

Maintaining a good, solid and sensible framework of corporate governance has been and remains one of the Company's top priorities.

We firmly believe that our shareholders demand and should receive excellence in corporate governance in all respects.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SPECIFIED INDIVIDUALS

In 1998, CLP Holdings issued its own Code for Securities Transactions by Directors and Specified Individuals pursuant to the Stock Exchange's Model Code for Securities Transactions contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The Code for Securities Transactions is an update of the Code issued by CLP Power in 1989 when CLP Power was the listed holding company of the CLP Group. The Company has also adopted practices which meet and, in many instances, exceed the provisions of the Code of Best Practice contained in Appendix 14 of the Listing Rules.

CODE OF CONDUCT

To promote the highest standard of integrity in the conduct of the Group's business, a Code of Conduct was published in 1995, and updated in 1999, to document CLP's policies relating to business ethics,

occupational health and safety, environmental issues, and our responsibilities to shareholders and the financial community. The Code applies to all employees and Directors. Training is periodically given to all staff to foster understanding of the principles of the Code. All employees above a designated level are required to sign annual statements indicating compliance with key policies.

"CORPORATE GOVERNANCE – CLP PRINCIPLES & PRACTICES"

"Corporate Governance – CLP Principles & Practices" was published in August 2000. This booklet offers a

CLP Holdings Annual Report 1999 was awarded a Platinum Award in the Best Corporate Governance Disclosure Awards by the Hong Kong Society of Accountants and an Honourable Mention in the Hong Kong Management Association's Best Annual Reports Awards 2000.

detailed description of corporate governance practices within CLP. Its publication is a practical demonstration not only of the commitment of the Board and senior management to good standards of corporate governance, but also of our willingness to be open and accountable to our shareholders as regards the principles on which their company is managed and directed.



OPEN COMMUNICATION

There has been considerable discussion recently in regulatory and financial circles on the subject of “selective disclosure”, namely the provision of material non-public information, such as advance warnings of earnings results, to certain market participants such as securities analysts or selected institutional investors before making full disclosure of that information to the general public.

CLP is aware of its obligations under the Listing Rules. We do not consider selective disclosure to be fair. At the same time, we recognise that certain investors and analysts do have a closer and more active interest than others in CLP’s affairs and that their legitimate questions deserve a reasonable reply.

To balance these considerations can be difficult in principle and in practice. It can be best achieved through an overall policy of open communication. This, in turn, requires procedures for the broad, non-exclusionary distribution of information to the public (to adopt the language of the U.S. Securities and Exchange Commission’s Regulation FD (Fair Disclosure) of August 2000).

CLP considers that the Internet provides an ideal medium to make information broadly available to our shareholders, in addition to the more traditional methods of financial reports and press releases. We have, therefore, expanded the CLP website to include a “Corporate Governance” section,

enabling our shareholders to obtain information regarding:

- “Corporate Governance – CLP Principles & Practices”;
- “Code of Conduct”;
- “Policy and Guidelines on the Provision of Gifts and Entertainment”;
- Biographical data on Directors and Senior Management;
- Terms of reference of Board Committees and the frequency of meetings;
- Annual General Meeting proceedings;
- Analysts’ briefings; and
- Most frequently asked questions from analysts (regularly updated).

We recognise that not our all shareholders have access to the Internet. For those who do not, hard copies of the website information listed above are available upon request to the Company Secretary.

INTERNAL AUDIT

The CLP Group Internal Audit Department plays a major role, in support of and in collaboration with, all CLP Group Management, in monitoring the internal governance of the Group. Key tasks of the Department include:

- Unrestricted access to review all aspects of the CLP Group’s activities and internal controls;
- Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries on a regular basis;
- Conduct of special reviews and / or investigations and reports both on

a regular and as-needed basis;

- Liaison with the Independent Commission Against Corruption in Hong Kong, particularly with a view to incorporating preventive measures and reducing potential malpractice; and
- Maintaining the Code of Conduct on an evergreen basis and assuring that effective training is periodically conducted.

The Group Internal Auditor reports directly to the Group Managing Director and has direct access to the Board through the Chairman of the Audit Committee. The Group Internal Auditor also has the right to consult the Committee without reference to Management.



BOARD COMMITTEES

The Board has appointed a number of Board Committees. Management and third parties are co-opted to the Committees as required. Full terms of reference of these Committees are set out in our website.

Audit Committee

The Audit Committee has a majority of its members appointed from the Independent Non-executive Directors. It meets every six months to review the completeness, accuracy and fairness of the financial statements of the Company and to consider the nature and scope of internal and external audit reviews as well as the effectiveness of the systems of internal control. Special meetings may be called at the discretion of the Chairman or senior Management to review significant control or financial issues. Internal control systems have been designed to allow the Board to monitor the Group's overall financial position and to protect its assets. The purpose is to assure against material financial misstatement or loss. The Directors are responsible for these systems, and appropriate authorities and guidelines are in place. The Audit Committee Chairman also prepares an annual report to the Board of Directors covering its activities for the year and highlighting issues which the Chairman deems significant. There were two meetings of the Audit Committee in 2000.

Finance and General Committee

The Finance and General Committee meets as and when required to review

the financial operations of the Company. Such reviews include group-wide financial, accounting and treasury policies, major financing transactions, corporate plans, budgets, etc. The Committee also reviews the funding requirements of acquisitions of or investments in companies, businesses or projects. It endorses recommendations to the Board or approves actions within its delegated authority. The Finance and General Committee met eight times in 2000.

Human Resources Committee

The Human Resources Committee meets as and when required to consider and review human resources policies, particularly those governing the terms and conditions of service of Group employees; remuneration; retirement benefits; management development and succession plans. It makes recommendations to the Board or approves actions within its delegated authority. The Chairman invites the executive members of the Committee to withdraw from meetings during discussion of matters related to their own remuneration or terms of employment. Five meetings of the Human Resources Committee were held in 2000.

Public Affairs Committee

The Public Affairs Committee oversees the development and implementation of appropriate public relations programmes with a view to improving the public image and the general understanding by the public of the CLP Group. It endorses recommendations

to the respective Boards within the CLP Group or approves actions within its delegated authority. Three meetings of the Public Affairs Committee took place during 2000.

Provident & Retirement Fund Committee

The Provident & Retirement Fund Committee advises the Trustees on investment policy and objectives for the Group's retirement funds. The Committee meets regularly to review the position of the funds; to monitor the performance of the investment managers and to consider and make recommendations to the Trustees on the appointment and removal of investment managers and on the investment of available funds outside the portfolios of the investment managers. The Provident & Retirement Fund Committee met four times in 2000.

CONTRIBUTION TO SHAREHOLDER VALUE

CLP believes that maintaining high standards of corporate governance is not only proper in ethical terms, but also contributes to shareholder value by ensuring that corporate decisions are made in an honest, open and structured manner and by reinforcing the investment community's confidence in the Company.