

Corporate Governance Practices

In the Corporate Governance Report dated 28 February 2005 which was published in our Annual Report 2004, we reported that the Company had adopted its own Code on Corporate Governance (CLP Code) which incorporated all of the Code Provisions and Recommended Best Practices in the "Code on Corporate Governance Practices and Corporate Governance Report" issued by the Hong Kong Stock Exchange (the Stock Exchange Code), save for the few exceptions specified and explained therein.

In the Corporate Governance Report we also described the structure of CLP Corporate Governance Framework and how the various key players are involved in ensuring the application of good governance practices and policies within the CLP Group.

In this Interim Report, we give a brief update on our corporate governance practices, notably the progress on bringing into compliance the two deviations from the Recommended Best Practices of the Stock Exchange Code which we reported in the Corporate Governance Report.

The first of these related to the Recommended Best Practice that Independent Non-executive Directors represent at least one-third of the Board.

At our Annual General Meeting held on 28 April 2005, we announced the appointment of Professor Judy Tsui as an Independent Non-executive Director of the Company to take effect on 10 May 2005. Professor Tsui's appointment has brought the number of Independent Non-executive Directors of the Company to six. This represents one-third of the Board (18 Directors as at 30 June 2005), and brings CLP into compliance with this Recommended Best Practice.

CLP's second deviation from Recommended Best Practices of the Stock Exchange Code relating to the recommendation that an issuer should announce and publish quarterly financial results remains as a deviation of the CLP Code and our actual practices from the Stock Exchange Code. CLP issues quarterly statements which include turnover, interim dividends and progress in major business activities over the quarter. However, CLP does not issue quarterly financial results. The reason is a judgment that quarterly reporting does not bring significant benefits to shareholders. The considered reasons for this deviation were stated in the Corporate Governance Report on page 95 of the Company's Annual Report 2004.

As at 30 June 2005 the composition of the Board of CLP Holdings was as follows:

Non-Executive Directors	Independent Non-executive Directors	Executive Directors
Dr. The Hon. Sir Michael Kadoorie	The Hon. Sir S. Y. Chung	Mr. Andrew Brandler
Mr. W. E. Mocatta	Dr. William K. Fung	Mr. Peter P. W. Tse
Mr. J. S. Dickson Leach	Mr. V. F. Moore	Mr. Peter W. Greenwood
Mr. R. J. McAulay	Mr. Hansen C. H. Loh	(resigned on 27 August 2005)
Mr. J. A. H. Leigh	Mr. Paul M. L. Kan	Dr. Y. B. Lee
Mr. R. Bischof	Professor Judy Tsui	
Mr. I. D. Boyce		
Mr. P. C. Tan		

The composition of Board Committees remains the same as set out in the Corporate Governance Report of the Annual Report 2004, save that Mr. Paul M. L. Kan resigned from, and Professor Judy Tsui joined, the Audit Committee both with effect from 1 June 2005.

Following shareholders' approval at the Company's Annual General Meeting held on 28 April 2005 of the resolution to fix a specific term of appointment for all Non-executive Directors, a formal letter of appointment which is modelled on the letter of appointment in the "Higgs Report" in the UK on the "Review of the Role and Effectiveness of Non-executive Directors" was issued to each of the Non-executive Directors of the Company.

During the six months ended 30 June 2005 the Company met the Code Provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules).

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed accounts for the six months ended 30 June 2005. All of the Audit Committee members are appointed from the Independent Non-executive Directors, with the Chairman and a member having appropriate professional qualifications and experience in financial matters.

Interests of Directors and Substantial Shareholders

Since 1989, the Company has adopted its own Code for Securities Transactions by Directors (CLP Securities Code), which is largely based on the Model Code set out in Appendix 10 of the Listing Rules. The CLP Securities Code also applies to Senior Management (comprising the four Executive Directors and the Managing Directors of CLP Power Hong Kong and CLP Power Asia) and other "Specified Individuals" such as senior managers in the CLP Group. The CLP Securities Code has been updated from time to time to reflect new regulatory requirements as well as CLP Holdings' strengthened regime of disclosure of interests in its securities.

The current CLP Securities Code is on terms no less exacting than the required standard set out in the Model Code.

All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and CLP Securities Code throughout the period from 1 January to 30 June 2005.

Save for the shareholdings disclosed below by the four Executive Directors, Senior Management did not have any interests in CLP Holdings' securities as at 30 June 2005.

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 30 June 2005, as recorded in the register required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance, are set out below:

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 30 June 2005 were as follows:

Directors	Capacity	Total Interests in Number of Ordinary Shares of the Company	% of the Issued Share Capital of the Company
Dr. The Hon. Sir Michael Kadoorie	<i>Note (a)</i>	475,381,026	19.7397
Mr. W. E. Mocatta	Founder of a discretionary trust	250,000	0.0104
Mr. J. S. Dickson Leach	Beneficial owner	3,436	0.0001
Mr. R. J. McAulay	<i>Note (b)</i>	439,800,565	18.2623

Directors	Capacity	Total Interests in Number of Ordinary Shares of the Company	% of the Issued Share Capital of the Company
The Hon. Sir S. Y. Chung	Beneficial owner	393,789	0.0164
Dr. William K. Fung	Beneficial owner	120,000	0.0050
Mr. J. A. H. Leigh	Beneficial owner	22,000	0.0009
Mr. R. Bischof	Beneficial owner	50,000	0.0021
Mr. P. C. Tan	Interests held jointly with spouse	5,000	0.0002
Mr. Andrew Brandler (Chief Executive Officer)	<i>Note (c)</i>	10,600	0.0004
Mr. Peter P. W. Tse	<i>Note (d)</i>	20,600	0.0009
Mr. Peter W. Greenwood	Beneficial owner	5,600	0.0002
Dr. Y. B. Lee	<i>Note (e)</i>	15,806	0.0007

Notes:

(a) The Hon. Sir Michael Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 475,381,026 shares in the Company. These shares were held in the following capacity:

- i) 1,243 shares were an interest of his spouse.
- ii) 236,335,571 shares were held by discretionary trusts, of which The Hon. Sir Michael Kadoorie is one of the discretionary objects.
- iii) 239,044,212 shares were held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the discretionary objects 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 239,044,212 shares referred to in (iii) above. The spouse of The Hon. Sir Michael Kadoorie was therefore deemed to be interested in 239,045,455 shares in the Company, of which 1,243 shares were held by her as beneficial owner and 239,044,212 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 239,044,212 shares attributed to her for disclosure purposes.

(b) Mr. R. J. McAulay was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 439,800,565 shares in the Company. These shares were held in the following capacity:

- i) 13,141 shares were held in a personal capacity.
- ii) 236,335,571 shares were held by discretionary trusts, of which Mr. R. J. McAulay is one of the discretionary objects.
- iii) 203,451,853 shares were held by a discretionary trust, of which Muriel, Lady Kadoorie, mother-in-law of Mr. R. J. McAulay, is the founder and a beneficiary and Mr. R. J. McAulay, his wife and members of his family are discretionary objects.

(c) 600 shares were held in a personal capacity and 10,000 shares were held in a beneficial owner capacity.

(d) 600 shares were held in a personal capacity and 20,000 shares were held in a beneficial owner capacity.

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

Messrs. I. D. Boyce, V. F. Moore, Hansen C. H. Loh and Paul M. L. Kan and Professor Judy Tsui who are Directors of the Company, and Mr. Bradley W. Corson who is an Alternate Director have each confirmed that they had no interests in the shares of the Company or any of its associated corporations as at 30 June 2005.

None of the Directors or the Chief Executive Officer had interests in debentures, under equity derivatives or in underlying shares of the Company and its associated corporations as at 30 June 2005.

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, under equity derivatives or interests in underlying shares of the Company and its associated corporations as at 30 June 2005.

At no time during the period was the Company, its subsidiaries or its associated companies 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 30 June 2005, as recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance, are set out 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 30 June 2005.

Substantial Shareholders	Capacity	Total Interests in Number of Ordinary Shares of the Company	% of the Issued Share Capital of the Company
Acorn Holdings Corporation	Beneficiary	196,468,538 <i>Note (a)</i>	8.16
Bermuda Trust Company Limited	Trustee/Interests of controlled corporations	682,978,836 <i>Note (a)</i>	28.36
Bermuda Trust (Cayman) Limited	Trustee	203,451,853 <i>Note (b)</i>	8.45
Esko Limited	Interest of controlled corporation/ Beneficiary of trusts	236,335,571 <i>Note (a)</i>	9.81
Hesko Limited	Interest of controlled corporation/ Beneficiary of trusts	236,335,571 <i>Note (a)</i>	9.81
HWR Trustees Limited	Trustee/Interest of controlled corporation	240,482,771 <i>Note (a)</i>	9.99
Lakshmi Company Limited	Beneficiary	196,468,538 <i>Note (a)</i>	8.16
Lawrencium Corporation	Beneficiary	196,468,538 <i>Note (a)</i>	8.16

Substantial Shareholders	Capacity	Total Interests in Number of Ordinary Shares of the Company	% of the Issued Share Capital of the Company
Merlin Investments Limited	Beneficiary	196,468,538 <i>Note (a)</i>	8.16
Mikado Holding Inc.	Trustee	239,044,212 <i>Note (a)</i>	9.93
Mikado Investments Limited	Interest of controlled corporation/ Beneficiary of trusts	239,044,212 <i>Note (a)</i>	9.93
Muriel, Lady Kadoorie	Founder and Beneficiary	203,451,853 <i>Note (b)</i>	8.45
New Boron Holding Corporation	Trustee	196,468,538 <i>Note (a)</i>	8.16
Oak CLP Limited	Beneficiary	203,451,853 <i>Note (b)</i>	8.45
Oak (Unit Trust) Holdings Limited	Trustee	203,451,853 <i>Notes (a) & (b)</i>	8.45
Mr. R. Parsons	Trustee	196,554,172 <i>Note (c)</i>	8.16
Sir Sidney Gordon	Trustee	205,525,453 <i>Note (c)</i>	8.53
Dr. The Hon. Sir Michael Kadoorie	<i>Note (d)</i>	475,381,026 <i>Note (d)</i>	19.74
Mr. R. J. McAulay	<i>Note (e)</i>	439,800,565 <i>Note (e)</i>	18.26
Guardian Limited	Beneficiary/Interests in controlled corporation	196,554,172 <i>Note (c)</i>	8.16

Notes:

- (a) The interests of Bermuda Trust Company Limited in the shares of the Company include the interests in the Company held by Esko Limited, Hesko Limited, Acorn Holdings Corporation, Lawrencium Corporation, Mikado Holding Inc, Mikado Investments Limited, Oak (Unit Trust) Holdings Limited and New Boron Holding Corporation.

The interests of Bermuda Trust Company Limited in the shares of the Company also include the shares held by discretionary trusts of which The Hon. Sir Michael Kadoorie and/or Mr. R. J. McAulay are among the discretionary objects as disclosed in "Interests of Directors and Chief Executive Officer".

Bermuda Trust Company Limited was deemed to be interested in the shares in which Esko Limited, Hesko Limited, Mikado Holding Inc, Mikado Investments Limited and Oak (Unit Trust) Holdings Limited are interested, either in the capacity as trustee or by virtue of having direct or indirect control over such companies.

HWR Trustees Limited was deemed to be interested in the shares in which New Boron Holding Corporation was interested by virtue of having direct control over New Boron Holding Corporation. HWR Trustees Limited was also deemed to be interested in 4,147,200 shares in its capacity as trustee of certain trusts.

Lakshmi Company Limited and Merlin Investments Limited were deemed to be interested in the shares in which New Boron Holding Corporation was interested.

Esko Limited and Hesko Limited together controlled Acorn Holdings Corporation and Lawrencium Corporation which together in turn controlled New Boron Holding Corporation and were therefore deemed to be interested in the shares in which such company was deemed interested.

- (b) The interests of Bermuda Trust (Cayman) Limited in the shares of the Company include the interests in the Company in which Oak CLP Limited, Oak (Unit Trust) Holdings Limited and Muriel, Lady Kadoorie were deemed to be interested.

The interests of Muriel, Lady Kadoorie in 203,451,853 shares of the Company include shares in which Mr. R. J. McAulay, Mr. R. Parsons and Sir Sidney Gordon were deemed to be interested.

Bermuda Trust (Cayman) Limited was interested in the 203,451,853 shares by virtue of its capacity as trustee of a trust of which Muriel, Lady Kadoorie is the founder and a beneficiary and Mr. R. J. McAulay is one of the discretionary objects. Bermuda Trust (Cayman) Limited, in its capacity as trustee of a discretionary trust, controlled Oak CLP Limited and was therefore deemed to be interested in the shares in which Oak CLP Limited was interested.

- (c) Mr. R. Parsons and Sir Sidney Gordon, in their capacities as trustees of certain trusts, 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 196,554,172 shares in which Guardian Limited was interested is duplicated within the interests attributed to each of Sir Sidney Gordon and Mr. R. Parsons.

Sir Sidney Gordon was also deemed to be interested in 2,073,600 shares in his capacity as trustee of certain trusts.

- (d) The aggregate long position in the shares of the Company of The Hon. Sir Michael Kadoorie is listed below:

Interests in the Ordinary Shares of the Company

Number	Capacity
1,243	Interest of spouse
239,044,212	Founder of a discretionary trust
475,379,783	Discretionary object of various discretionary trusts

The interests of The Hon. Sir Michael Kadoorie as a founder of a discretionary trust and a discretionary object of various discretionary trusts are duplicated between each other. His interests, apart from the interest of his spouse, are also duplicated by the interests in the Company held by Bermuda Trust Company Limited and certain discretionary trusts of which Mr. R. J. McAulay is one of the discretionary objects as disclosed in Note (e) below.

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 239,044,212 shares referred to above. The spouse of The Hon. Sir Michael Kadoorie was therefore deemed to be interested in 239,045,455 shares in the Company, of which 1,243 shares were held by her as beneficial owner and 239,044,212 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 239,044,212 shares attributed to her for disclosure purposes.

- (e) See Note (b) under "Interests of Directors and Chief Executive Officer".

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

As at 30 June 2005, 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 30 June 2005, 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.

Purchase, Sale or Redemption of the Company's Listed Shares

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 30 June 2005.