015. The fees paid to Dr Lall were made on a pro rata basis in respect of his service up to 13 August 2015.

5 Mrs Zia Mody was appointed as an Independent Non-executive Director and a member of the HR&RC with effect from 2 July 2015. The fees paid to Mrs Mody for her service were made on a pro rata basis from 2 July 2015.

6 The fee paid to Professor Judy Tsui (a former Director) is included in the table, solely for the purpose of comparing the total fees paid to Non-executive Directors in 2014 with those in 2015.

7. Change of Remuneration – Executive Directors and Senior Management

Details of the remuneration of Executive Director and Senior Management prepared in accordance with the Hong Kong Financial Reporting Standards for the 12 months ended 31 December 2015 are set out in the tables on page 153 (Executive Director) and pages 158 to 160 (Senior Management).

The amounts disclosed consist of remuneration accrued or paid for service in 2015 and, for the annual and long-term incentives, service and performance in previous years.

The amounts disclosed are the amounts recognised in the financial year for accounting purposes, which do not necessarily reflect the cash actually received by the individual. Where payments are made to the individual over more than one financial year, this is explained in the notes.

To provide a clear picture of remuneration, amounts are shown as recurring or non-recurring items. Recurring items are the normal annual remuneration of Executive Directors and Senior Management, whilst non-recurring items relate primarily to the appointment or termination of Executive Directors and Senior Management.

In the tables on page 153 and pages 158 to 160 the Recurring Remuneration Items column for 2015 includes the following:

(i) base compensation, allowances & benefits paid.

(ii) 2015 annual incentive accrued based on previous year Company performance. Additionally, as the Company performance actually achieved in 2014 was higher than the annual incentive accrual for 2014, the difference was added in the current period.

(iii) the 2012 long-term incentive award paid in January 2015 when the vesting conditions were satisfied (the comparative figures are the long-term incentive for 2011 paid in 2014). About 11% of the phantom shares portion of 2012 long-term incentive payments results from the change in CLP Holdings' share price between 2012 and 2014, with dividends reinvested.

(iv) provident fund contribution made.

The Non-recurring Remuneration Items column includes the following:

(i) sign-on payments accrued or paid in accordance with the Company's contractual obligation for newly hired Senior Management in consideration of income foregone with their previous employer on joining CLP.

(ii) relocation payments for newly hired Senior Management.

8. Executive Director – Remuneration in 2015

The remuneration paid to the Executive Director of the Company in 2015 was as follows:

	Recurring Remuneration Items					Non-recurring Remuneration Items	
		Performance Bonus[2]					
	Base Compensation, Allowances & Benefits[1] HK$M	Annual Incentive (2015 Accrual + 2014 Adjustment) HK$M	Long-term Incentive (Payment for 2012) HK$M	Provident Fund Contribution HK$M	Total Remuneration HK$M	Other Payments HK$M	Total HK$M
2015							
CEO (Mr Richard Lancaster)	8.7	8.3	3.1	1.0	21.1	–	21.1
	8.7	8.3	3.1	1.0	21.1	–	21.1

		Performance Bonus[2]					
	Base Compensation, Allowances & Benefits[1] HK$M	Annual Incentive (2014 Accrual + 2013 Adjustment) HK$M	Long-term Incentive (Payment for 2011) HK$M	Provident Fund Contribution HK$M	Total Remuneration HK$M	Other Payments HK$M	Total HK$M
2014							
CEO (Mr Richard Lancaster)	7.5	7.7	3.3	0.9	19.4	–	19.4
Executive Director (Mr Andrew Brandler)[3]	0.6	–	–	0.1	0.7	–	0.7
	8.1	7.7	3.3	1.0	20.1	–	20.1

Notes:

1 Base Compensation, Allowances & Benefits include benefits in kind. The nature of these benefits includes electricity allowance, the availability of a company vehicle for personal use, any approved personal club memberships in 2015 entered into primarily for business entertainment purposes and consequently paid by the Company, life insurance and medical benefits. Which of these benefits applies depends primarily on the location of the individual.

2 Performance bonus consists of (a) annual incentive and (b) long-term incentive. The annual incentive payments and long-term incentive awards were approved by the HR&RC.

Payment of the annual incentive and granting of the long-term incentive awards relating to 2015 performance will be made in March 2016. These payments and awards are subject to the prior approval of the HR&RC after 31 December 2015. Details of these will be published on the CLP website at the time that the 2015 Annual Report is published.

3 After stepping down as the CEO on 30 September 2013, Mr Andrew Brandler was employed in a limited capacity by the Company until 31 March 2014 on a remuneration equivalent to the Directors' fees payable on a pro rata basis for service on the boards and committees of the Company and EnergyAustralia on which he continued to serve. No annual incentive and long-term incentive awards were made to Mr Andrew Brandler in 2014.

The Group does not have, and has never had, a share option scheme. No Executive Director has a service contract with the Company or any of its subsidiaries with a notice period in excess of six months or with provisions for predetermined compensation on termination which exceeds one year's salary and benefits in kind.

9. Total Directors' Remuneration in 2015

The total remuneration of Non-executive and Executive Directors in 2015 was:

	2015 HK$M	2014 HK$M
Fees	11	11
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits[1]	9	8
Performance Bonus[2]		
– Annual Incentive	8	8
– Long-term Incentive	3	3
Provident Fund Contribution	1	1
Non-recurring Remuneration Item		
Other Payments	–	–
	32	31

Notes:

1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 153.

2 Refer to Note 2 on Performance Bonus on page 153.

Of the total remuneration paid to Directors, HK$7 million (2014: HK$6 million) has been charged to the SoC operation.

10. Senior Management – Principles of Remuneration

For the purposes of this section, Senior Management means the managers whose details are set out on page 107.

CLP's Senior Management Remuneration Policy is an important element of the Group's strategy and an expression of its culture. It is designed to attract, retain and motivate high performing executives – who for their technical and managerial skills and their diversity in terms of origin and experience – are a key factor in support of CLP's long-term business success and the creation of value for our stakeholders.

The design of our Senior Management remuneration programmes and the pay opportunities are influenced by the characteristics of our business and the market from which we compete for executive talent.

Given the scale and life-span of CLP's investments, and the array of stakeholders impacted by our operations, CLP takes a long-term view to remunerating its executives for their contributions to the Company's sustainable, profitable growth.

Our Senior Managers are, depending on their role, responsible for a mix of businesses: a vertically-integrated regulated business in Hong Kong, a competitive wholesale and retail energy provider in Australia, and an independent power producer in Mainland China, India, Southeast Asia and Taiwan. Hence, the structure of our remuneration packages is assessed in terms of appropriateness to the role and alignment with the reference market.

The labour market for our CEO and most other Senior Managers extends beyond the local market. Hence, we use both local and international reference markets for purposes of competitive remuneration assessments.

We emphasise strong management development, succession planning and job mobility to fill vacancies for executive positions, as we believe that a long-term career with the Group is an important asset to CLP. Consequently external competitiveness of remuneration has to be balanced with internal equity.

Our policy is based on the following principles that guide our remuneration programmes and decisions:

- appropriateness and fairness of remuneration in relation to the assigned job responsibilities and capabilities demonstrated;
- alignment with Company strategy and shareholder interests;
- competitive with respect to pay levels in the relevant reference market;
- performance based in terms of sustained results, behaviours and values; and
- governed by and compliant with the relevant regulatory frameworks.

In order to make informed decisions on competitive Total Remuneration as well as its individual components, the HR&RC takes reference from remuneration data for comparable positions at relevant local and, as appropriate, international companies that are representative of CLP's industry, size and operational characteristics and against which CLP competes for executive talent.

To assess appropriate remuneration levels for Senior Management positions, the HR&RC may give different weight to local and international company remuneration data. The comparative analysis is carried out by taking into account specific groups of comparator companies to ensure alignment with the reference market.

The competitive assessment against comparator companies is used both for assessing CLP's relative performance and for assessing the competitiveness of the remuneration packages.

As publicly disclosed comparator information is available for only a limited number of senior management positions, we supplement peer data from published remuneration surveys.

Our Senior Management pay structure consists of fixed pay, annual incentives, deferred remuneration and a retirement arrangement, with the exception of the Managing Director – EnergyAustralia, whose pay structure is aligned with Australian market practice. The ratio between these components reflects CLP's risk management framework that does not induce excessive risk taking and is designed to promote commitment in contributing to the achievement of sustainable results.

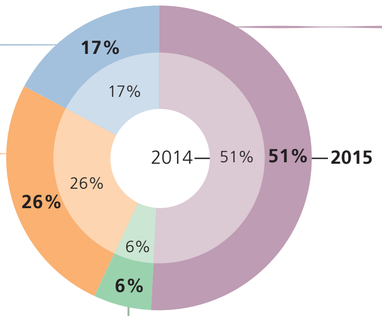
In determining incentive payments and Total Remuneration, the HR&RC takes into account a broad range of performance indicators including financial (e.g. long-term growth in the share price and dividends), operational, safety, environmental, social, governance and compliance related factors. The determination of performance outcomes is not formulaic, as the Committee believes their overriding responsibility is to exercise judgment and responsibility.

In determining overall Total Remuneration, the HR&RC applies a balanced overall judgment, with the intention to align Total Remuneration between the median and the upper quartile of the reference market, with overall positioning consistent with business performance and with individual positioning based on an assessment of performance, potential and the strategic impact of the individual.

An independent external remuneration consultant provides the HR&RC with relevant market information and analysis, with special reference to current practices amongst our comparator companies at the local and international level.

The four components of remuneration of members of Senior Management are explained in the diagram on the following pages, including the proportion of target Total Remuneration which each component represented in both 2014 and 2015.

Senior Management’s Remuneration (excluding Managing Director – EnergyAustralia)



Base Compensation

Base Compensation is reviewed annually and takes into consideration the competitive position against the relevant labour market, the scope and responsibility of the role and individual performance.

Pension Arrangement

The members of Senior Management are eligible to join the Group’s defined contribution retirement fund. The employer’s contribution to the retirement fund ranges from 10 – 12.5% of Base Compensation. To receive the maximum 12.5% employer contribution the employee is required to also contribute 5%. A 12.5% employer contribution accounts for 6% of his / her target total remuneration in 2015.

Effective 1 January 2016, the basis for determining the employer contribution for all employees, including Senior Management, was changed to Base Compensation plus target annual incentive.

Annual Incentive

Each member of Senior Management is assigned a “target” annual incentive of 50% of Base Compensation, which accounted for 26% of his / her total remuneration in 2015. The maximum annual incentive award is capped at twice the “target” annual incentive (although this cap may be exceeded in exceptional cases where a discretionary additional annual incentive is awarded by the Committee). The actual amount is determined by the Committee’s assessment of organisational performance.

The annual incentive award depends on the performance of the CLP Group for the CEO and Hong Kong based members of Senior Management. For the Managing Director of India it is based on the performance of India.

Long-term Incentive

Awards under the Long-term Incentive (LTI) plan are based on organisational performance and support the retention of Senior Management. Each member of Senior Management is assigned a “target” LTI of 33.3% of Base Compensation, which accounts for 17% of his / her total remuneration in 2015. The composition of the LTI award:

Target LTI award set at the beginning of 2015

X

Performance multiplier (Performance for the year preceding that in which the award is made)

=

Actual LTI award:

a) A minimum of 75% of the award is allocated to CLP Holdings phantom shares based on average closing share price for the December preceding the making of the LTI award

b) At the choice of the individual, up to 25% of the award can be allocated to either a notional cash deposit or to CLP Holdings phantom shares

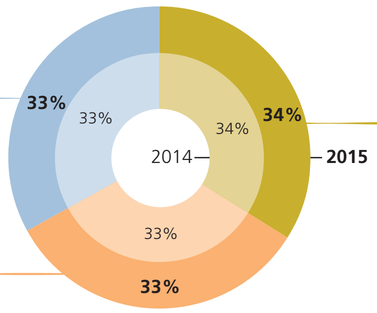
→

Payment of LTI award will be made in 2018

The final value of the award, at the vesting date, is based on the initial allocation choices made and the subsequent impact of changes in share price, dividend reinvestment, exchange rate movements, and interest earned over the three-year vesting period.

The remuneration components for Ms Catherine Tanna are explained below:

Remuneration for Catherine Tanna, Managing Director – EnergyAustralia



Fixed Annual Remuneration (FAR)

FAR includes base salary and employer contribution to the Australian statutory superannuation scheme. It is reviewed annually taking into consideration the competitive market position compared to ASX 100 companies, market practice and individual performance.

Annual Incentive

Ms Tanna was assigned a "target" annual incentive of 100% of FAR, which accounted for 33% of her total remuneration in 2015. The annual incentive payout depends upon the performance of EnergyAustralia. Key measures include achievement of financial and non-financial goals.

The amount of annual incentive is capped at 150% of the "target" annual incentive i.e. 150% of FAR. The actual payout of Ms Tanna's annual incentive will be approved by the Board of EnergyAustralia. 70% of her actual annual incentive for 2015 will be paid in 2016 with the remainder of the actual annual incentive deferred for two years, payable in 2018.

Long-term Incentive

Ms Tanna was assigned an LTI Award of 100% of FAR.

The final 2015 LTI award value to be paid will be decided by the EnergyAustralia Board, depending on the achievement of the LTI Performance Conditions.

The terms and conditions of the LTI plan are currently under review by the Remuneration Committee of EnergyAustralia.

Upon determination of the Final Award Value, 100% of that value (subject to the discretion of the Remuneration Committee of EnergyAustralia) will be paid to Ms Tanna in April 2018 (the Vesting Date).

11. Senior Management – Remuneration in 2015

Details of the remuneration of the Senior Management are set out below (except for the Executive Director, that are set out in "Executive Director – Remuneration in 2015").

	Recurring Remuneration Items					Non-recurring Remuneration Items	
		Performance Bonus[2]					
	Base Compensation, Allowances & Benefits[1] HK$M	Annual Incentive (2015 Accrual + 2014 Adjustment) HK$M	Long-term Incentive (Payment for 2012) HK$M	Provident Fund Contribution HK$M	Total Remuneration HK$M	Other Payments HK$M	Total HK$M
2015							
Group Director & Chief Financial Officer (Mr Geert Peeters)	6.3	6.4	–	0.8	13.5	–	13.5
Chief Operating Officer (Mr Derek Parkin)[3]	1.3	1.1	–	0.1	2.5	3.5	6.0
Group Director & Vice Chairman – CLP Power Hong Kong (Mrs Betty Yuen)[4]	4.0	5.0	–	0.5	9.5	–	9.5
Managing Director – CLP Power (Mr Paul Poon)	5.0	5.1	2.0	0.6	12.7	–	12.7
Managing Director – EnergyAustralia (Ms Catherine Tanna)[5]	10.9	11.8	–	0.1	22.8	4.7	27.5
Managing Director – India (Mr Rajiv Mishra)[6]	3.5	3.2	2.0	0.4	9.1	–	9.1
Managing Director – China (Mr Chan Siu Hung)	3.6	3.7	1.6	0.4	9.3	–	9.3
Group General Counsel & Chief Administrative Officer (Mr David Simmonds)	4.4	4.6	1.9	0.5	11.4	–	11.4
Chief Corporate Development Officer (Ms Quince Chong)	4.4	4.6	0.4	0.6	10.0	–	10.0
Chief Human Resources Officer (Mr Roy Massey)	3.0	3.1	1.7	0.4	8.2	–	8.2
Total	46.4	48.6	9.6	4.4	109.0	8.2	117.2

Notes 1 to 6 are set out on page 159.

Of the total remuneration paid to Senior Management, HK$33.2 million (2014: HK$30.0 million) has been charged to the SoC operation.

	Recurring Remuneration Items					Non-recurring Remuneration Items	
		Performance Bonus[2]					
	Base Compensation, Allowances & Benefits[1] HK$M	Annual Incentive (2014 Accrual + 2013 Adjustment) HK$M	Long-term Incentive (Payment for 2011) HK$M	Provident Fund Contribution HK$M	Total Remuneration HK$M	Other Payments HK$M	Total HK$M
2014							
Group Director & Chief Financial Officer (Mr Mark Takahashi)[7]	1.2	2.5	3.2	0.2	7.1	12.2	19.3
Group Director & Chief Financial Officer (Mr Geert Peeters)[8]	5.5	3.6	–	0.7	9.8	10.8	20.6
Vice Chairman – CLP Power Hong Kong (Mrs Betty Yuen)[4]	3.6	4.5	–	0.4	8.5	–	8.5
Managing Director – CLP Power	4.6	4.7	1.9	0.6	11.8	–	11.8
Managing Director – EnergyAustralia (Mr Richard McIndoe)[9]	5.8	1.8	5.4	0.1	13.1	16.5	29.6
Managing Director – EnergyAustralia (Ms Catherine Tanna)[5]	6.0	6.3	–	0.1	12.4	7.1	19.5
Group Director – Operations (Mr Peter Littlewood)[10]	1.0	2.1	2.7	0.1	5.9	5.3	11.2
Managing Director – India[6]	3.3	2.3	1.9	0.4	7.9	–	7.9
Managing Director – China	3.4	3.4	1.5	0.4	8.7	–	8.7
Group General Counsel & Chief Administrative Officer	4.2	4.3	1.8	0.5	10.8	–	10.8
Chief Corporate Development Officer	4.2	4.1	–	0.5	8.8	–	8.8
Director – Group Human Resources (Mr Roy Massey)	2.7	2.5	1.7	0.3	7.2	–	7.2
Total	45.5	42.1	20.1	4.3	112.0	51.9	163.9

Notes:

1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 153.

2 Refer to Note 2 on Performance Bonus on page 153.

3 Mr Derek Parkin joined the Company on 22 September 2015. The Other Payments of HK$3.5 million included (a) a relocation payment of HK$0.2 million, (b) a special payment of HK$3.1 million accrued in 2015 in accordance with a contractual obligation to pay that will be paid in March 2016 and (c) accommodation costs of HK$0.2 million related to his relocation was directly settled by CLP for Mr Derek Parkin to the service provider. The special payment is to compensate for his foregone end of contract bonus with his previous employer on joining CLP.

4 The annual incentives paid to Mrs Betty Yuen in 2015 and 2014 included additional discretionary annual incentives of HK$1.0 million for 2014 and HK$1.0 million for 2013 performance years respectively.

5 Ms Catherine Tanna joined the Company on 1 July 2014 and as part of her employment contract has a sign-on award to compensate for income lost as a result of forfeiture of incentive awards with her previous employer on joining CLP, a sum of HK$12.0 million will be paid in September 2016 or pro rata to service if she leaves before this date. Under Other Payments the amount of HK$4.7 million is the accrual in 2015 against this figure (2014: Other Payments of HK$7.1 million included (a) sign-on award of HK$2.7 million paid in 2014 and HK$2.6 million against HK$12.0 million accrued on pro rata to service basis and (b) provision of relocation expenses of HK$1.8 million which has been extended to be reimbursed by end of December 2016). The remuneration of Ms Catherine Tanna is denominated in Australian dollars. The month end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollars.

6 The remuneration of Mr Rajiv Mishra is denominated in Indian Rupees. There was a temporary currency relief arrangement for Mr Rajiv Mishra for two years from 1 October 2013 to 30 September 2015 where 50% of his base salary and annual incentive payment in Rupees were converted to pay in Hong Kong dollars at an exchange rate of 1 HKD = 7.4 Rupees. This arrangement has been extended for two years from 1 October 2015 to 30 September 2017 at an exchange rate of 1 HKD = 8.3 Rupees. For the remaining payments in Rupees, the month end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollars.

7 Mr Mark Takahashi left the Company on 31 March 2014. The Other Payments of HK$12.2 million included (a) retention award (HK$6.5 million) for remaining in service until 31 March 2014 to facilitate the transition to a new Chief Financial Officer, (b) accelerated payment of long-term incentive for 2012, 2013 and 2014 (HK$5.6 million) and (c) encashment of untaken annual leave (HK$0.1 million). The annual incentive and the long-term incentive for the year 2014 were made on a pro rata basis for his service up to 31 March 2014.

8 Mr Geert Peeters joined the Company on 1 February 2014. The Other Payments of HK$10.8 million included (a) a relocation payment (HK$0.1 million) and (b) a sign-on award of HK$10.7 million to be made in three payments over three years. The 1st instalment of the sign-on award (HK$5.7 million) was paid in March 2014. The 2nd (HK$2.5 million) and 3rd instalments (HK$2.5 million) were accrued in 2014 in accordance with the contractual obligation to pay, with the 2nd instalment paid in March 2015 and the 3rd instalment to be paid in March 2016. The sign-on award is to compensate for income lost as a result of forfeiture of pension contributions and incentive awards with his previous employer on joining CLP. On relocation costs, there were also relocation expenses of HK$0.4 million directly settled by CLP for Mr Geert Peeters to the service providers.

9 Mr Richard McIndoe left the Company on 30 June 2014. The annual incentive payment was approved by the EnergyAustralia Board following consultation between the CEO, the Chairman of the EnergyAustralia Remuneration Committee and members of the HR&RC. The long-term incentive of HK$5.4 million included the 2011 additional discretionary long-term incentive award of HK$1.6 million. The Other Payments of HK$16.5 million included (a) Australian tax equalisation (HK$3.0 million) for the 2011 long-term incentive award, (b) a final payment consisting of a contractual termination payment of 12 months Fixed Annual Remuneration (HK$11.0 million) and (c) encashment of untaken annual and long service leave (HK$2.5 million) paid in accordance with Australian law. The remuneration of Mr Richard McIndoe is denominated in Australian dollars. The month end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollars.

10 Mr Peter Littlewood left the Company on 31 March 2014. The other payments of HK$5.3 million included (a) accelerated payment of long-term incentive for 2012, 2013 and 2014 (HK$5.1 million) and (b) encashment of untaken annual leave (HK$0.2 million). The annual incentive and the long-term incentive for the year 2014 were made on a pro rata basis for his service up to 31 March 2014.

The five highest paid individuals in the Group included one Director (2014: one Director) and four members of Senior Management (2014: two members and two former members of Senior Management). The total remuneration of the five highest paid individuals in the Group is shown below:

	2015 HK$M	2014 HK$M
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits[1]	**35**	26
Performance Bonus[2]		
– Annual Incentive	**36**	22
– Long-term Incentive	**7**	12
Provident Fund Contribution	**3**	2
Non-recurring Remuneration Item		
Other Payments	**5**	46
	86	108

Notes:

1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 153.

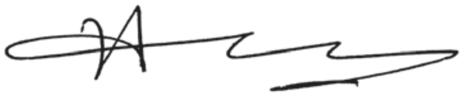
2 Refer to Note 2 on Performance Bonus on page 153.

The remuneration paid to these five individuals is within the following bands:

	Number of Individuals **2015**	Number of Individuals 2014		Number of Individuals **2015**	Number of Individuals 2014
HK$11,000,001 – HK$11,500,000	**1**	–	HK$12,500,001 – HK$13,000,000	**1**	–
HK$13,000,001 – HK$13,500,000	**1**	–	HK$19,000,001 – HK$19,500,000	**–**	2
HK$19,500,001 – HK$20,000,000	**–**	1	HK$20,500,001 – HK$21,000,000	**–**	1
HK$21,000,001 – HK$21,500,000	**1**	–	HK$27,000,001 – HK$27,500,000	**1**	–
HK$29,500,001 – HK$30,000,000	**–**	1			

12. Continued Scrutiny and Disclosure

The HR&RC remains committed to the careful oversight of remuneration policies and levels in the interests of the Company and its shareholders, and to honest and open disclosure on these matters.



Vincent Cheng
Chairman, Human Resources & Remuneration Committee
Hong Kong, 29 February 2016

Directors' Report

The Directors have pleasure in submitting their Report together with the audited Financial Statements for the year ended 31 December 2015.

Principal Activities

The principal activity of the Company is investment holding and those of its subsidiaries are the generation and supply of electricity. The Company's principal subsidiary companies are listed under Note 28 to the Financial Statements.

Consolidated Financial Statements

The consolidated Financial Statements incorporate the Financial Statements of the Company and its subsidiaries (collectively referred to as the Group) together with the Group's interests in joint ventures and associate. Details of the joint ventures and associate are provided under Notes 12 and 13 to the Financial Statements.

Earnings and Dividends

The earnings of the Group for the year are set out under the consolidated statement of profit or loss.

The Directors have declared and paid the first to third interim dividends of HK$1.65 (2014: HK$1.62) per share totalling HK$4,169 million (2014: HK$4,093 million) during the year.

The Directors declared the fourth interim dividend of HK$1.05 (2014: HK$1.00) per share totalling HK$2,653 million (2014: HK$2,526 million).

This fourth interim dividend will be paid on 24 March 2016.

Business Review and Performance

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the CEO's Strategic Review, Financial Review, Financial Capital and the Performance and Business Outlook sections respectively from pages 11 to 15, pages 26 to 39, pages 76 to 83 and pages 40 to 73 of this Annual Report. Description of the principal risks and uncertainties facing the Group can be found throughout this Annual Report, particularly in the Risk Management Report from pages 130 to 139. Particulars of important events affecting the Group that have occurred since the end of the financial year 2015, if applicable, can also be found in the above-mentioned sections and the Notes to the Financial Statements. The outlook of the Group's business is discussed throughout this Annual Report including in the Chairman's Statement from pages 7 to 10 of this Annual Report. An account of the Group's relationships with its key stakeholders is included in the Capitals section from pages 74 to 101 of this Annual Report and the 2015 Sustainability Report available online. SR

In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in this Annual Report in the Capitals and Governance sections, as well as the Sustainability Report. SR

This discussion forms part of this Directors' Report.

Share Capital

There was no movement in the share capital of the Company during the year. There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the year.

Reserves

Distributable reserves of the Company amounted to HK$28,138 million as at 31 December 2015 (2014: HK$28,026 million).

Bank Loans and Other Borrowings

The total borrowings of the Group as at 31 December 2015 amounted to HK$55,483 million (2014: HK$67,435 million). Particulars of borrowings and details of the debentures issued by the Group during the year are set out in Note 20 to the Financial Statements.

Financial Assistance and Guarantees to Affiliated Companies

The financial assistance given to affiliated companies and the guarantees given for facilities granted to affiliated companies aggregated to 0.5% of the Group's total assets as at 31 December 2015.

Equity-linked Agreements

For the year ended 31 December 2015, the Company has not entered into any equity-linked agreement.

Donations

Donations by the Group for charitable and other purposes amounted to HK$14,519,000 (2014: HK$12,019,000).

Five-year Summary

A summary of the results for the year and of the assets and liabilities of the Group as at 31 December 2015 and for the previous four financial years are on pages 258 and 259 of this Annual Report. A ten-year summary is on the CLP website.

Senior Management

The biographical details of the Senior Management as at the date of this Report are set out on page 107 of this Annual Report. Details of their remuneration are set out in the Human Resources & Remuneration Committee Report at page 148 of this Annual Report.

Major Customers and Suppliers

Sales to the Group's five largest customers together represented less than 30% of the Group's total turnover during the year. Purchases from the Group's five largest suppliers together accounted for 47.2020% of the Group's total purchases during the year. The five largest suppliers are set out below in descending order:

1. 12.3945% from Australian Energy Market Operator (AEMO) in which the Group has no interest. AEMO is the administrator and operator of the Australian energy market, from whom electricity is bought to supply EnergyAustralia group customers and to whom electricity is sold from EnergyAustralia group generators.
2. 11.0318% from Ausgrid in which the Group has no interest. EnergyAustralia pays the distribution charges to Ausgrid which owns and operates the electricity distribution network that provides services to customers located in Sydney, the Central Coast and Hunter regions of NSW.
3. 10.9384% from PetroChina International Guangdong Co., Ltd. (PCIGD) in which the Group has no interest. Castle Peak Power Company Limited purchases natural gas from PCIGD for its electricity generation.
4. 9.9449% from Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) which is 25% owned by the Group. GNPJVC owns Guangdong Daya Bay Nuclear Power Station (GNPS), and CLP Power Hong Kong, a wholly-owned subsidiary of the Company and the largest electricity supplier in Hong Kong, purchases approximately 80% of GNPS's output for supply of electricity to its customers in Hong Kong.
5. 2.8924% from Ausnet Electricity Service Pty Ltd (Ausnet) in which the Group has no interest. EnergyAustralia pays the distribution charges to Ausnet which owns and operates the electricity distribution network that provides services to customers located in the outer northern and eastern suburbs of Melbourne as well as eastern Victoria.

As at 31 December 2015, Bermuda Trust Company Limited, Guardian Limited, Harneys Trustees Limited, Lawrencium Holdings Limited, Lawrencium Mikado Holdings Limited, The Magna Foundation, Mikado Investments (PTC) Limited, The Mikado Private Trust Company Limited, New Mikado Holding Inc., Oak CLP Limited, Oak (Unit Trust) Holdings Limited, The Oak Private Trust Company Limited, The Hon Sir Michael Kadoorie, Lady Kadoorie, Mr Ronald J. McAulay, Mr J. A. H. Leigh and Mr R. Parsons who are substantial shareholders of the Company, had indirect interests in GNPJVC, which interests arose from the Group's interest in GNPJVC.

Directors

With the exception of Mrs Zia Mody and Mr Geert Herman August Peeters, the Directors of the Company as at the date of this Report, whose names appear on pages 104 and 105 of this Annual Report, were Directors for the whole year ended 31 December 2015. Their biographical details as at the date of this Report are set out on the same pages. Details of Directors' remuneration are set out in the Human Resources & Remuneration Committee Report at page 148 of this Annual Report.

Dr Rajiv Behari Lall resigned as an Independent Non-executive Director after the conclusion of the Board of Directors Meeting held on 13 August 2015. Dr Lall's resignation from the CLP Holdings Board is necessitated by the regulatory requirements in India that do not permit him to retain any outside directorships of listed companies when he became the Executive Vice Chairman and Managing Director of the newly created IDFC Bank which was launched in October 2015. Dr Lall has confirmed that he has no disagreement with the Board and that he is not aware of any matter in relation to his resignation that needs to be brought to the attention of the shareholders of the Company.

Mrs Mody was appointed as an Independent Non-executive Director with effect from 2 July 2015. Her biographical details and her independence as disclosed in the announcement for her appointment are set out in the Corporate Governance Report.

Mr Peeters was appointed as an Executive Director of the Company with effect from 1 January 2016.

Under the existing Articles of Association of the Company, all the Directors are subject to retirement by rotation and re-election at the AGM. In accordance with Article 125 of the Company's Articles of Association, Mrs Mody and Mr Peeters, being Independent Non-executive Director and Executive Director appointed on 2 July 2015 and 1 January 2016 respectively, will retire at the 2016 AGM. In accordance with Article 119 of the Company's Articles of Association, Mr Nicholas C. Allen, Mrs Fanny Law, Ms Irene Lee, Mr Richard Lancaster and Mr J. A. H. Leigh will retire by rotation at the 2016 AGM. All the retiring Directors, being eligible, offer themselves for election or re-election. None of the Directors offering themselves for election or re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation.

Directors' Interests in Transactions, Arrangements or Contracts

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company or his or her connected entities had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

Alternate Directors

During the year ended 31 December 2015 and as at the date of this Report, Mr Andrew Brandler is alternate to Mr Ronald J. McAulay and Mr William Mocatta.

Directors of Subsidiaries

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31 December 2015 or during the period from 1 January 2016 to the date of this Report are available on the CLP website.

Permitted Indemnity Provisions

During the financial year and up to the date of this Report, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the Directors (including former Directors) of the Company or its associated companies. The permitted indemnity provisions are provided for in the Company's Articles of Association and in the directors and officers liability insurance maintained for the CLP Group in respect of potential liability and costs associated with legal proceedings that may be brought against such Directors.

Continuing Connected Transactions

Following the completion of the CAPCO acquisition on 12 May 2014, China Southern Power Grid International (HK) Co., Limited (effectively China Southern Power Grid Co., Ltd. and its subsidiaries (collectively the CSG Group)) had become a substantial shareholder of CAPCO holding 30% interest in CAPCO, a subsidiary of the Company, and thereby had become a connected person of CLP Holdings at the subsidiary level under Chapter 14A of the Listing Rules. Transactions entered into between members of the CSG Group and members of the CLP Group constitute connected transactions of CLP Holdings and are subject to the requirements under Chapter 14A of the Listing Rules. The aggregate cap for the purposes of monitoring all the aggregated continuing connected transactions with the CSG Group (CCTs) under the Listing Rules during 2015 was HK$3,550.35 million. The aggregate cap was approved by the Board of Directors and disclosed in the announcement dated 2 January 2015 (the 2015 Announcement). The project level caps of the CCTs for 2015 set out in the table on pages 165 to 171 are for reference only and were used to derive the aggregate cap of HK$3,550.35 million.

Other details of the CCTs, which are required to be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules, are also set out in the above-mentioned table. The considerations for 2015 represented the actual transaction values of the relevant CCTs in the full 12 months of 2015.

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2015 (HK$M)
CLP Power Hong Kong electricity sales to Mainland China						
1.	Power Sales Contract Original arrangement entered into on 10 February 2012 with the preceding term extended to 31 December 2015 by a supplemental agreement dated 26 November 2014. The latest extension was on 31 December 2015 for the period from 31 December 2015 to 31 December 2016.	CLP Power Hong Kong	Guangdong Power Grid Co., Ltd., a subsidiary of CSG ("CSG-GPG") Guangdong Guang-hua Industry Import and Export Co., Ltd, as payment agent of CSG-GPG	CLP Power Hong Kong sells electricity to CSG-GPG.	Payment is based on the number of GWh sold multiplied by an arm's length tariff agreed between the parties. The tariff is determined after taking into account available market information and the relevant cost.	142.51
2.	Energy Economy Interchange Agreement[1] New agreement entered into on 25 December 2015 for the period from 25 December 2015 to 24 December 2017.	CLP Power Hong Kong	CSG-GPG	Economic interchange of electricity from, on the one side, CLP Power Hong Kong to CSG-GPG and, on the other, from CSG-GPG to CLP Power Hong Kong, depending on which party is affected by an emergency incident resulting in interruption of normal electricity supply to its customers.	As in item 1 above	–
	Aggregated total consideration for CLP Power Hong Kong electricity sales to Mainland China *(Project level cap for 2015 was HK$257.86 million)*					142.51
Huaiji hydro project						
3.	Zelian Hydro Station power purchase agreement ("PPA") Original arrangement entered into on 23 July 2009 with automatic renewals on 23 July 2014 and 23 July 2015, respectively, for one year periods. A new PPA was subsequently signed on 28 September 2015 for a one year period to 27 September 2016.	Guangdong Huaiji Xinlian Hydro-electric Power Company Limited, a subsidiary of the Company ("CLP-GHX")	Zhaoqing Power Bureau of CSG-GPG, a subsidiary of CSG ("CSG-ZPB")	CLP-GHX sells electricity to CSG-ZPB.	Payment is based on the number of GWh sold multiplied by a state pre-determined tariff, determined by the Zhaoqing City Price Bureau. This tariff is published at Zhaoqing Price Bureau Document ZhaoJia [2012] No. 67 and is updated from time to time. The above pricing also applies to items 4-9.	4.50

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2015 (HK$M)
4.	Longzhongtan Hydro Station PPA Original arrangement entered into on 23 July 2009 with automatic renewals on 23 July 2014 and 23 July 2015, respectively, for one year periods. A new PPA was subsequently signed on 28 September 2015 for a one year period to 27 September 2016.	CLP-GHX	CSG-ZPB	CLP-GHX sells electricity to CSG-ZPB.	As in item 3 above	2.73
5.	Jiaoping Hydro Station PPA Original arrangement entered into on 23 July 2009 with automatic renewals on 23 July 2014 and 23 July 2015, respectively, for one year periods. A new PPA was subsequently signed on 28 September 2015 for a one year period to 27 September 2016.	CLP-GHX	CSG-ZPB	CLP-GHX sells electricity to CSG-ZPB.	As in item 3 above	2.12
6.	Xiazhu Hydro Station PPA Original arrangement entered into on 23 July 2009 with automatic renewals on 23 July 2014 and 23 July 2015, respectively, for one year periods. A new PPA was subsequently signed on 28 September 2015 for a one year period to 27 September 2016.	CLP-GHX	CSG-ZPB	CLP-GHX sells electricity to CSG-ZPB.	As in item 3 above	4.59
7.	Shuixia Hydro Station PPA Agreement entered into on 28 July 2014 for the period from 28 July 2014 to 27 July 2015 with automatic renewal on 28 July 2015 for a one year period. A new PPA was subsequently signed on 28 September 2015 for a one year period to 27 September 2016.	Guangdong Huaiji Weifa Hydro-electric Power Company Limited, a subsidiary of the Company ("CLP-GHW")	CSG-ZPB	CLP-GHW sells electricity to CSG-ZPB.	As in item 3 above	37.93

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2015 (HK$M)
8.	Niuqi Hydro Station PPA Original arrangement entered into on 12 January 2009 with automatic renewals on 12 January 2014 and 12 January 2015, respectively, for one year periods. A new PPA was subsequently signed on 28 September 2015 for a one year period to 27 September 2016.	CLP-GHX	CSG-ZPB	CLP-GHX sells electricity to CSG-ZPB.	As in item 3 above	24.82
9.	Baishuihe Four Hydro Stations PPA Original arrangement entered into on 23 February 2012 with automatic renewals on 23 February 2014 and 23 February 2015, respectively, for one year periods. A new PPA was subsequently signed on 28 September 2015 for a one year period to 27 September 2016.	Guangdong Huaiji Changxin Hydro-electric Power Company Limited ("CLP-GHC") Guangdong Huaiji Gaotang Hydro-electric Power Company Limited ("CLP-GHG") CLP-GHW CLP-GHX All of the above companies are subsidiaries of the Company.	CSG-ZPB	CLP-GHC, CLP-GHG, CLP-GHW and CLP-GHX sell electricity to CSG-ZPB.	As in item 3 above	145.88
	Aggregated total consideration for the Huaiji hydro project *(Project level cap for 2015 was HK$216.83 million)*					222.57[2]
Yang_er hydro project						
10.	Yang_er Hydro Project PPA Original arrangement entered into on 19 August 2009. A PPA was signed on 25 March 2015 in respect of the term from 1 January 2015 to 31 December 2015.	Dali Yang_er Hydropower Development Co., Ltd., a wholly-owned subsidiary of the Company ("CLP Dali Yang_er")	Yunnan Power Grid Company Limited, a subsidiary of CSG ("CSG-YPG")	CLP Dali Yang_er sells electricity to CSG-YPG.	Payment is based on the number of GWh sold multiplied by a state pre-determined tariff, determined by the Yunnan Provincial Development and Reform Commission ("Yunnan PDRC"). This tariff is published at Yunnan Price Bureau Document YunJiaJiaGe [2013] No. 139 and is updated from time to time.	31.85

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2015 (HK$M)
11.	High Voltage Electricity Supply Contract Continuingly valid since 1 September 2009 (being the date of the agreement).	CLP Dali Yang_er	Yangbi Electricity Supply Co., Ltd., a subsidiary of CSG ("CSG Yangbi")	CSG Yangbi supplies electricity to CLP Dali Yang_er for use by the facilities at the main dam.	Payment is based on the number of kWh sold multiplied by the industrial use tariff for bulk industrial users determined by Yunnan PDRC. This tariff is updated from time to time.	0.01
12.	High Voltage Electricity Supply Contract Continuingly valid since 1 September 2009 (being the date of the agreement).	CLP Dali Yang_er	CSG Yangbi	CSG Yangbi supplies electricity (10kV) to CLP Dali Yang_er during overhaul related outages.	As in item 11 above	–
13.	High Voltage Electricity Supply Contract Continuingly valid since 4 November 2009 (being the date of the agreement).	CLP Dali Yang_er	Dali Power Bureau of CSG-YPG, a subsidiary of CSG ("CSG-DPB")	CSG-DPB supplies electricity (110kV) to CLP Dali Yang_er during overhaul related outages.	As in item 11 above	0.01
	Aggregated total consideration for the Yang_er hydro project *(Project level cap for 2015 was HK$51.32 million)*					31.87
Fangchenggang coal-fired project						
14.	Fangchenggang Coal-fired Project PPA Original arrangement entered into on 28 August 2007. A PPA was signed on 16 April 2015 in respect of the term from 1 January 2015 to 31 December 2015.	CLP Guangxi Fangchenggang Power Company Limited, a majority-owned joint venture of the Company ("CLP-FCG")	Guangxi Power Grid Company Limited, a subsidiary of CSG ("CSG Guangxi")	CLP-FCG sells electricity to CSG Guangxi.	Payment is based on the number of GWh sold multiplied by a state pre-determined tariff, determined by the Guangxi Price Bureau. This tariff is published at Guangxi Price Bureau Document GuiJiaGe [2015] No. 35 and is updated from time to time.	1,356.07
15.	Fangchenggang High Voltage Electricity Supply Contract Original arrangement entered into on 9 December 2006 with automatic renewal on 1 September 2014 for a two year period. A new agreement was subsequently signed on 27 September 2015 for a two year period to 26 September 2017.	CLP-FCG	Fangchenggang Power Bureau of CSG Guangxi, a subsidiary of CSG ("CSG-FPB")	CSG-FPB supplies standby electricity to CLP-FCG.	As in item 14 above	6.44

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2015 (HK$M)
16.	Fangchenggang High Voltage Electricity Supply Contract Original arrangement entered into on 1 June 2009 with automatic renewals on 1 June 2013 and 1 June 2015, respectively, for two year periods.	CLP-FCG	CSG Guangxi	CSG Guangxi supplies standby electricity to CLP-FCG.	As in item 14 above	0.01
17.	Fangchenggang Replacement and Generation Agreement[1] New agreement entered into on 28 August 2015 for the period from 1 September 2015 to 31 December 2015.	CLP-FCG	CSG Guangxi	CLP-FCG sells electricity to CSG Guangxi and the additional generation capacity was transferred to CLP-FCG from Guangxi Tiandong Power Plant.	Payment is based on the number of GWh sold pursuant to the agreement multiplied by the state pre-determined tariff determined by the Guangxi Price Bureau as applicable to Guangxi Tiandong Power Plant in 2008.	19.09
	Aggregated total consideration for the Fangchenggang coal-fired project *(Project level cap for 2015 was HK$2,942.30 million)*					1,381.61
Xicun solar project (Phases I and II)						
18.	Xicun Solar Project PPA Original arrangement entered into on 24 September 2014. A PPA was signed on 6 May 2015 in respect of the term from 1 January 2015 to 31 December 2015. Subsequently on 15 October 2015, a supplemental agreement was entered into in respect of both Phase I and the expansion of Phase II up to 31 December 2015.	CLP Dali (Xicun) Solar Power Co., Ltd, a wholly-owned subsidiary of the Company ("CLP Xicun")	CSG-YPG	CLP Xicun sells electricity to CSG-YPG.	Payment is based on the number of GWh sold multiplied by a state pre-determined tariff, determined by the National Development and Reform Commission ("NDRC"). This tariff is published at Document FaGaiJiaGe [2013] No. 1638 and is updated from time to time.	109.52
19.	Xicun Solar Project Electricity Supply Contract (10kV) Agreement entered into on 11 December 2014 for the period from 11 December 2014 to 10 December 2017.	CLP Xicun	Binchuan Electricity Supply Company Limited, a subsidiary of CSG ("CSG Binchuan")	CSG Binchuan supplies electricity to CLP Xicun (for power consumption at the project site).	Payment is based on the number of kWh sold multiplied by the industrial use tariff for bulk industrial users determined by the Yunnan PDRC. This tariff is updated from time to time.	0.06

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2015 (HK$M)
20.	Xicun Solar Project Electricity Supply Contract (110kV)[1] New agreement entered into on 27 January 2015 for the period from 15 December 2014 to 14 December 2017.	CLP Xicun	CSG-DPB	CSG-DPB supplies electricity to CLP Xicun (for start up purposes).	As in item 19 above	0.32
21.	Xicun Solar Project High Voltage Power Supply Contract (for pump station)[1] New agreement entered into on 31 July 2015 for the period from 31 July 2015 to 30 July 2018.	CLP Xicun	CSG Binchuan	CSG Binchuan supplies electricity to CLP Xicun (for watering facilities).	Payment is based on the number of kWh sold multiplied by the agricultural tariff for agricultural users determined by the Yunnan PDRC. This tariff is updated from time to time.	0.01
22.	Xicun Phase II Project Grid Connection System Technology Consultancy Contract[1] New agreement entered into on 12 October 2015 and was valid until completion of the consultancy work which has been duly completed.	CLP Xicun	The Grid Plan & Research Center of CSG-YPG, a subsidiary of CSG ("CSG-GPRC")	Consultancy service provided by CSG-GPRC to CLP Xicun regarding grid connection system for Phase II of this project.	A fixed fee of RMB60,000 (HK$73,924.80)	0.07
	Aggregated total consideration for the Xicun solar project (Phases I and II) *(Revised project level cap of Phase I for 2015 was HK$91.31 million)*[3]					109.98[3]
Xundian wind project[4]						
23.	Xundian Wind Project PPA New agreement entered into on 2 December 2015 for the period from 15 November 2015 to 31 December 2015.	CLP (Kunming) Renewable Energy Co., Ltd., a wholly-owned subsidiary of the Company ("CLP Xundian")	CSG-YPG	CLP Xundian sells electricity to CSG-YPG.	Payment is based on the number of GWh sold multiplied by a state pre-determined tariff, determined by the NDRC. This tariff is published at Document FaGaiJiaGe [2014] No. 3008 and is updated from time to time.	–
24.	Xundian Wind Project Electricity Supply Contract New agreement entered into on 30 November 2015 for the period from 30 November 2015 to 29 November 2018.	CLP Xundian	Kunming Power Bureau of CSG-YPG, a subsidiary of CSG ("CSG-KPB")	CSG-KPB supplies electricity via a 110kV line to CLP Xundian (for start up purposes).	Payment is based on the number of kWh sold multiplied by the industrial use tariff for bulk industrial users determined by the Yunnan PDRC. This tariff is updated from time to time.	–

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2015 (HK$M)
25.	Xundian Wind Project Electricity Supply Contract (Interim) New agreement entered into on 27 October 2015 for the period from 27 October 2015 to 26 October 2018.	CLP Xundian	Xundian Power Supply Company Limited, a subsidiary of CSG ("CSG-XPSC")	CSG-XPSC supplies electricity to CLP Xundian (for power consumption at the project site during project construction).	Payment is based on the number of kWh sold multiplied by the commercial and industrial use tariff determined by the Yunnan PDRC. This tariff is updated from time to time.	–
	Aggregated total consideration for the Xundian wind project					–
Sandu wind project[4]						
26.	Sandu I Wind Project Electricity Supply Contract (220kV) New agreement entered into on 8 December 2015 for the period from 8 December 2015 to 7 December 2018.	CLP (Sandu) Renewable Energy Limited, a wholly-owned subsidiary of the Company ("CLP Sandu")	Sandu Power Bureau, a subsidiary of CSG ("CSG-SPB")	CSG-SPB supplies electricity to CLP Sandu (for power consumption at the project site).	Payment is based on the number of kWh sold multiplied by the industrial use tariff for bulk industrial users determined by the Guizhou Provincial Development and Reform Commission. This tariff is updated from time to time.	–
27.	Sandu I Wind Project 220kV Metering Equipment Acceptance Test Technical Service Agreement New agreement entered into on 7 December 2015 for the period from 7 December 2015 to 31 December 2015.	CLP Sandu	Electric Power Research Institute of Guizhou Power Grid Company Limited, a subsidiary of CSG ("CSG-EPRI")	Technical service provided by CSG-EPRI for the acceptance test of the 220kV metering equipment used by CLP Sandu.	A fixed fee of RMB24,000 (HK$29,569.92)	0.03
	Aggregated total consideration for the Sandu wind project					0.03
					Total Consideration for 2015	**1,888.57**

Notes:

1 These agreements, as they were entered into after the 2015 Announcement and were new CCTs entered into for the ensuing year of 2015, were not subject to the project level caps disclosed in the 2015 Announcement.

2 The total consideration for the Huaiji hydro project exceeded its project level cap of HK$216.83 million by HK$5.74 million in the month of December 2015 as a result of exceptionally heavy rainfall in the month that led to higher generation.

3 The total consideration for the Xicun solar project in 2015 comprised the transaction values for both Phases I and II, which were HK$90.57 million and HK$19.41 million respectively. For 2015, the aggregated consideration of part of the transactions from Phase I of the project was subject to the project level cap of HK$82.04 million as disclosed in the 2015 Announcement and it was subsequently revised. As the Xicun solar project (Phase I) was expected to exceed its project level cap towards the year end, a revision of the project level cap to HK$91.31 million was proposed and approved by the Board of Directors of the Company in December 2015. The revision was disclosed in the Company's announcement dated 4 January 2016.

4 Sandu and Xundian wind projects were new projects commissioned in 2015 subsequent to the 2015 Announcement, hence, they were neither subject to any project level caps nor the aggregate cap as disclosed therein.

Pursuant to Rule 14A.55 of the Listing Rules, all the Independent Non-executive Directors of the Company have reviewed the CCTs and confirmed that the CCTs have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the relevant agreement governing each of the CCTs on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's external auditor, PwC, was engaged to report on the CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. PwC has reviewed these transactions and confirmed to the Board of the Company that nothing has come to their attention that causes them to believe that they have not been approved by the Board of the Company; that they were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; that they were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and that they have exceeded the aggregate cap.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under Note 30 to the Financial Statements. None constitutes a discloseable connected transaction as defined under the Listing Rules.

Interests of Directors and Chief Executive Officer

The interests/short positions of each of the Directors and Chief Executive Officer in the shares, underlying shares and debentures of the Company or any of the Company's associated corporations (within the meaning of the Securities and Futures Ordinance) as at 31 December 2015, as recorded in the register required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance, are set out in the table and explanatory notes on pages 173 and 174.

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

The interests of Directors and Chief Executive Officer in the shares of the Company (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds) as at 31 December 2015 were as follows:

Directors	Capacity	Total Interests in Number of Ordinary Shares of the Company	% of the Issued Share Capital of the Company
The Hon Sir Michael Kadoorie	Note 1	479,372,780	18.97416
Mr William Mocatta	Note 2	400,000	0.01583
Mr Ronald J. McAulay	Note 3	288,811,649	11.43152
Mr J. A. H. Leigh	Note 4	224,339,077	8.87961
Mr Andrew Brandler	Note 5	10,600	0.00042
Dr Y. B. Lee	Note 6	15,806	0.00063
Mrs Fanny Law	Personal	16,800	0.00066
Mr Nicholas C. Allen	Note 7	12,000	0.00047
Mr Richard Lancaster (Chief Executive Officer)	Personal	600	0.00002

Notes:

1 The Hon Sir Michael Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 479,372,780 shares in the Company. These shares were held in the following capacity:

(a) 1,243 shares were held by his spouse, Lady Kadoorie in a personal capacity.

(b) 70,146,655 shares were ultimately held by discretionary trusts, of which The Hon Sir Michael Kadoorie is one of the discretionary objects.

(c) 233,044,212 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.

(d) 170,180,670 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.

(e) 2,000,000 shares were ultimately held by each of three discretionary trusts, all of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.

For the purpose of the Securities and Futures Ordinance, the spouse of The Hon Sir Michael Kadoorie was taken to have a discloseable duty in Hong Kong in relation to the shares referred to in (b) to (e) above. The spouse of The Hon Sir Michael Kadoorie was therefore deemed to be interested in 479,372,780 shares in the Company representing approximately 18.97% of the issued share capital of the Company, of which 1,243 shares were held by her in a personal capacity and an aggregate of 479,371,537 shares were attributed to her pursuant to the Securities and Futures Ordinance for disclosure purposes. Nevertheless, she has no interest, legal or beneficial, in these 479,371,537 shares attributed to her for disclosure purposes.

2 Mr William Mocatta was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 400,000 shares in the Company. These shares were held in the following capacity:

(a) 250,000 shares were held in the capacity as the founder of a discretionary trust.

(b) 150,000 shares were held by a trust of which Mr William Mocatta is one of the beneficiaries.

3 Mr Ronald J. McAulay was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 288,811,649 shares in the Company. These shares were held in the following capacity:

(a) 13,141 shares were held in a personal capacity.

(b) 70,146,655 shares were ultimately held by discretionary trusts, of which Mr Ronald J. McAulay is one of the discretionary objects.

(c) 218,651,853 shares were ultimately held by a discretionary trust, of which Mr Ronald J. McAulay, his wife and members of his family are discretionary objects.

4 Mr J. A. H. Leigh was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 224,339,077 shares in the Company. These shares were held in the following capacity:

(a) 125,000 shares were held in a beneficial owner capacity.

(b) 5,562,224 shares were ultimately held by a discretionary trust. Mr J. A. H. Leigh was deemed to be interested in such 5,562,224 shares in his capacity as one of the trustees of a trust which was deemed to be interested in such 5,562,224 shares.

(c) 218,651,853 shares were ultimately held by a discretionary trust. Mr J. A. H. Leigh was deemed to be interested in such 218,651,853 shares in his capacity as one of the trustees of a trust which was deemed to be interested in such 218,651,853 shares.

5 600 shares were held in a personal capacity and 10,000 shares were held in a beneficial owner capacity.

6 600 shares were held in a personal capacity and 15,206 shares were held jointly with spouse.

7 12,000 shares were held in a beneficial owner capacity and jointly with spouse.

Each of the other Directors, namely, Mr Vernon Moore, Mr Vincent Cheng, Ms Irene Lee, Sir Rod Eddington and Mrs Zia Mody have confirmed that they had no interests in the shares of the Company or any of its associated corporations as at 31 December 2015. None of the Directors or the Chief Executive Officer had interests in debentures or under equity derivatives, interests in underlying shares of the Company or its associated corporations as at 31 December 2015.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

None of the Directors or the Chief Executive Officer had short positions in respect of shares, debentures or under equity derivatives, interests in underlying shares of the Company or its associated corporations as at 31 December 2015.

At no time during the year was the Company or its subsidiaries a party to any arrangement to enable the Directors and the Chief Executive Officer of the Company (including their spouse and children under 18 years of age) to acquire benefits by an acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporations.

Interests of Substantial Shareholders

The interests / short positions of substantial shareholders in the shares and underlying shares of the Company as at 31 December 2015, as recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance, are set out in the table and explanatory notes below:

1. Aggregate long position in the shares and underlying shares of the Company

The Company had been notified of the following substantial shareholders' interests in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds) as at 31 December 2015:

Substantial Shareholders	Capacity	Total Interests in Number of Ordinary Shares of the Company		% of the Issued Share Capital of the Company
Bermuda Trust Company Limited	Trustee / Interests of controlled corporations	544,198,166	Note 1	21.54
Guardian Limited	Beneficiary / Interests of controlled corporations	224,214,077	Note 8	8.87
Harneys Trustees Limited	Interests of controlled corporations	416,860,706	Note 3	16.50
Lawrencium Holdings Limited	Beneficiary	170,180,670	Note 2	6.74
Lawrencium Mikado Holdings Limited	Beneficiary	233,044,212	Note 2	9.22
The Magna Foundation	Beneficiary	233,044,212	Note 2	9.22
Mikado Investments (PTC) Limited	Trustee / Interest of controlled corporation	233,044,212	Note 1	9.22
The Mikado Private Trust Company Limited	Trustee / Interests of controlled corporations	409,224,882	Note 2	16.20
New Mikado Holding Inc.	Trustee	233,044,212	Note 1	9.22
Oak CLP Limited	Beneficiary	218,651,853	Note 4	8.65
Oak (Unit Trust) Holdings Limited	Trustee	218,651,853	Note 1	8.65
The Oak Private Trust Company Limited	Trustee / Interests of controlled corporations	233,371,475	Note 4	9.24
The Hon Sir Michael Kadoorie	Note 5	479,372,780	Note 5	18.97
Mr Ronald J. McAulay	Note 6	288,811,649	Note 6	11.43
Mr J. A. H. Leigh	Notes 7 & 8	224,339,077	Notes 7 & 8	8.88
Mr R. Parsons	Trustee	224,214,077	Note 8	8.87

Notes:

1 Bermuda Trust Company Limited was deemed to be interested in the shares in which New Mikado Holding Inc., Mikado Investments (PTC) Limited, Oak (Unit Trust) Holdings Limited, The Oak Private Trust Company Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and/or by virtue of having direct or indirect control over such companies. The interests of Bermuda Trust Company Limited in the shares of the Company include the shares held by discretionary trusts of which The Hon Sir Michael Kadoorie and/or Mr Ronald J. McAulay are among the discretionary objects as disclosed in "Interests of Directors and Chief Executive Officer".

2 The Mikado Private Trust Company Limited was deemed to be interested in the shares in which Lawrencium Holdings Limited, Lawrencium Mikado Holdings Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and/or by virtue of having direct or indirect control over such companies. The Magna Foundation was also deemed to be interested in the shares in which Lawrencium Mikado Holdings Limited was deemed to be interested. The interests of The Mikado Private Trust Company Limited in the shares of the Company include the shares held by discretionary trusts of which The Hon Sir Michael Kadoorie is one of the beneficiaries and a founder as disclosed in "Interests of Directors and Chief Executive Officer".

3 Harneys Trustees Limited controlled The Mikado Private Trust Company Limited and another company and was therefore deemed to be interested in the shares in which such companies were deemed to be interested.

4 The Oak Private Trust Company Limited was deemed to be interested in the shares in which Oak CLP Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and/or by virtue of having direct or indirect control over such companies. The interests of The Oak Private Trust Company Limited in the shares of the Company include the shares held by a discretionary trust of which Mr Ronald J. McAulay is one of the discretionary objects as disclosed in "Interests of Directors and Chief Executive Officer".

5 See Note 1 under "Interests of Directors and Chief Executive Officer".

6 See Note 3 under "Interests of Directors and Chief Executive Officer".

7 See Note 4 under "Interests of Directors and Chief Executive Officer".

8 Mr R. Parsons and Mr J. A. H. Leigh, in their capacities as trustees of a trust, jointly controlled Guardian Limited and therefore were deemed to be interested in the shares in which Guardian Limited was deemed to be interested. Accordingly, the 224,214,077 shares in which Guardian Limited was interested was duplicated within the interests attributed to each of Mr J. A. H. Leigh and Mr R. Parsons.

2. Aggregate short position in the shares and underlying shares of the Company

As at 31 December 2015, the Company had not been notified of any short positions being held by any substantial shareholder in the shares or underlying shares of the Company.

Interests of Any Other Persons

As at 31 December 2015, the Company had not been notified of any persons other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report at page 108 of this Annual Report, whilst our Sustainability Report available online describes the Company's actions and initiatives with particular emphasis on the social and environmental aspects of our activities. SR

Auditor

The Financial Statements for the year have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for reappointment, at the AGM of the Company.

On behalf of the Board

William Mocatta

William Mocatta
Vice Chairman
Hong Kong, 29 February 2016