

# Corporate Governance

CLP is committed to maintaining good corporate governance standards.

## Corporate Governance Practices

In the Corporate Governance Report dated 28 February 2006, which was published in our 2005 Annual Report, we reported that the Company had adopted its own Code on Corporate Governance (CLP Code) on 28 February 2005 which incorporated all of the Code Provisions and Recommended Best Practices in the "Code on Corporate Governance Practices" issued by the Hong Kong Stock Exchange (the Stock Exchange Code), save for one exception.

This single deviation from the Recommended Best Practices of the Stock Exchange Code relates to the recommendation that an issuer should announce and publish quarterly financial results. 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 because in our judgment quarterly reporting does not bring significant benefits to shareholders. The considered reasons for this deviation were stated in the Corporate Governance Report on page 99 of the Company's 2005 Annual Report.

In the Corporate Governance Report we also described the structure of CLP's 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. The progress made in 2005 in the evolution of CLP's corporate governance practices was set out in the Corporate Governance Report on page 100 of the Company's 2005 Annual Report. In 2006, we made further progress in our corporate governance practices, including the establishment of a China Committee and the implementation of a development programme for Directors.

During the first half of 2006, two additional Non-executive Directors were appointed to the Board of CLP Holdings. Sir Roderick Ian Eddington was appointed an Independent Non-executive Director effective from 1 January 2006 and Mr. Jason Holroyd Whittle, an alternate to Mr. R. J. McAulay, was appointed a Non-executive Director on 9 May 2006.

As at 30 June 2006 the composition of the Board of CLP Holdings was as follows:

Non-executive Directors	Independent Non-executive Directors	Executive Directors
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	Dr. Y. B. Lee
Mr. R. J. McAulay	Mr. Hansen C. H. Loh	
Mr. J. A. H. Leigh	Mr. Paul M. L. Kan	
Mr. R. Bischof	Professor Judy Tsui	
Mr. I. D. Boyce	Sir Rod Eddington	
Mr. P. C. Tan		
Mr. Jason Whittle		

Directors' biographies are set out on CLP's website.

The composition of Board Committees remains the same as set out in the Corporate Governance Report (pages 104-106), save that Mr. J. S. Dickson Leach resigned from the Finance and General Committee on 1 April 2006 and Mrs. Betty Yuen, Group Director – Managing Director Hong Kong, and Mr. Richard McIndoe, Group Director – Managing Director Australia, were appointed Members of the Finance and General Committee with effect from 7 June 2006.

Following shareholders' approval at the Company's Annual General Meeting held on 25 April 2006, remuneration is payable to the Chairmen and Members (other than Executive Directors and Management) who serve on the Company's Social, Environmental & Ethics Committee and China Committee. Such remuneration is fixed at the levels shown below for each financial year until the Company in General Meeting otherwise determines and took effect from the date of the first meeting of the Social, Environmental & Ethics Committee and China Committee on 1 December 2005 and 10 January 2006 respectively.

Social, Environmental & Ethics Committee		HK\$
Chairman		30,000
Member		20,000
China Committee		HK\$
Chairman		56,000
Member		40,000

In respect of the year ended 31 December 2005, the Board considered CLP's internal control system effective and adequate. Details of the standards, processes and effectiveness of CLP's internal control system were set out in the Corporate Governance Report on pages 108 to 110 of the Company's 2005 Annual Report.

Through our review of CLP Group's system of internal control, we identified in the second quarter of 2006 a number of control deficiencies principally in relation to limited segregation of duties and weak general computer controls, mainly at TRUenergy, a newly acquired subsidiary. The bulk of those deficiencies have since been rectified, and we are not aware of any situation where these have been exploited to impact our financial position or results of operations. We shall retest all related controls starting in the third quarter of 2006, and we expect the retesting to be completed by 31 December 2006.

During the six months ended 30 June 2006 the Company met the Code Provisions set out in the Stock Exchange Code 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 2006. 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 three Executive Directors, Group Director – Managing Director Hong Kong, Group Director – Managing Director Australia, Group Director – Operations and Group Director – Corporate Development, whose biographies are set out on CLP's website) 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 and Senior Management 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 2006.

Save for the shareholdings disclosed below by the three Executive Directors and the 600 shares held by Group Director – Operations, the other Senior Management did not have any interests in CLP Holdings' securities as at 30 June 2006.

### 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 2006, 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 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 2006 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 (a)	475,381,026	19.7397
Mr. W. E. Mocatta	Founder of a discretionary trust	250,000	0.0104
Mr. J. S. Dickson Leach	Founder of a discretionary trust Note (b)	3,436	0.0001
Mr. R. J. McAulay	Note (c)	439,800,565	18.2623
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)	Note (d)	10,600	0.0004
Mr. Peter P. W. Tse	Note (e)	20,600	0.0009
Dr. Y. B. Lee	Note (f)	15,806	0.0007
Mr. Jason Whittle	Note (g)	238,409,771	9.8997

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:
- 1,243 shares were an interest of his spouse, Lady Kadoorie.
  - 236,335,571 shares were held by discretionary trusts, of which The Hon. Sir Michael Kadoorie is one of the discretionary objects.
  - 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 representing approximately 9.93% of the issued share capital of 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) According to the register of directors' and chief executives' interests and short position required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance, Mr. J. S. Dickson Leach is the beneficial owner of 3,436 ordinary shares of the Company. The Company was notified by Mr. J. S. Dickson Leach that the capacity of his interest had been changed from Beneficial Owner to Founder of a Discretionary Trust.
- (c) 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:
- 13,141 shares were held in a personal capacity.
  - 236,335,571 shares were held by discretionary trusts, of which Mr. R. J. McAulay is one of the discretionary objects.
  - 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.
- (d) 600 shares were held in a personal capacity and 10,000 shares were held in a beneficial owner capacity.
- (e) 600 shares were held in a personal capacity and 20,000 shares were held in a beneficial owner capacity.

- (f) 600 shares were held in a personal capacity and 15,206 shares were held jointly with spouse.
- (g) Mr. Jason Whittle was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 238,409,771 shares in the Company. These shares were held in the following capacity:
- i) 600 shares were held in a personal capacity.
  - ii) 236,335,571 shares were held by discretionary trusts, of which Mr. Jason Whittle is one of the discretionary objects.
  - iii) 2,073,600 shares were indirectly held by the spouse of Mr. Jason Whittle.

Messrs. I. D. Boyce, V. F. Moore, Hansen C. H. Loh and Paul M. L. Kan, Professor Judy Tsui and Sir Rod Eddington 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 2006.

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 2006.

## 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 2006.

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 2006, 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 30 June 2006.

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 Note (a)	8.16
Bermuda Trust Company Limited	Trustee/Interests of controlled corporations	682,978,836 Note (a)	28.36
Bermuda Trust (Cayman) Limited	Trustee	203,451,853 Note (b)	8.45
Esko Limited	Interests of controlled corporations	236,335,571 Note (a)	9.81
Hesko Limited	Interests of controlled corporations	236,335,571 Note (a)	9.81
HWR Trustees Limited (now known as Harneys Trustees Limited)	Interests of controlled corporations	240,482,771 Note (a)	9.99
Lakshmi Company Limited	Beneficiary	196,468,538 Note (a)	8.16
Lawrencium Corporation	Beneficiary	196,468,538 Note (a)	8.16
Merlin Investments Limited	Beneficiary	196,468,538 Note (a)	8.16

Substantial Shareholders	Capacity	Total Interests in Number of Ordinary Shares of the Company	% of the Issued Share Capital of the Company
Mikado Holding Inc.	Trustee	239,044,212 Note (a)	9.93
Mikado Investments Limited	Interest of controlled corporation/Beneficiary of trusts	239,044,212 Note (a)	9.93
Muriel, Lady Kadoorie	Founder and Beneficiary	203,451,853 Note (b)	8.45
New Boron Holding Corporation	Trustee	193,512,472 Note (a)	8.04
Oak CLP Limited	Beneficiary	196,554,172 Note (b)	8.16
Oak (Unit Trust) Holdings Limited	Trustee	196,554,172 Notes (a) & (b)	8.16
Mr. R. Parsons	Trustee	196,554,172 Note (c)	8.16
Sir Sidney Gordon	Trustee	205,525,453 Note (c)	8.53
The Hon. Sir Michael Kadoorie	Note (d)	475,381,026 Note (d)	19.74
Mr. R. J. McAulay	Note (e)	439,800,565 Note (e)	18.26
Mr. Jason Whittle	Note (f)	238,409,771 Note (f)	9.90
Guardian Limited	Beneficiary/Interests in controlled corporations	196,554,172 Note (c)	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, Lakshmi Company Limited and Merlin Investments Limited.

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 and/or Mr. Jason Whittle 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, Acorn Holdings Corporation, Lawrencium Corporation, Mikado Holding Inc., Mikado Investments Limited, Oak (Unit Trust) Holdings Limited, Lakshmi Company Limited and Merlin Investments Limited were interested, either in the capacity as trustee or by virtue of having direct or indirect control over such companies.

Esko Limited and Hesko Limited together controlled Lakshmi Company Limited and Merlin Investments Limited and were therefore deemed to be interested in the shares in which Lakshmi Company Limited and Merlin Investments Limited were interested. The Company has been advised that Lakshmi Company Limited, Merlin Investments Limited, Acorn Holdings Corporation and Lawrencium Corporation were deemed to be interested in the same 196,468,538 shares in which New Boron Holding Corporation was deemed to be interested.

Esko Limited and Hesko Limited together controlled Acorn Holdings Corporation and Lawrencium Corporation and were therefore deemed to be interested in the shares in which such companies were deemed interested. In addition, Esko Limited and Hesko Limited were deemed interested in 39,867,033 shares through other controlled corporations controlled by them.

The Company was notified by New Boron Holding Corporation that it was interested in 193,512,472 shares as at 1 April 2003. However, HWR Trustees Limited (now known as Harneys Trustees Limited) indicated in its latest disclosure form that as at 17 January 2005, it was interested in, inter alia, 200,615,738 shares through its wholly-owned subsidiary, New Boron Holding Corporation. Therefore, New Boron Holding Corporation was interested in the same 200,615,738 shares as at 17 January 2005 but was not itself under a duty to notify the Company of the change under the Securities and Futures Ordinance.

In addition, the Company was notified by Oak (Unit Trust) Holdings Limited that it was interested in 196,554,172 shares as at 26 August 2003. However, Bermuda Trust Company Limited indicated in its latest disclosure form that as at 24 June 2005, it was interested in, inter alia, 203,451,853 shares through its wholly-owned subsidiary, Oak (Unit Trust) Holdings Limited. Therefore, Oak (Unit Trust) Holdings Limited was interested in the same 203,451,853 shares as at 24 June 2005 but was not itself under a duty to notify the Company of the change under the Securities and Futures Ordinance.

- (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. The Company was notified by Oak CLP Limited that it was interested in 196,554,172 shares as at 26 August 2003. However, Bermuda Trust (Cayman) Limited indicated in its latest disclosure form that as at 5 February 2004, it was interested in 203,451,853 shares through its wholly-owned subsidiary, Oak CLP Limited. Therefore, Oak CLP Limited was interested in the same 203,451,853 shares as at 5 February 2004 but was not itself under a duty to notify the Company of the change under the Securities and Futures Ordinance.

- (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 205,525,453 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 and Mr. Jason Whittle are among the discretionary objects as disclosed in Notes (e) and (f) 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 representing approximately 9.93% of the issued share capital of 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 (c) under "Interests of Directors and Chief Executive Officer".

- (f) See Note (g) 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 2006, 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 2006, 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 2006.