CLP 中電

2015 Annual Report

Our unwavering commitment to the communities we serve

CLP is a leading energy provider in the Asia-Pacific region. From generation to retail, our work touches on many people, communities and the environment. Every day, our 7,360 employees strive to provide reliable and affordable power to our customers in an environmentally responsible manner, whilst complying with all relevant local government regulations, and yet allowing for a return to our shareholders that will help us stay in business for decades to come. This is our unwavering commitment to the communities we serve.

This theme has shaped our 2015 Annual Report, through which we aim to inform our stakeholders on how we delivered this commitment by presenting a connected view of the different aspects of our performance in an integrated manner. This is our fifth integrated annual report, which encapsulates guidelines by the International Integrated Reporting Council and the Hong Kong Institute of Certified Public Accountants.

As an early adopter of the Hong Kong Stock Exchange's Environmental, Social and Governance (ESG) Reporting Guide, we disclose ESG information that falls under the "comply or explain" provisions. The safety and environmental data in this Report, unless otherwise stated, cover companies, assets and projects in which CLP has operational control (where we have full authority to implement our operating policies).

Our online Snapshot presents an overview of our business using interactive tools and videos whilst our Sustainability Report (SR) provides a more detailed account of our sustainability principles, strategies and efforts. Together with our website and other CLP literature, we hope these publications enable our stakeholders to have a more informed assessment of our company. In this Annual Report, we use the symbols SR and to guide you to information available in the SR or on our website.

As always, we welcome your feedback, which you can provide through our feedback form or our online channel. And to demonstrate our unwavering commitment to the communities we serve, we make use of the opportunity to support charitable organisations. More details can be found on the inside back cover.

A Snapshot of
2015 Annual Report

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A Snapshot of CLP in 2015

About CLP Group

We are an investor and operator in the energy sector of the Asia-Pacific region. For over 100 years, we have powered Hong Kong's dynamic and spectacular growth and we continue to deliver a highly reliable supply of electricity to over 80% of the city's population. Today, our business spans across Mainland China, India, Southeast Asia and Taiwan, and Australia. Where we operate, we become part of the social and economic fabric of the local communities we serve, working together with them to achieve sustainable growth.

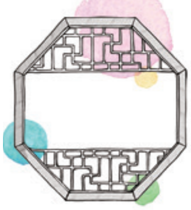
Business Description	Major Events

Hong Kong

CLP has a vertically-integrated regulated business in Hong Kong, which is the core of our operations. We generate, distribute and provide a world-class electricity supply with a reliability rate of over 99.999% to 2.48 million customers.

- Participated actively in the electricity market public consultation and recommended enhancement in future regulatory arrangement with increased focus on renewable energy, energy efficiency and conservation
- Submitted plans for adding gas-fired generation capacity at Black Point Power Station to support the Government's 2020 fuel mix targets
- Announced tariff reduction for 2016 reflecting success in costs control and decline in international fuel prices, following a one-off special fuel rebate in August
- Encouraged energy efficiency and conservation through the innovative "Power Your Love" programme

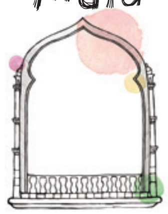
Mainland China



CLP has been in Mainland China's power industry since 1979. We are one of the largest external independent power producers with a focus on clean and low-carbon energy including nuclear and renewables.

- Commissioned Xicun Solar II in Yunnan and Sihong Solar in Jiangsu
- Continued construction of 198MW of wind power generation in Sandu I in Guizhou, and CLP Laizhou and Laiwu in Shandong; and obtained approval for Sandu II
- Carried on construction of Fangchenggang II in Guangxi
- Celebrated 30 years of partnership with China General Nuclear Power Corporation in Guangdong Daya Bay Nuclear Power Station
- Achieved platinum five-star rating from National Occupational Safety Association (NOSA) for three power projects

India



CLP has a broad portfolio of power generation that includes coal, gas and renewable energy in India. We are one of the largest foreign players in the Indian power industry and a leading wind project developer.

- Achieved better performance at Jhajjar power plant with availability exceeding 82%
- Doubled Paguthan's utilisation to over 11% with improved fuel supply
- Commissioned three wind farms with 190MW of combined capacity
- Issued first asset-specific corporate bond in India power sector to refinance Jhajjar's debts
- Issued first green bond by a power company in South Asia and Southeast Asia for wind projects in India

Southeast Asia and Taiwan

We entered the Southeast Asia power market in 1994. Currently, we have interests in Ho-Ping Power Station in Taiwan, the Lopburi solar project in Thailand and are co-developing two coal-fired projects in Vietnam.

- Achieved strong performance at Ho-Ping despite disruption by summer typhoons
- Benefited from solid contribution by Lopburi which performed reliably
- Signed a Financing Memorandum of Understanding with China Development Bank for Vinh Tan III in Vietnam in a ceremony witnessed by Chinese and Vietnamese state leaders

Australia

EnergyAustralia operates a retail-focused energy business serving 2.64 million accounts across southeast Australia supported by competitively-priced energy from its generation portfolio.

- Restructured EnergyAustralia with a new management team in place to transform the business into a leading low-cost energy retailer
- Achieved A$100 million in cost savings ahead of schedule following the successful integration of two billing systems
- Increased number of mass market customer accounts to 2.62 million as a result of enhanced customer service
- Improved efficiency of key assets including the completion of a five-year maintenance programme at Yallourn Power Station on time and on budget, amidst a significantly oversupplied wholesale market
- Sold the Iona Gas Plant for A$1,780 million (HK$9,991 million), releasing funds to repay debts, hence reducing interest expense going forward

2015 In Figures

Earnings

Operating Earnings increased to

HK$ **11,533** million

14.6% rise from 2014

Total Earnings

HK$ 15,670 million

39.6% rise from 2014

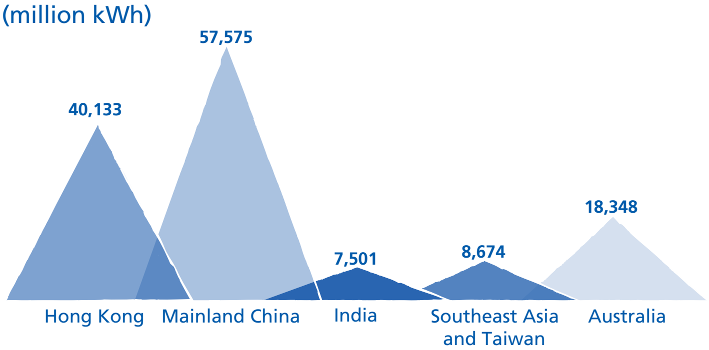
Total Dividends

HK$ 2.70 per share

3.1% increase from 2014

Business Activities

Total Sent Out from Power Stations in which CLP has Invested
(million kWh)



132,231 million kWh

78,975 million kWh on equity basis, including capacity purchases and long-term power contracts from facilities in which we hold an equity interest

14,963 km

transmission and high voltage distribution lines, and

14,245

primary and secondary substations in Hong Kong

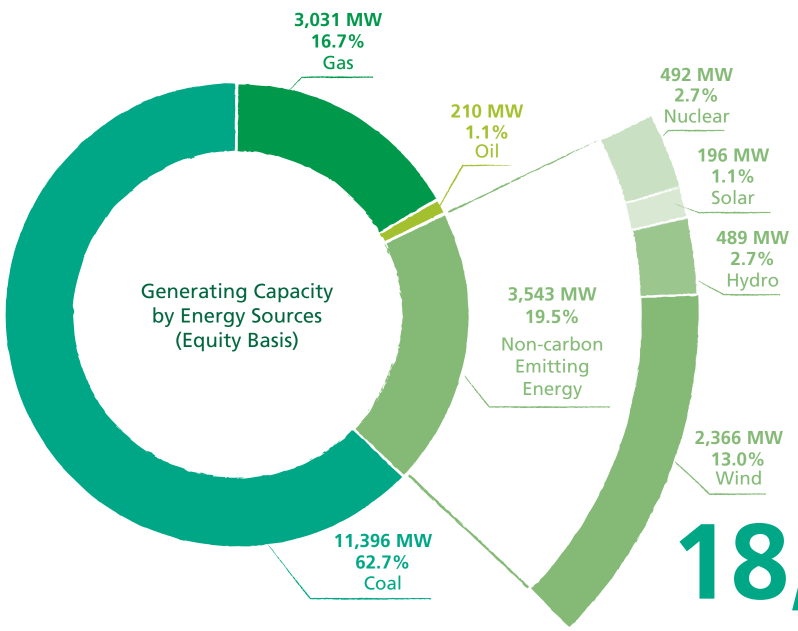
5.12 million

customer accounts serviced by CLP
(2.48 million in Hong Kong and 2.64 million in Australia)

1.32 minutes

unplanned customer minutes lost in Hong Kong

Climate Change



Non-carbon Emitting Energy

3,543 MW

Renewable Energy

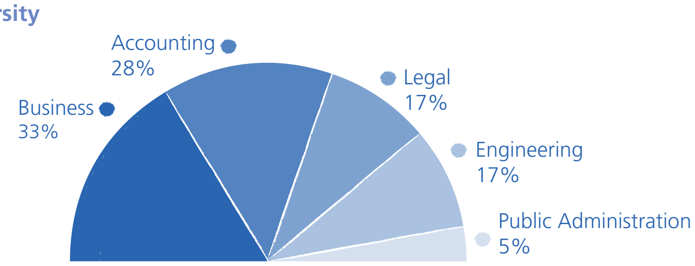
3,051 MW

18,180 Equity MW of generating capacity

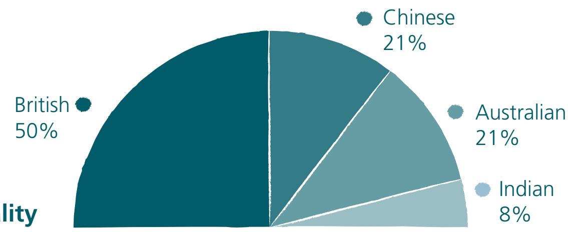
Governance

Board Diversity

By Skills & Experience

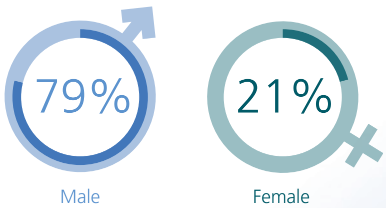


By Nationality



Note:
The statistics are based on board members' passport nationality, which does not necessarily reflect their ethnic origin.

By Gender



Careers

7,360 people

were employed by CLP across the Asia-Pacific region

Our People

Our Operations

Our Community

Our Environment

0.81 kg CO_2 / kWh

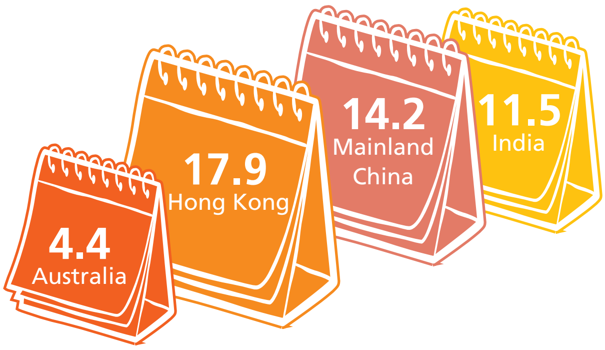
carbon emission intensity of CLP's electricity generation (2014: 0.84kg CO_2 / kWh)

16.8%

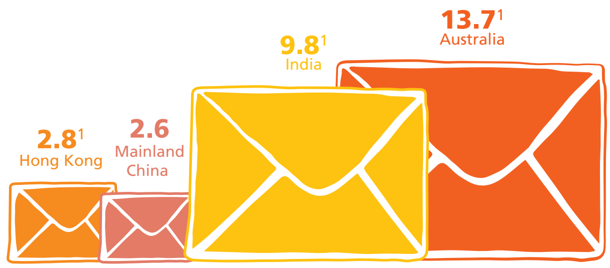
of CLP's generating capacity from renewable energy sources (2014: 14.1%)

Looking for data from previous years?

Average Length of Service Years



Voluntary Turnover Rate (%)



Note:
1 Include permanent staff only.

Safety

Zero fatality

0.07 LTIR

0.25 TRIR

Lost Time Injury Rate (LTIR) and Total Recordable Injury Rate (TRIR) are industry standards for measuring safety performance.

Community Initiatives

Directly benefited

over **178,000** people

and **418** organisations

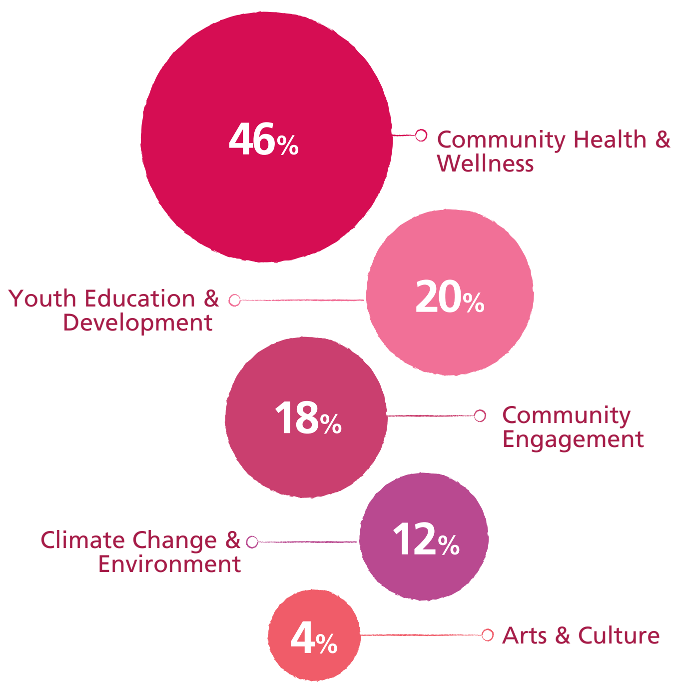
Implemented

620 activities

Staff volunteered

11,675 hours

Spending by Theme



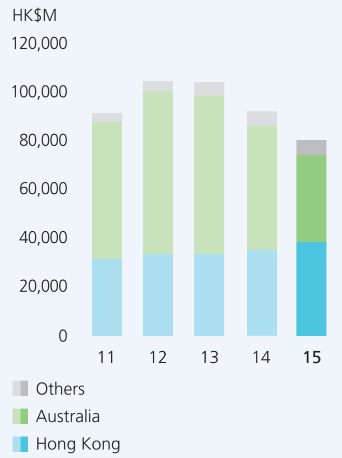
Financial Highlights

Operating earnings raised 14.6% to HK$11.5 billion; total earnings increased by 39.6% to HK$15.7 billion including the gain on sale of Iona Gas Plant in Australia of HK$6.6 billion.

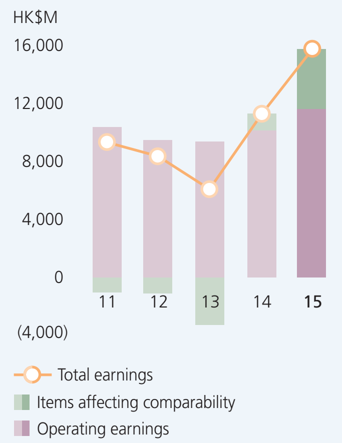
	2015	2014	Increase / (Decrease) %
For the year *(in HK$ million)*			
Revenue			
Electricity business in Hong Kong	**38,488**	35,303	9.0
Energy businesses outside Hong Kong	**41,757**	56,633	(26.3)
Others	**455**	323	
Total	**80,700**	92,259	(12.5)
Earnings			
Hong Kong	**8,276**	7,777	6.4
Hong Kong related [1]	**206**	71	
Mainland China	**1,977**	1,579	25.2
India	**612**	270	126.7
Southeast Asia and Taiwan	**312**	297	5.1
Australia	**836**	756	10.6
Other earnings	**(60)**	(66)	
Unallocated net finance income / (costs)	**17**	(36)	
Unallocated Group expenses	**(643)**	(586)	
Operating earnings	**11,533**	10,062	14.6
Items affecting comparability			
Australian items including gain on sale of Iona Gas Plant and impairment provision for generation assets in 2015 / Narrabri Coal Seam Gas Project in 2014	**4,281**	(881)	
Impairment provision for Beijing Yire Power Station in 2015 / Dali Yang_er in 2014	**(243)**	(158)	
Revaluation gain on Argyle Street site	**99**	245	
Net gain on CAPCO and PSDC acquisitions	**–**	1,953	
Total earnings	**15,670**	11,221	39.6
Net cash inflow from operating activities	**19,168**	21,966	(12.7)
At 31 December *(in HK$ million)*			
Total assets	**203,964**	214,663	(5.0)
Total borrowings	**55,483**	67,435	(17.7)
Shareholders' funds	**93,118**	88,013	5.8
Per share *(in HK$)*			
Earnings per share	**6.20**	4.44	39.6
Dividends per share	**2.70**	2.62	3.1
Shareholders' funds per share	**36.86**	34.84	5.8
Ratios			
Return on equity [2] (%)	**17.3**	12.8	
Total debt to total capital [3] (%)	**34.0**	39.6	
Net debt to total capital [4] (%)	**32.4**	38.0	
EBIT interest cover [5] (times)	**10**	6	
Price / Earnings [6] (times)	**11**	15	
Dividend yield [7] (%)	**4.1**	3.9	

Notes:
1 Hong Kong related included PSDC, Hong Kong Branch Line and sales to Guangdong from Hong Kong
2 Return on equity = Total earnings / Average shareholders' funds
3 Total debt to total capital = Debt / (Equity + advances from non-controlling interests + debt). Debt = Bank loans and other borrowings.
4 Net debt to total capital = Net debt / (Equity + advances from non-controlling interests + net debt). Net debt = Debt - bank balances, cash and other liquid funds.
5 Earnings before interest and taxes (EBIT) interest cover = Profit before income tax and interest / (Interest charges + capitalised interest)
6 Price / Earnings = Closing share price on the last trading day of the year / Earnings per share
7 Dividend yield = Dividends per share / Closing share price on the last trading day of the year

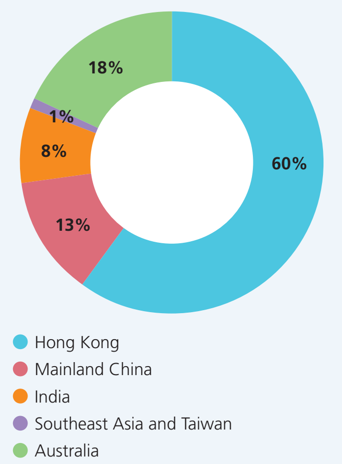
Revenue



Total Earnings

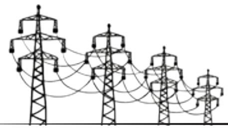


Total Assets in 2015



Our Business Model

CLP's core business is to provide electricity to customers reliably, at a competitive price and with the least environmental impact. To do this, we act in different roles across the electricity value chain, depending on local constraints and characteristics that vary in the markets in which we operate. We draw on various "capitals", namely choice of fuels and technology, expertise in power plant construction and operation, long-term power offtake, financial capital and environmentally-responsible solutions as inputs to help deliver power responsibly.



Choice of Fuels and Technology

Construction and Operation Expertise

Long-term Offtake

Financial Capital

Responsible Environmental Management Solutions

POWER GENERATION

Design and Build Power Stations

Operate Power Plants

POWER DELIVERY

Design and Build Transmission and Distribution Networks

Operate Transmission and Distribution Networks

Marketing and Customer Service

Value to Customers

- Reliable Power
- Competitive Pricing
- Environmentally-responsible Operation
- Energy Efficiency

Returns to Shareholders

Social and Environmental Benefits to Community

INVESTMENT STRATEGY

The electricity business requires a long-term view when it comes to investment. Given the profound changes in the regulatory and economic environment for our industry in recent years, we updated our investment strategy which was approved by the Board in 2014. The updated investment strategy, succinctly summarised as "Focus • Delivery • Growth", recognises the challenges in the current business climate and identifies future opportunities to position CLP Group in markets where it has scale, capability and competitive advantages. This will guide CLP in the coming decade.

CEO Outlining the Investment Strategy – Video

Hong Kong

CLP's Core Market. We are committed to building and growing here for the long term.

Southern China

Strategic Market in the long run. We are well-positioned for growth with established partnership network.

Mainland China & India

Primary Growth Markets. CLP will focus on renewables and high-efficiency coal generation.

Southeast Asia & Taiwan

Secondary Growth Market. We will seek opportunities in selected countries.

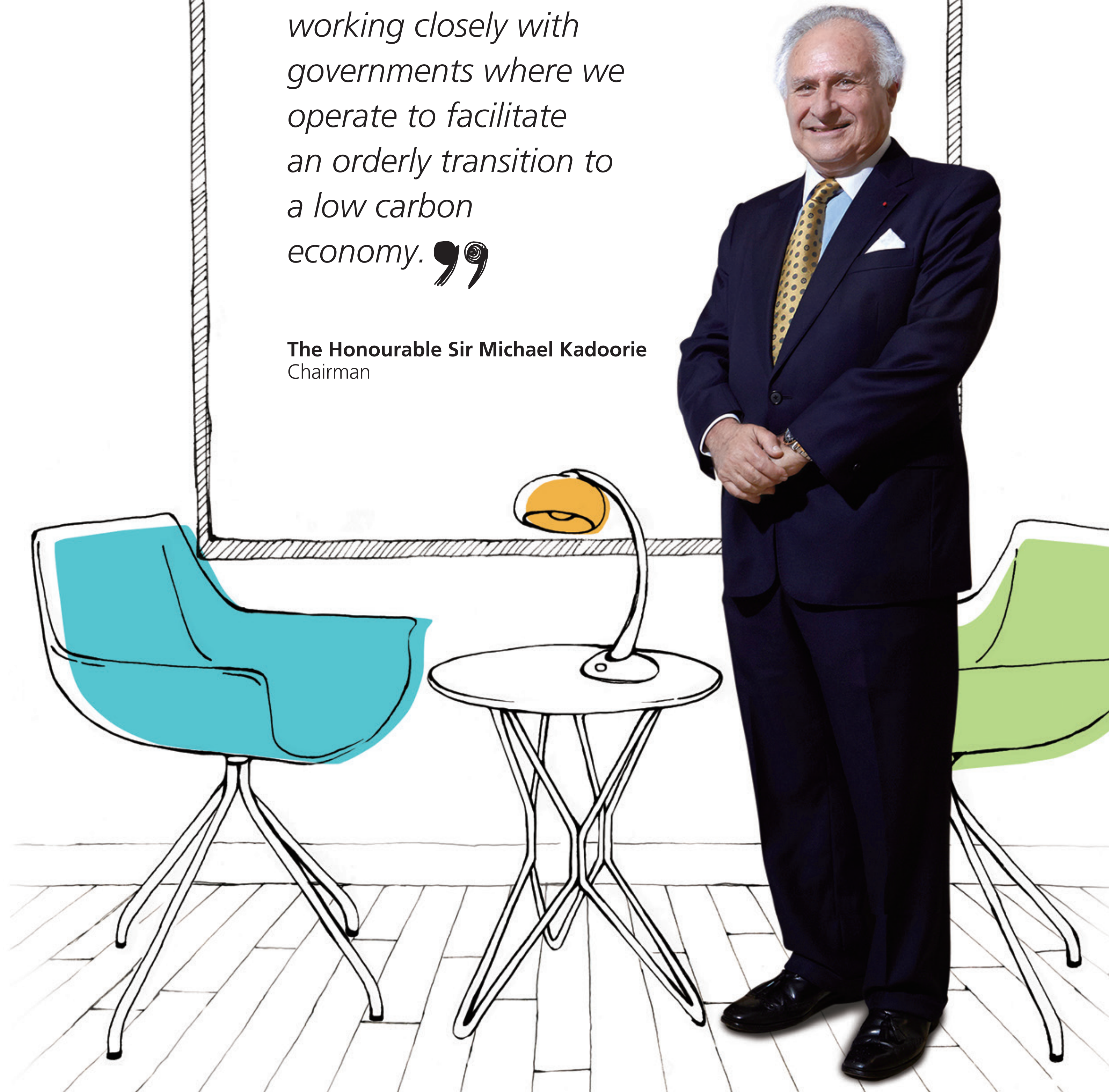
Australia

Value Restoration. We will focus on reducing costs and improving operational performance.

Chairman's Statement

"CLP is committed to working closely with governments where we operate to facilitate an orderly transition to a low carbon economy."

The Honourable Sir Michael Kadoorie
Chairman



Dear Shareholders,

I am pleased to report that, following restructuring in Australia and better results from other overseas operations, the Group's earnings in 2015 were at a record high. During the year, the Group's operating earnings increased 14.6% from a year earlier to HK$11,533 million. Total earnings were up 39.6% to HK$15,670 million. The Board has recommended a fourth interim dividend of HK$1.05 per share for 2015. Together with the three interim dividends already paid, our total dividend this year is HK$2.70 per share, an increase from HK$2.62 in the previous year.

Our Chief Executive Officer, Richard Lancaster, will provide details of our 2015 performance in his Strategic Review. I intend to focus on two key issues for the Group – the review of the Scheme of Control (SoC) Agreement for our Hong Kong business, and our contribution to addressing the global challenge of climate change, a matter of great importance not just to our industry but to mankind as a whole.

Investing in Hong Kong's Future

First, I wish to discuss the regulatory regime under which we operate. In November 2015, the Hong Kong Government announced the key findings from the public consultation on the future development of the electricity market in the city. The majority of respondents indicated that the current regulatory regime under the SoC had worked well, contributing to Hong Kong's energy policy objectives. Respondents also agreed that power supply in Hong Kong was safe, reliable and affordable. Broadly speaking, they recognised the value of the SoC and supported a continuation of the established regulatory framework.

We welcome the results of this consultation and we have commenced our discussions with the Government to review the SoC. For over half a century, the SoC has served Hong Kong extremely well. The terms of the SoC have evolved with time to incorporate refinements to the regulatory framework as well as changing community aspirations and can continue to do so.

One of the strengths of the SoC has been its ability to ensure the delivery of a safe and reliable energy supply. In 2015, our supply reliability, measured as less than 1.5 customer minutes lost, was the best unplanned power interruption of any year. There are very few cities anywhere that can match this. Our tariff regime is also amongst the world's most competitive. Customers are at the very heart of our business. Serving our customers with a reliable, safe and clean supply of electricity at reasonable cost is not only our objective, but also our commitment. I am pleased to say that we delivered this again in 2015.

Sir Michael Kadoorie chats with a shareholder before the 2015 Annual General Meeting

I wish to stress one point that I have made many times: electricity is a highly capital intensive business and any investments we make are for the long term, often counted in decades. A stable regulatory arrangement that offers investors reasonable returns is crucial in attracting sufficient investment to provide the kind of performance our customers expect and deserve. These are two important factors that need to be considered in reviewing the SoC. We will work closely and constructively with the Government, our key stakeholders, customers and the community in the review process to ensure that Hong Kong continues to enjoy the highest standard of electricity service that it rightly deserves.

Managing the Transition to a Low Carbon Future

My second main point of emphasis is devoted to the issue of climate change. We acknowledge our role in addressing the impact of climate change. We published our Climate Vision 2050 in 2007 in which we laid out our voluntary plans for transitioning to a low carbon business by the year 2050. I was therefore happy to see the agreement reached in Paris at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21). This was a considerable achievement which we as a company firmly embrace and endorse. I believe the agreement will not only affect the energy industry, but also provides a clear direction for low carbon energy development which is critical if climate change is to be effectively tackled.

The Paris Agreement provides much-needed clarity on the future direction of the low carbon development plans of many countries. However, much remains to be done to implement the agreement. It requires cooperation between business and government, on behalf of the communities they serve, to develop ambitious and pragmatic plans which balance safety, affordability and environmental factors appropriate to each energy market. CLP is committed to working closely with governments where we operate to facilitate an orderly transition to a low carbon economy.

Managing the transition is a complex process requiring, at times, difficult choices to be made. In most places fossil fuel generation remains the cheapest and most reliable form of power generation. It also has the highest total carbon emissions. Wind and solar are the cleanest forms of energy for power generation but these resources are not always available and the fluctuations in power generated from these sources introduces considerable technical challenges for power grids. Shutting down fossil fuel assets to reduce emissions also has many ramifications. CLP strongly believes that policies need to address all of these issues. In short, they should facilitate transition in an orderly and sensible fashion by encouraging energy efficiency, the development of renewable energy and low carbon projects, whilst tackling existing emissions reduction through closure and decommissioning of existing plant over a reasonable period of time.

CLP Climate Vision 2050

	Renewable & Non-carbon Emitting Targets	Carbon Emissions Intensity Targets	Reduction from 2007
2007		0.84 kg CO_2 /kWh	
2010	5% Renewables	0.8 kg CO_2 /kWh	~5%
2020	20% Renewables; 30% Non-carbon (inclusive of renewables)	0.6 kg CO_2 /kWh	~30%
2035		0.45 kg CO_2 /kWh	~45%
2050		0.2 kg CO_2 /kWh	~75%

I can assure you that CLP's investment policies will aim to do just that. In our current business plan, we are targeting for half of our investments outside of Hong Kong to be in renewable energy. At the same time, we recognise that there are still places where people do not have access to electricity. We believe that in emerging markets where the demand for affordable electricity continues to grow, governments will continue to require new coal-fired power stations for some time. We believe that we can assist the emerging economies in which we currently have a presence to achieve this, by using our skills in developing high efficiency coal-fired technology to minimise environmental impact. At the same time, we maintain our long-term commitment to the measures outlined in our Climate Vision 2050, including our commitment to increase the share of renewable energy in our portfolio to 20% by 2020.

We are addressing this long-term commitment in many ways. In Hong Kong, for example, we are contributing to the Government's latest climate change action plan and to the improvement in local air quality by proactively optimising our fuel mix to use cleaner fuels in power generation, and through the proposed construction of additional gas-fired generation capacity. Moreover, we have launched promotional public energy saving campaigns and rolled out a range of tools and solutions to help our customers to conserve energy. Elsewhere, in 2015, we introduced about 300MW of new solar and wind energy in Mainland China and India – our two main growth markets. We have also underwritten the development of almost 400MW of wind farms in Australia since late 2014 and secured competitive offtake arrangement from them. At the same time, our Fangchenggang II project in Guangxi, which uses the cleanest ultra-supercritical technology, will go on stream in 2016. We will build on these efforts in a timely and coordinated manner. In addition, we shall continue to explore opportunities in nuclear energy which plays a key role in helping the Mainland manage its carbon emissions.

Looking at the bigger picture, I believe we can take pride in the fact that in just over a decade, we have added about 3,000MW of renewable energy to our overall portfolio. There is much more to be done but we have laid a solid foundation. We are determined to work together with our customers and governments to create a greener and smarter future.

The Honourable Sir Michael Kadoorie
Hong Kong, 29 February 2016

CEO's Strategic Review

"Looking at our overall 2015 results, our performance was very pleasing. We are glad that our strategy of **"Focus · Delivery · Growth"** *was able to deliver results in its first year of implementation."*

Richard Lancaster
Chief Executive Officer

I am privileged to follow up the Chairman's Statement in which he reported the Group's strong performance in 2015. It is pleasing to note these results followed the successful first full year execution of our "Focus · Delivery · Growth" Group strategy and I will explain this in more details by market.

Hong Kong

2015 was a solid year for our business in Hong Kong. It continued to grow steadily as we consistently delivered a reliable, safe and reasonably priced electricity supply with improving environmental performance. This is the core promise of our business. Operating earnings increased 6.4% to HK$8,276 million, mainly due to the sharing of an additional 30% of CAPCO's earnings for the first full year after completion of the acquisition in May 2014.

Our business has continued to perform well due to the steady growth in electricity demand arising from newly built infrastructure, population growth and our relentless pursuit of operating efficiencies and cost control.

CLP continues to invest in Hong Kong, as we have for more than a century now. Hong Kong is above all else – our home. But, as the Chairman has so clearly spelled out, we need regulatory clarity and a reasonable return to enable us to make long-term investment plans. This is where the new SoC Agreement comes into play. We are working closely with the Government, our key stakeholders, customers and the community for a regime that meets Hong Kong's long-term energy objectives.

We also recognise our community's aspiration for cleaner energy. In 2015, we almost doubled the amount of natural gas used to generate power to improve our environmental performance. We are reviewing with the Government the feasibility of building additional gas-fired generation capacity at Black Point Power Station to support the Government's objective of using around 50% natural gas in the local generation fuel mix in 2020. To meet these goals, we have been working hard to source additional gas supplies, including signing a bridging contract to purchase gas from the small Wenchang gas field in the South China Sea using the existing Yacheng pipeline.

The recent landslide incident in Shenzhen that led to the temporary suspension of natural gas from the Second West-East Gas Pipeline to Hong Kong has highlighted the vulnerability of Hong Kong's energy security and signalled urgent actions to diversify our fuel sources. We are evaluating the feasibility of developing a Floating Storage and Regasification Unit in Hong Kong which will enable us to purchase liquefied natural gas from the international market.

"CLP continues to invest in Hong Kong, as we have for more than a century now. Hong Kong is above all else – our home."

Meanwhile, we continue to support the Government's efforts to promote energy efficiency through public education and energy saving campaigns. We look forward to expanding the charging network for electric vehicles across the city. By the end of 2016, we target to have quick charging stations available at intervals averaging 10 km in Kowloon and the New Territories. We are committed to delivering a smarter and greener electricity service and enhancing our customer experience through a greater focus on energy efficiency and conservation. Working closely with the Government, we are also exploring greater use of smart meters in the future.

Mainland China

Mainland China was identified as a key growth market in our investment strategy. Whilst growth in the Chinese economy slowed in 2015, our business in the Mainland performed well. Operating earnings were up 25.2% to HK$1,977 million as new renewable projects have contributed to earnings, lower coal prices have benefited our coal-fired projects and we resumed sharing of earnings from our joint venture CSEC Guohua.

During the year, we added 90MW of renewable energy in the Mainland. In November, we doubled the size of our successful Xicun solar project in Yunnan to a capacity of 84MW. The second phase of the development was achieved in only four months and is testament to the skills of our renewable energy development team in China.

Construction of Phase II of Fangchenggang Power Station in the Guangxi Zhuang Autonomous Region continued in 2015 and is slated for commissioning in 2016. In recent months, we have seen a slowdown of economic growth in China in general and Guangxi in particular. This will inevitably have an adverse impact on the utilisation of both our existing and new generating units in the near term. However, in the longer run, we remain confident of our project due to the strong fundamentals of Guangxi. Guangxi has the advantages of its unique location as a gateway to the ASEAN countries, and the Central People's Government has a policy to relocate industries to this region from other parts of China.

CLP is in the energy business for the long term. We are used to dealing with business cycles and our investment decisions are based on trends and fundamentals over the long run rather than short-term economic movements. This strategy has served the company well in the past, and I believe it will continue to serve us well long into the future.

The gradual transitioning to a low carbon economy in China presents both opportunities and challenges for power generators like CLP. Whilst the dependency on fossil fuel will reduce, and hence the usage of coal-fired power plants, China's commitment to increasing the share of non-fossil fuels in primary energy consumption to around 20% by 2030 will help support CLP's continuing investments in low carbon energy in the Mainland.

India

Our business in India further improved in 2015. As I have noted in the past, the lack of affordable and reliable fuel supply has been a drag on the local industry for some years. However, thanks to our continuing efforts and alignment of the Government and fuel suppliers, the situation continues to improve. This has contributed to the 126.7% increase in CLP India's operating earnings to HK$612 million.

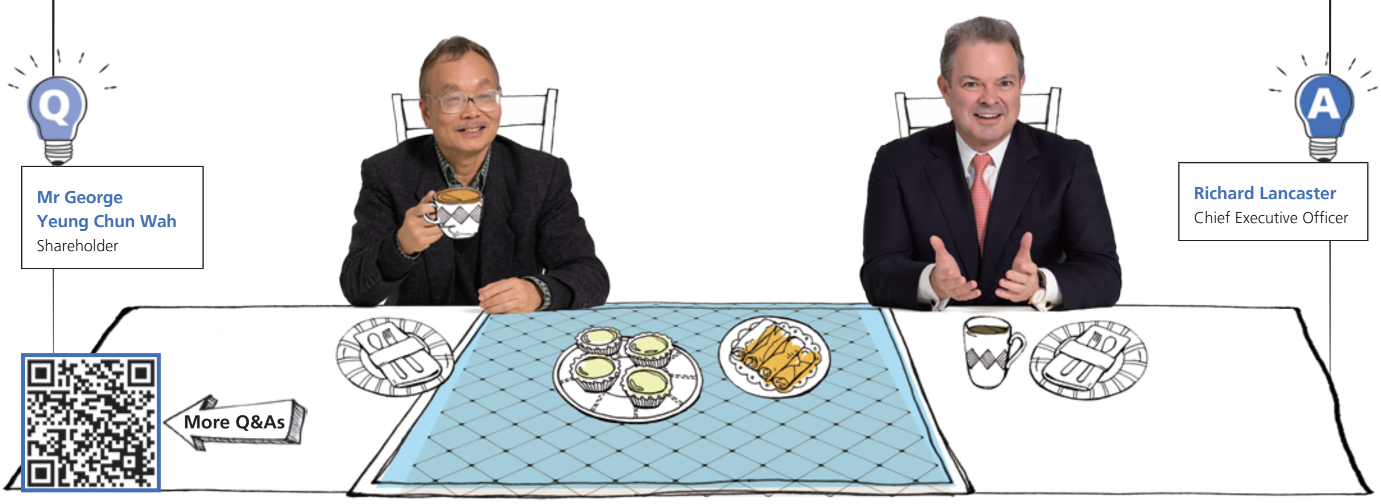
Jhajjar Power Station achieved availability of more than 80% in 2015 due to improved operations and coal supply. We expect this good performance to continue into the rest of the Indian fiscal year ending 31 March 2016, enabling us to reach the contractual availability target. Although the quantity of coal has improved, quality remains an issue. We are working with the Government and our fuel suppliers on this issue and are confident that this effort will progressively bear fruit in the long run. Meanwhile, thanks to both lower gas prices and the Government's subsidy scheme, utilisation of our gas-fired Paguthan plant also improved, which benefited both us and our customers.

During the year, we continued to expand our wind portfolio, which is a focus for us in India. We commissioned more than 190MW of wind projects in 2015 taking our operating wind portfolio to 924MW. In addition, we have another 149MW of wind power in the pipeline and we will remain the largest wind energy producer in the country.

In 2015, we also achieved a financial milestone after we issued our first green bond through CLP Wind Farms (India) to fund the development of wind projects in India. The move is in line with our plans for renewable projects in India and our policy of diversifying our financing sources.

Although the global economy is slowing down, the need for low carbon generation is significant in India and China. What are the opportunities available?

As outlined in our Investment Strategy, India and Mainland China are our two primary growth markets. At the same time, we are targeting for half of our investments outside of Hong Kong to be in renewable energy. We are India's largest wind developer and we will continue to explore new opportunities in the field. We will also look for solar projects making use of our expertise developed elsewhere. Reforms of the electricity sector are creating new opportunities in Mainland China and we are encouraged by the policy support in the renewable sector. We welcome China's transition to low carbon generation and our Fangchenggang Phase II project will go on line this year making use of the cleanest coal-fired technology available. We are also monitoring opportunities in the nuclear sector which will play a major role in China's future energy mix.



The Indian Government has also given priority to developing solar energy as part of its measures to combat climate change. In support of this, CLP will also explore opportunities in this area leveraging the expertise we have already established in China.

Southeast Asia and Taiwan

Our performance in Southeast Asia and Taiwan remained steady last year as our existing projects continued to operate satisfactorily. Operating earnings rose 5.1% to HK$312 million. At the same time, we saw good progress in the development of our two coal-fired projects in Vietnam.

CLP sees Southeast Asia as an important secondary growth market, and we are always on the lookout for opportunities in selected countries there.

Australia

2015 finally saw some stabilisation of the decline in energy demand that has characterised the industry in Australia over recent years. Despite continuing oversupply in the wholesale market, we have worked hard to restructure the business and increased our focus on our customers, cost control and efficiency. As a result, EnergyAustralia's operating earnings increased by 10.6% to HK$836 million in 2015 despite a 16.9% decrease in the Australian dollar exchange rate.

Within EnergyAustralia, we have reshaped our strategy and put a priority on customers. We also strengthened the management team in order to achieve our goal of restoring value. We paid a lot of attention to our retail business, successfully integrating all mass market customer accounts onto one billing system, which I am pleased to report operated steadily and efficiently throughout 2015.

With a strong management team, an integrated billing system, and a sharpened focus, we are now able to forge further synergies, investing in areas that will further cut costs in the future. Our plan to further invest in our digital mobile platform to improve customer experience and to reduce our back office costs is just one example of the exciting possibilities.

In another move to restore value to the business, EnergyAustralia reached an agreement to sell the Iona Gas Plant in the State of Victoria for A$1,780 million (HK$9,991 million). The sale has allowed us to strengthen our balance sheet, reduce our debt and provide funds for investment for the future.

However, uncertainty still remains in the wholesale market. Following the closure of our Wallerawang Power Station in New South Wales in 2014, some industry participants have also announced closures of generating facilities, but progress has been slow and a significant oversupply remains. Whilst the recent decline in the value of the Australian dollar has helped the competitiveness of local manufacturers, there remains

CEO Richard Lancaster shares his views at a climate change conference held on the side of COP21 in Paris concern that further large scale industrial closures or a further economic slowdown in Australia will again impact demand for electricity.

We therefore believe that the oversupply situation may continue for some time and will require coordinated effort amongst industry players, relevant authorities and local communities to address the problem. As we expect this process to be very slow, we have performed another detailed analysis of the economic prospects of our generation assets and decided to impair and make provisions for some of those assets totalling A$261 million (HK$1,480 million).

In the longer run, EnergyAustralia aims to transform the business into a world-class energy retailer operating on a sustainable and low-cost business model. With this, I am confident that we are on track to restore and enhance the value to the business.

Climate Change

The issue of climate change loomed larger in 2015, principally due to COP21 in Paris. In December 2015, I took the opportunity to attend and speak at some of the side events at COP21, explaining the Group's environmental policies and voicing our support for a well-managed transition to a low carbon future. I was there with thousands of senior executives from around the world who had gathered in Paris to absorb knowledge from some of the world's leading energy experts. It also allowed me and my team to observe as we watched the climate talks unfold and culminate in the Paris Agreement. We welcome the Agreement, particularly the clarity it brings to various countries' low carbon development plans. We look forward to working with policy makers in the countries in which we operate to translate the Agreement into policies and actions.

As the Chairman has pointed out, the transition to a low carbon economy will not, and should not, happen overnight. Companies, including CLP, need to work hand in hand with policy makers to ensure an orderly and controlled transition to a low carbon economy. As a responsible investor in the Asia-Pacific power sector for so many years, we are ready and willing to continue to front up to this challenge. In 2015, we invested HK$3,042 million and commissioned 284MW of new renewable energy projects. With incidents of extreme weather increasing globally as a result of climate change, we have also made it a priority to improve the resilience of our power supply system. Hong Kong has one of the world's most reliable electricity supply systems and we hope that these measures can reduce the impact of super-typhoons and severe floods on our power systems and keep disturbance to the public to a minimum. We will continue to play our part in addressing climate change, as we have always done.

Summary

Looking at our overall 2015 results, our performance was very pleasing. We are glad that our strategy of "Focus · Delivery · Growth" was able to deliver results in its first year of implementation. We need to build on that, and we are confident that it will guide us in the years ahead. Be assured that CLP will continue to be a responsible investor in the Asia-Pacific region in the years to come.

Richard Lancaster
Hong Kong, 29 February 2016

Our Investments and Long-term Offtake Commitments

As at 31 December 2015, CLP comprised over **80** assets with **18,180MW** of equity generating capacity and **4,526MW** of capacity purchase, **6** different energy sources and about **5.1 million** customer accounts.

CLP HOLDINGS

HONG KONG

Transmission, Distribution and Customer Service

CLP 100%	CLP Power Hong Kong	

Generation – CAPCO

CLP 70%		30%[1]

Gas Pipeline – SNGPC

CLP 40%	PetroChina Company Limited	60%

MAINLAND CHINA

WHOLLY-OWNED

Wind

CLP 100%	CLP Laizhou Wind
CLP 100%	Laiwu Wind
CLP 100%	Penglai Wind
CLP 100%	Qian'an Wind
CLP 100%	Sandu Wind
CLP 100%	Xundian Wind

Hydro

CLP 100%	Jiangbian Hydro
CLP 100%	Dali Yang_er Hydro
CLP 100%	PSDC

Solar

CLP 100%	Xicun Solar

MAJORITY-OWNED

CLP 70%	Coal – Fangchenggang	30%[2]
CLP 84.9%	Hydro – Huaiji Hydro	15.1%[3]
CLP 51%	Solar – Jinchang Solar	49%[4]
CLP 51%	Solar – Sihong Solar	49%[5]

MINORITY-OWNED

CLP 30%	Coal – CSEC Guohua	China Shenhua Energy Company Limited	70%
CLP 29.4%	Coal – SZPC	China Guodian Corporation & EDF International S.A.S.	70.6%
CLP 49%	Coal – Shenmu	China Shenhua Energy Company Limited	51%
CLP 25%	Nuclear – GNPJVC	Guangdong Nuclear Investment Company, Limited	75%
CLP 15.75%	Wind – CGN Wind	CGN Wind Energy Ltd.	84.25%
CLP 25% – 49%	Wind – CGN Wind	Various Minority-owned Wind Joint Ventures (Refer to page 17 for details)	

INDIA

Coal	CLP 100%	JPL
Gas, Wind	CLP 100%	CLP India
Wind	CLP 100%	CLP Wind Farms India
Wind	CLP 100%	Khandke Wind
Wind	CLP 100%	Theni Project II

SOUTHEAST ASIA AND TAIWAN

Coal – HPC	CLP 20%	Mitsubishi Corporation & Taiwan Cement Corporation	80%
Solar – NED	CLP 33.3%	Electricity Generating Public Company Limited	66.7%

AUSTRALIA

Generation, Electricity and Gas Retail

CLP 100%	EnergyAustralia

Notes:
1. China Southern Power Grid International (HK) Co., Limited
2. Guangxi Water & Power Engineering (Group) Co., Ltd.
3. Huaiji County Huilian Hydro-electric (Group) Co., Ltd.
4. Jiangsu Zhenfa New Energy Science & Technology Development Co., Ltd.
5. Zhenfa New Energy Science & Technology Co., Ltd.

Our Investments and Long-term Offtake Commitments

Mainland China Investments Gross / Equity MW

Equity Interest	No.	Investment
25%	1	**Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) 1,968 / 492MW** Constructed the **Guangdong Daya Bay Nuclear Power Station** (GNPS) at Daya Bay. GNPS is equipped with two 984MW Pressurised Water Reactors. 70%[1] of electricity generated is supplied to Hong Kong, with the remaining 30% sold to Guangdong
70%	2	**CLP Guangxi Fangchenggang Power Company Limited (Fangchenggang) 2,580 / 1,806MW** Owns and operates a two-phased project at Fangchenggang in Guangxi. Phase I includes two 630MW supercritical coal-fired units. Phase II, which is under construction, includes two 660MW ultra-supercritical coal-fired units and is expected to commence operation in 2016
49%	3	**CLP Guohua Shenmu Power Company Limited (Shenmu) 220 / 108MW** Owns and operates **Shenmu Power Station** (220MW) in Shaanxi
30%	4	**CSEC Guohua International Power Company Limited (CSEC Guohua) 7,440 / 1,243MW**[2,3] Owns interests in five coal-fired power stations: • 100% of **Beijing Yire**[3] • 65% of **Panshan** (1,060MW) in Tianjin • 55% of **Sanhe I and II** (1,300MW) in Hebei • 50% of **Suizhong I and II** (3,760MW) in Liaoning, with a 160MW retrofit expansion completed in April 2015 • 65% of **Zhungeer II and III** (1,320MW) in Inner Mongolia
29.4%	5	**Shandong Zhonghua Power Company, Ltd. (SZPC) 3,060 / 900MW** Owns four coal-fired power stations in Shandong: • **Heze II** (600MW) • **Liaocheng I** (1,200MW) • **Shiheng I and II** (1,260MW)
15.75%	6	**CGN Wind Power Company Limited (CGN Wind) 2,193 / 314MW**[4] Owns and operates 1,993MW of wind projects in various parts of China with another 200MW under construction
50%	7	**CLP-CWP Wind Power Investment Limited (CLP-CWP Wind) 99 / 24MW**[5] Owns two wind farms in Liaoning: 49% of **Qujiagou Wind Farm** (49.5MW) and 49% of **Mazongshan Wind Farm** (49.5MW) in a joint venture with China Wind Power Holdings Limited
100%	8	**CLP (Kunming) Renewable Energy Co., Ltd (Xundian Wind) 50 / 50MW** Owns and operates **Xundian I Wind Farm** (49.5MW) in Yunnan, which commenced operation in January 2016
100%	9	**CLP (Laiwu) Renewable Energy Limited (Laiwu Wind) 99 / 99MW** Owns and operates two wind farms in Shandong: • **Laiwu I Wind Farm** (49.5MW) • **Laiwu II Wind Farm** (49.5MW); project construction commenced in the second half of 2015
100%	10	**CLP (Laizhou) Renewable Energy Limited (CLP Laizhou Wind) 50 / 50MW** Owns **CLP Laizhou I Wind Farm** (49.5MW) in Shandong; project construction commenced in the second half of 2015
100%	11	**CLP (Penglai) Wind Power Ltd. (Penglai Wind) 48 / 48MW** Owns and operates **Penglai I Wind Farm** (48MW) in Shandong
100%	12	**CLP (Sandu) Renewable Energy Limited (Sandu Wind) 198 / 198MW** Owns two wind farms in Guizhou: • **Sandu I Wind Farm** (99MW); project construction commenced in the first half of 2015 • **Sandu II Wind Farm** (99MW); project construction plans to commence in the first half of 2016
45%	13	**Huadian Laizhou Wind Power Company Limited (Huadian Laizhou Wind) 41 / 18MW** Owns **Huadian Laizhou I Wind Farm** (40.5MW) in Shandong in a joint venture with Huadian Power International Corporation Limited
25%	14	**Huaneng Shantou Wind Power Company Limited (Nanao Wind) 60 / 15MW** Owns two wind farms in Guangdong: **Nanao II Wind Farm** (45MW) and **Nanao III Wind Farm** (15MW) in a joint venture with Guangdong Wind Power Company and Huaneng Renewables Corporation Limited
49%	15	**Jilin Datang Wind Joint Ventures (Jilin Datang Wind) 148 / 73MW** Owns three wind farms in Jilin in a joint venture with China Datang Corporation Renewable Power Company Limited: • **Datong Wind Farm** (49.5MW) • **Shuangliao I Wind Farm** (49.3MW) • **Shuangliao II Wind Farm** (49.5MW)
100%	16	**Qian'an IW Power Company Limited (Qian'an Wind) 99 / 99MW** Owns and operates two wind farms in Jilin: **Qian'an I Wind Farm** (49.5MW) and **Qian'an II Wind Farm** (49.5MW)
49%	17	**Shandong Guohua Wind Joint Ventures (Shandong Guohua Wind) 395 / 194MW**[6] Owns eight wind farms in Shandong in a joint venture with Shenhua Renewable Company Limited: • **Dongying Hekou Wind Farm** (49.5MW) • **Lijin I Wind Farm** (49.5MW) • **Lijin II Wind Farm** (49.5MW) • **Rongcheng I Wind Farm** (48.8MW) • **Rongcheng II Wind Farm** (49.5MW) • **Rongcheng III Wind Farm** (49.5MW) • **Zhanhua I Wind Farm** (49.5MW) • **Zhanhua II Wind Farm** (49.5MW)
45%	18	**Shandong Huaneng Wind Joint Ventures (Shandong Huaneng Wind) 96 / 43MW** Owns three wind farms in Shandong in a joint venture with Huaneng Renewable Corporation Limited: • **Changdao Wind Farm** (27.2MW) • **Weihai I Wind Farm** (19.5MW) • **Weihai II Wind Farm** (49.5MW)
29%	19	**Shanghai Chongming Beiyan Wind Power Generation Company Limited (Shanghai Chongming Wind) 48 / 14MW** Owns **Chongming Wind Farm** (48MW) in Shanghai in a joint venture with Shanghai Green Environmental Protection Energy Co., Ltd. and CPI New Energy Holding Company Limited
45%	20	**Sinohydro CLP Wind Power Company Limited (Changling Wind) 50 / 22MW** Owns **Changling II Wind Farm** (49.5MW) in Jilin in a joint venture with Sinohydro Renewable Energy Company Limited
100%	21	**CLP Sichuan (Jiangbian) Power Company Limited (Jiangbian Hydro) 330 / 330MW** Owns and operates **Jiangbian Hydropower Station** (330MW) in Sichuan
100%	22	**Dali Yang_er Hydropower Development Co., Ltd. (Dali Yang_er Hydro) 50 / 50MW** Owns and operates **Dali Yang_er Hydropower Station** (50MW) in Yunnan
100%	23	**Hong Kong Pumped Storage Development Company, Limited (PSDC) 1,200 / 600MW** Holds the right to use half of the 1,200MW pumped storage capacity of Phase I of the **Guangzhou Pumped Storage Power Station** until 2034; PSDC has no equity interest in the power station
84.9%	24	**Huaiji Hydropower Joint Ventures (Huaiji Hydro) 129 / 110MW** Owns and operates 12 small hydropower stations in Guangdong; a 1MW expansion of one of the hydropower stations was completed in May 2015
51%	25	**Jinchang Zhenxin PV Power Company Limited (Jinchang Solar) 85 / 43MW**[7] Owns and operates **Jinchang Solar Power Station** (85MW) in Gansu
100%	26	**CLP Dali (Xicun) Solar Power Co., Ltd (Xicun Solar) 84 / 84MW**[8] Owns and operates two solar power stations in Yunnan: • **Xicun I Solar Power Station** (42MW) • **Xicun II Solar Power Station** (42MW), which commenced operation in November 2015
51%	27	**Sihong Tianganghu PV Power Co., Ltd. (Sihong Solar) 93 / 48MW**[9] Owns and operates **Sihong Solar Power Station** (93MW) in Jiangsu, which commenced operation in February 2015

Notes:

1 Agreement has been reached to increase the proportion of supply to Hong Kong to slightly above 70% in 2014 and to about 80% from 2015 to 2018, with the remainder continuing to be sold to Guangdong.

2 The 1,243 equity MW attributed to CLP, through its 30% equity interest in CSEC Guohua, takes into account that CSEC Guohua holds varying equity interests in the generating assets included in the 7,440 gross MW.

3 The Beijing Yire Power Station ceased operation on 20 March 2015.

4 The 314 equity MW attributed to CLP, through its 15.75% equity interest in CGN Wind, takes into account that CGN Wind holds varying equity interests in the generating assets included in the 2,193 gross MW.

5 The 24 equity MW attributed to CLP, through its 50% equity interest in CLP-CWP Wind, takes into account that CLP-CWP Wind holds varying equity interests in the generating assets included in the 99 gross MW.

6 Considering that the likelihood of settling the dispute of land issue is small, the Haifang Wind Farm (49.5MW) has been taken out.

7 On an alternating current (AC) basis. Gross/Equity MW are 100/51MW if converted to direct current (DC).

8 On an AC basis. Gross/Equity MW are 100/100MW if converted to DC.

9 On an AC basis. Gross/Equity MW are 110/56MW if converted to DC.

10 Except those specified.

11 EnergyAustralia makes fixed payments to cover operating and capital expenditure and is liable for fuel costs in exchange for dispatch rights and the economic benefit of electricity sales from the Newport and Jeeralang Power Stations.

12 Long-term offtake relates to power purchase from power stations in which CLP has neither equity nor operational control.

13 EnergyAustralia sold its 25% equity interest in Waterloo on 30 April 2015.

14 Capacity purchase relates to power purchase from power stations in which CLP has equity or operational control.

Our Investments and Long-term Offtake Commitments

India Investments Gross / Equity MW

Equity Interest		
100%	28	**CLP India Private Limited (CLP India) 705 / 705MW** Owns and operates two projects in Gujarat: • **Paguthan Power Station**, a 655MW combined-cycle gas-fired power plant designed to run on natural gas with naphtha as alternate fuel • **Samana I Wind Farm** (50.4MW)
100%	29	**CLP Wind Farms (India) Private Limited (CLP Wind Farms India) 923 / 923MW** Owns and operates the following wind projects: • **Andhra Lake Wind Farm** (106.4MW) in Maharashtra • **Bhakrani Wind Farm** (102.4MW) in Rajasthan • **Chandgarh Wind Farm** (92MW) in Madhya Pradesh • **Harapanahalli Wind Farm** (39.6MW) in Karnataka • **Jath Wind Farm** (60MW) in Maharashtra • **Mahidad Wind Farm** (50.4MW) in Gujarat • **Samana II Wind Farm** (50.4MW) in Gujarat • **Saundatti Wind Farm** (72MW) in Karnataka • **Sipla Wind Farm** (50.4MW) in Rajasthan • **Tejuva Wind Farm** (100.8MW) in Rajasthan • **Theni I Wind Farm** (49.5MW) in Tamil Nadu • **Yermala Wind Farm** (148.8MW) under construction in Maharashtra
100%	30	**CLP Wind Farms (Khandke) Private Limited (Khandke Wind) 50 / 50MW** Owns and operates **Khandke Wind Farm** (50.4MW) in Maharashtra
100%	31	**CLP Wind Farms (Theni – Project II) Private Limited (Theni II) 50 / 50MW** Owns and operates **Theni II Wind Farm** (49.5MW) in Tamil Nadu
100%	32	**Jhajjar Power Limited (JPL) 1,320 / 1,320MW** Owns and operates **Jhajjar Power Station** (1,320MW) in Haryana, which comprises two 660MW supercritical coal-fired units

Southeast Asia and Taiwan Investments Gross / Equity MW

Equity Interest		
20%	33	**Ho-Ping Power Company (HPC) 1,320 / 264MW** Owns the 1,320MW coal-fired **Ho-Ping Power Station** in Taiwan. CLP's 20% interest is held through OneEnergy Taiwan Ltd, a 50:50 project vehicle with Mitsubishi Corporation. Taiwan Cement Corporation owns the remaining 60% interest in HPC
33.3%	34	**Natural Energy Development Co., Ltd. (NED) 63 / 21MW** Owns a 63MW solar farm in Lopburi Province in Central Thailand. NED is a joint venture company in which CLP has 33.3% shareholding. Electricity Generating Public Company Limited has the remaining 66.7%, including a 33.3% shareholding it acquired from Mitsubishi Corporation in February 2015

Australia Investments Gross / Equity MW

Equity Interest		
100%[10]	35	**EnergyAustralia 4,551 / 3,539MW (4,505MW including capacity purchase)** Operates a retail-focused energy business, supported by its generation portfolio in Victoria, South Australia, NSW, Queensland and the Australian Capital Territory, comprising the following facilities: • **Cathedral Rocks Wind Farm** (50% equity) (66MW) • **Hallett Gas-fired Power Station** (203MW) • **Mount Piper Coal-fired Power Station** (1,400MW) • **Narrabri** (20% equity) (230PJ of equity coal seam gas 3P reserves) • **Pine Dale Black Coal Mine** • **Tallawarra Gas-fired Power Station** (420MW) • **Wilga Park Gas-fired Power Station** (20% equity) (16MW) • **Yallourn Coal-fired Power Station** and **Brown Coal Open-cut Mine** (1,480MW) • **Ecogen** (Newport and Jeeralang) offtake from gas-fired power stations[11] (966MW)
Long-term Offtake[12]		• Boco Rock Wind Farm (100% offtake) (113MW) • Gullen Range Wind Farm (100% offtake) (166MW) • Mortons Lane Wind Farm (100% offtake) (20MW) • Taralga Wind Farm (100% offtake) (107MW) • Waterloo Wind Farm[13] (50% offtake) (111MW)

Hong Kong Investments Gross / Equity MW

Equity Interest		
100%	36	**CLP Power Hong Kong Limited (CLP Power Hong Kong)** Owns and operates a transmission and distribution system which includes: • 555 km of 400kV lines, 1,645 km of 132kV lines, 24 km of 33kV lines and 12,739 km of 11kV lines • 63,373 MVA transformers, 226 primary and 14,019 secondary substations in operation and provides electricity and customer service
70%	37	**Castle Peak Power Company Limited (CAPCO) 6,908 / 4,836MW** CAPCO owns and CLP Power Hong Kong operates: • **Black Point Power Station** (2,500MW), one of the world's largest gas-fired power stations comprising eight combined-cycle turbines of 312.5MW each • **Castle Peak Power Station** (4,108MW), comprising four 350MW coal-fired units and another four 677MW units. Two of the 677MW units can use gas as a backup fuel. All units can use oil as a backup fuel • **Penny's Bay Power Station** (300MW), comprising three 100MW diesel-fired gas turbine units mainly for backup purpose
40%	38	**ShenGang Natural Gas Pipeline Company Limited (SNGPC)** Owns and operates the Hong Kong Branch Line (comprising a 20-km pipeline and the associated gas launching and end stations) which transports natural gas from PetroChina's Second West-East Gas Pipeline in Shenzhen Dachan Island to Black Point Power Station
Capacity Purchase[14]		CLP Power Hong Kong purchases its power from CAPCO, PSDC and GNPS. These sources of power amount to a total capacity of 8,888MW (CAPCO: 6,908MW, PSDC: 600MW, GNPS: about 1,380MW) available to serve the Hong Kong electricity business

Shareholder Value and Engagement

Our goal is to create long-term and sustainable value for shareholders who are the ultimate owners of the Company. To do that, we seek to invest in businesses and projects which leverage our core capabilities and provide long-term returns. We strive to maintain a healthy balance sheet, uphold our values in managing our businesses, and frequently communicate with our shareholders on important issues. We recognise that we are the stewards of our shareholders' investments in the Company and we value their trust and confidence.

Delivering Value to Shareholders

Through Share Price Performance

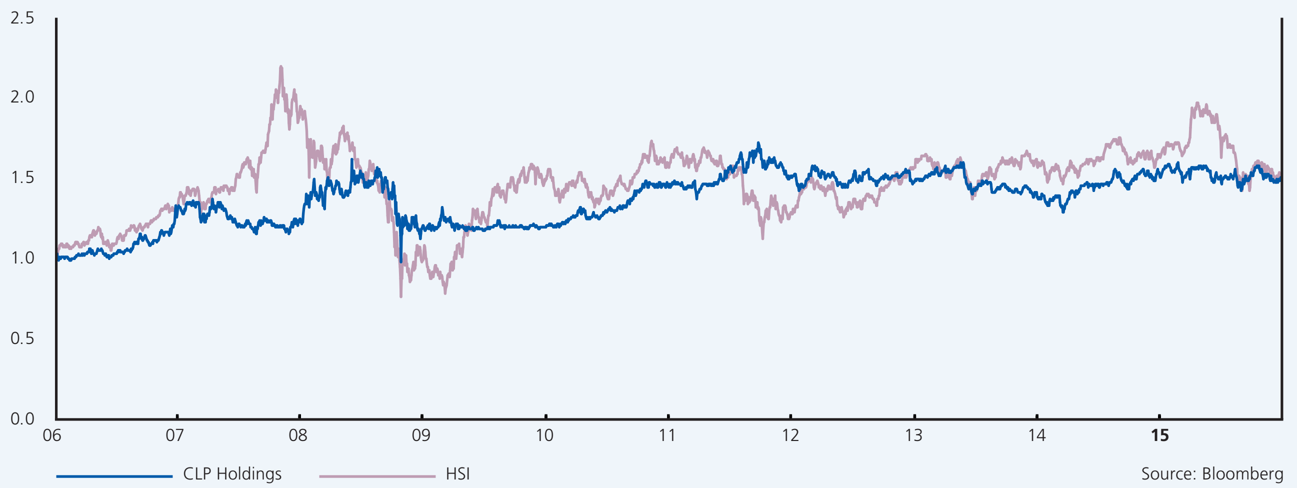
CLP continued to demonstrate its characteristics as a defensive stock in 2015, which marked a year of high volatility for the Hong Kong market. Relative to its starting position on 1 January, the Hang Seng Index (HSI) fluctuated from a loss of 13% to a gain of 20%, finishing the year down by 7%. In contrast, CLP's share price was comparatively stable and the stock ended the year with a modest decline of 2%.

In 2015, the average closing price of CLP's shares was HK$66.53, an increase of more than 5% when compared with the average of 2014. The stock recorded its highest closing price of HK$69.75 on 27 February and the lowest closing price of HK$62.20 on 2 September. It ended the year at HK$65.85, outperforming the HSI.

1-year Relative Performance – CLP vs HSI (1 Jan 2015 – 31 Dec 2015) (Base: 31 December 2014 = 1.0)

The trend shown in the 10-year Relative Performance chart below represents the share price changes compared with the closing price 10 years ago.

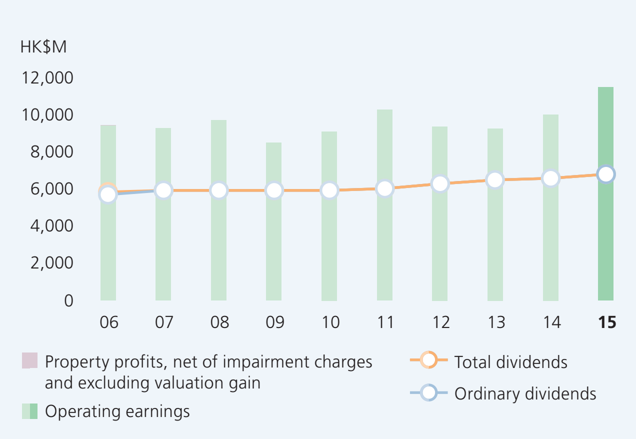
10-year Relative Performance – CLP vs HSI (1 Jan 2006 – 31 Dec 2015) (Base: 31 December 2005 = 1.0)



Through Dividend Payments

Our longstanding practice is to provide reliable and consistent ordinary dividends with gradual growth, linked to the underlying earnings performance of the business. Our shareholders, whether institutional or retail investors, have repeatedly emphasised to us the importance they attach to a consistent and substantial dividend stream from their investment in CLP shares. The following charts demonstrate that we have maintained a stable dividend stream, despite fluctuations in earnings over the period. In fact, our annual dividends have not decreased since 1960 – a solid record maintained over the past 55 years.

Earnings and Dividends (2006 – 2015)



Earnings and Dividends Per Share (2006 – 2015)

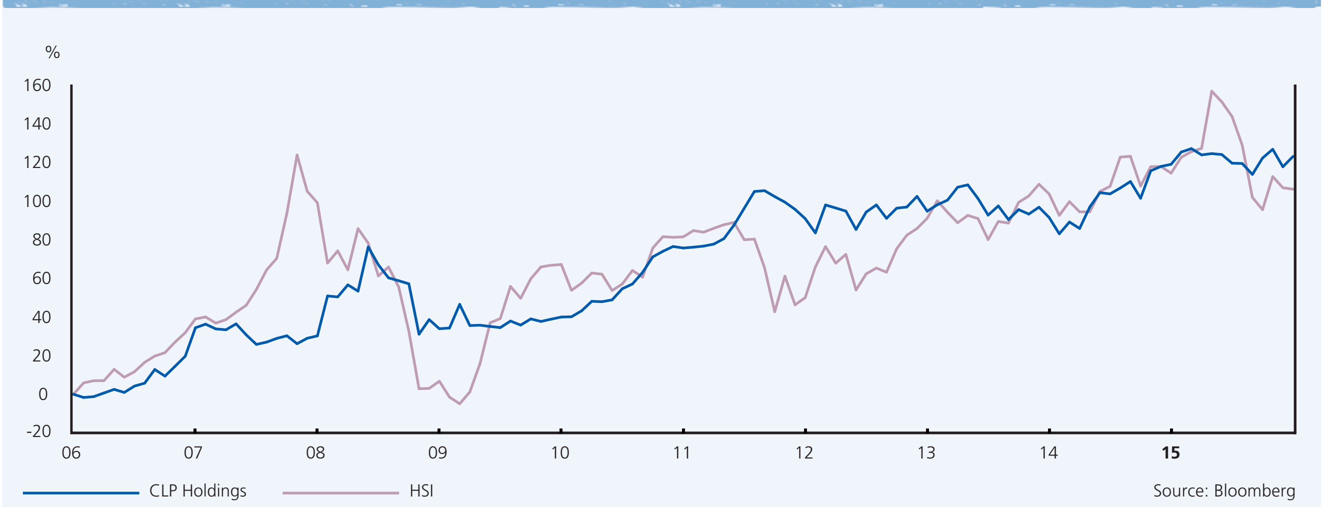
From 2006 to 2014, CLP's ordinary dividend payments were between 60% and 66% of operating earnings, except for 2009 and 2013 when our payout ratio rose to 70% of operating earnings, due to a significant decline in earnings caused by the reduction in the permitted rate of return under the SoC in 2009 and the difficult market conditions in Australia in 2013. Earnings from our past property development at Hok Un and other large scale property sales were generally paid out as special dividends.

This year, the Board declared a fourth interim dividend of HK$1.05 per share, an increase of HK$0.05 over the fourth interim dividend in 2014. Together with three interim dividends per share of HK$0.55 each paid during 2015, the total ordinary dividend for the year will be HK$2.70 per share, compared to HK$2.62 per share in respect of the previous year. This represents a dividend payout ratio for the year of 59% of operating earnings.

Through Total Returns

Total returns to shareholders come from the combination of share price appreciation and dividend payments over time. During the 10-year period from 2006 to 2015, CLP provided an annualised rate of return of 8.35%, as compared with 7.50% for the HSI.

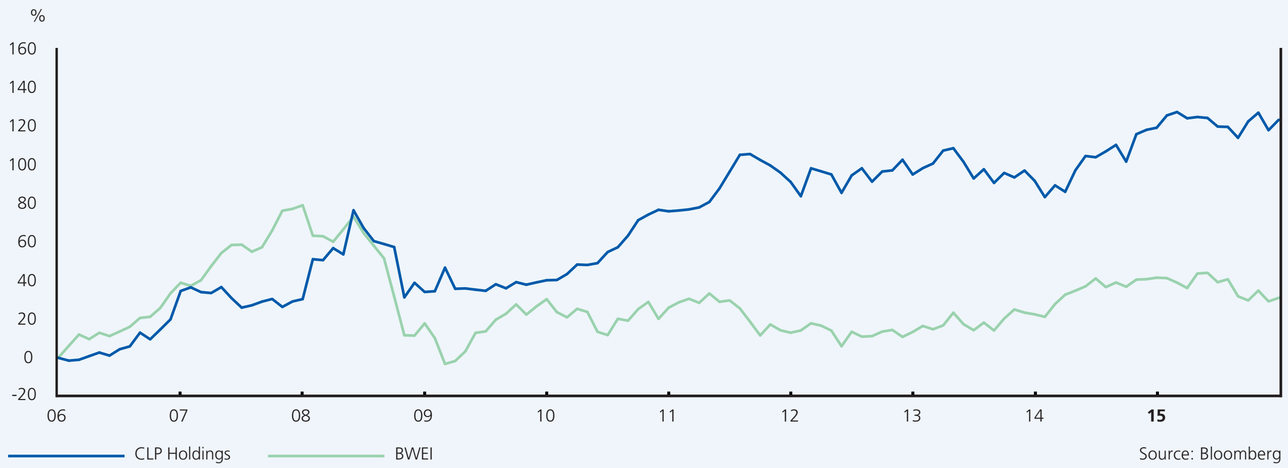
Total Returns – CLP vs HSI (2006 – 2015) (Base: 31 December 2005 = 0%)



Shareholder Value and Engagement

CLP is included in a number of global utilities / electricity indices. For instance, CLP represents 1.64% of the Bloomberg World Electric Index (BWEI), which comprises 119 worldwide electricity stocks. In recent years CLP has outperformed the BWEI in terms of share price and total returns.

Total Returns – CLP vs BWEI (2006 – 2015) (Base: 31 December 2005 = 0%)



Total Investment Worth of Different Types of Investment

As a publicly listed company, we recognise that our shareholders have many investment choices available to them, including other listed shares to bank deposits. We cannot offer a comparison of the total returns from holding CLP shares with every other investment choice available to our shareholders. However, the majority of our registered shareholders have a Hong Kong presence of some sort (98% have their registered address in Hong Kong), and will tend to hold CLP shares as a conservative component within their investment portfolio. In this year's Annual Report, as in previous years, we look at the performance of some comparable investments which our shareholders might make. We have assumed that during the period of 1, 5 and 10 years prior to 31 December 2015, an investor has put HK$1,000 into each of these investments every year. We have then compared the total worth of these investments (including bonus shares and with dividends or interest reinvested) at the end of each of the three periods.

Investment Returns

	Total Investment Worth at 31 December 2015		
	1-Year Period HK$	5-Year Period HK$	10-Year Period HK$
CLP	1,019	5,768	14,632
Tracker Fund of Hong Kong	956	5,505	13,056
Hong Kong and China Gas	961	5,882	16,204
Power Assets Holdings	983	6,629	18,717
HK Electric Investments	1,366	n.a.	n.a.
HK$1-Year Fixed Deposits	1,008	5,113	10,665

Adapted from Bloomberg / Reuters

Communicating Effectively with Shareholders

Shareholders will expect that the quality of the information they receive and CLP's commitment to the ongoing delivery of shareholder value are supported by strong and comprehensive systems and processes. Our Corporate Governance Report, from pages 108 to 129, explains how we fulfil this duty.

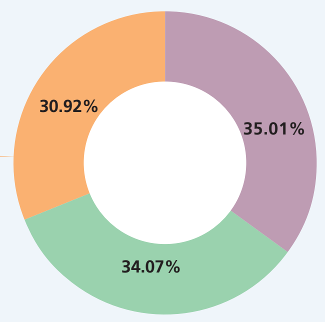
At the end of 2015, CLP had over 20,000 registered shareholders. The actual number of investors in CLP shares will be much greater, taking into account those people and organisations who have an indirect interest in our shares through intermediaries such as nominees, investment funds and the Central Clearing and Settlement System (CCASS) of Hong Kong. Our largest single shareholder is the Kadoorie Family (and interests associated with the Family) who have a combined shareholding of 35.01%. Even so, CLP is not a family-controlled company. The remaining 64.99% of our shares are held by a wide range of institutional investors, including those based in North America, Europe and Asia, as well as a considerable number of retail investors, who are mostly residents in Hong Kong.

Shareholdings as at 31 December 2015

Size of Registered Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
500 or below	2,369	11.44	730,618	0.03
501 – 1,000	3,699	17.86	2,939,052	0.12
1,001 – 10,000	9,776	47.21	41,965,568	1.66
10,001 – 100,000	4,339	20.96	125,001,650	4.95
100,001 – 500,000	428	2.07	88,464,309	3.50
Above 500,000	96[1]	0.46	2,267,349,373	89.74
Total	**20,707**	**100.00**	**2,526,450,570**[2]	**100.00**

Notes:
1 Information on the 10 largest registered shareholders in the Company is set out on our website.
2 51.33% of all our issued shares were held through CCASS.

Shareholding by Category



The scale of our shareholders' investment is reflected in the market capitalisation of CLP Holdings of HK$166 billion as at 31 December 2015. Our shares represent 1.75% by weighting of the HSI – Hong Kong's leading listed companies index.

The importance to CLP of an effective dialogue with shareholders and investors has been recognised by the establishment by the Board of a Shareholders' Communication Policy, which is published on our website. This Policy forms the basis for extensive and ongoing engagement with our shareholders and the investment community. The Audit Committee is responsible for the regular review of the effectiveness of this Policy. The most recent review was undertaken in October 2015 and the Audit Committee concurred with management's view that CLP's Shareholders' Communication Policy was effective.

We cherish views and feedback from all of our shareholders. We listen carefully and communicate with our shareholders interactively. Issues which have been the main subjects of shareholders' queries and concerns in 2015 have been:

- The new investment strategy and how it will shape CLP's business going forward, dividend payout, CLP's exposure on coal generation and its mitigation measures;
- CLP's response to Public Consultation on the Future Development of the Electricity Market by Government, post-2018 regulatory regime in Hong Kong and the potential new gas unit;
- Impact of the economic slow-down on energy demand in Mainland China, tariff cuts for coal-fired generation and renewables, and the future investment strategy in Mainland China;
- Potential growth on coal and renewables, coal quality and supply issues for Jhajjar, new gas supply arrangement for Paguthan and loan financing; and
- Continuing challenges in the Australian market, the wholesale electricity supply / demand balance, competitor behaviour in the wholesale market, retail market competition, cost saving from the new billing system, disposal of the Iona Gas Plant, and any other potential asset disposals.

In this Annual Report, we have made a particular effort to address each of these areas. For example, the Chairman's Statement focuses on the review of the SoC Agreement for our Hong Kong business and the challenge of climate change. The CEO's Strategic

Shareholder Value and Engagement

Review discusses our business performance in each of the five markets where we operate and our vision on climate change as well as our commitment. In this Annual Report, we have referred to the new reporting guideline of the Hong Kong Stock Exchange in reporting our Environmental, Social and Governance (ESG) performance in 2015. Specifically, we report our environmental policies and performance, compliance with laws and regulations, and our relationships with key stakeholders in the different chapters of the Annual Report according to their relevance and by following the Integrated Reporting approach. Meanwhile, a detailed account of our financial health and our management of capital resources is provided in the Financial Review and Financial Capital chapters. We appreciate the power of interactive media and hence we have built on our already successful online snapshot making more use of interactive graphics and video, and presenting selective data in their historical context. Further progress in the evolution of our corporate governance practices is disclosed in the Corporate Governance Report. In this section of the Annual Report, we have discussed the remaining area of primary investor interest – ongoing delivery of shareholder value.

Set out below are our major channels of communication to our shareholders and the investment community:

Providing information to our shareholders and the investment community through means such as

- Our Annual Report, Interim Report, Sustainability Report online and Quarterly Statements – all of which provide information far in excess of legal and regulatory requirements.
- Our Annual General Meeting (AGM) – in the past five years, the attendance of shareholders at our AGMs has averaged about 1,009 (1,245 in 2015). This is an exceptionally high number for a Hong Kong company, including by comparison with other companies having a much larger number of registered shareholders.
- Management attended nearly 160 investor meetings, including participation in seven investor conferences, and 12 non-deal roadshows to Asia, Europe and North America.
- Analyst briefings on the Company's interim and annual results, as well as on Hong Kong business updates. Presentation materials are available on our website.
- The Company Secretary has constant communications with institutional investors on corporate governance practices.
- The third webcast on the ESG aspects of the business was held in April 2015. The webcast is available on our website.
- Financial statistics for the recent years, latest investor information (such as share price, dividend information, calendar of important dates, etc.) are posted on our website and regularly updated.
- The CLP website, which includes information on the Company's corporate governance principles and practices, updates on the Group's affairs and other information for shareholders.

Encouraging feedback from our shareholders and latest industry development update from the investment community through means such as

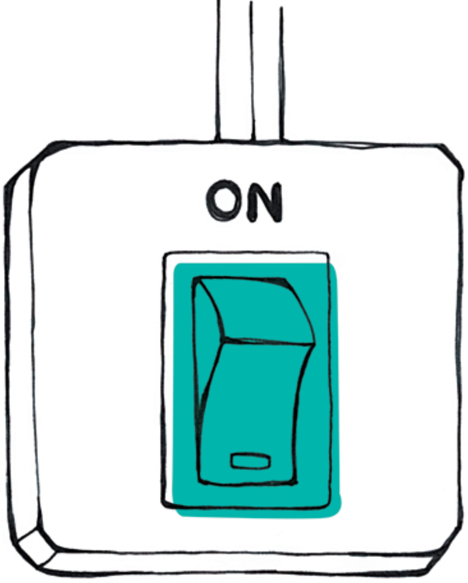
- Face-to-face dialogue, including the "Shareholders' Corner" at our AGM.
- Feedback forms sent out with our Annual Report to obtain shareholders' views on the Report and on additional information that they would like to receive in the following year's Annual Report, together with questions that they would like to have answered in the "Frequently Asked Questions" section of our website. We consider the feedback received and post answers on our website. We also send direct replies to shareholders in response to the specific questions that they raise.
- Comments, queries and research reports from equity analysts.
- Shareholders' hotline and investor relations' email contacts.
- Shareholder correspondence – our aim is to provide a substantive reply within seven days to written shareholder queries. If those queries raise a matter of more general interest to shareholders, we will seek to address this in subsequent corporate communications to all our shareholders.
- Shareholders' visits to our facilities which have, recently, been extended to include Saturday visits. We believe that our Shareholders' Visit Programme, initiated in 2003, is unique amongst Hong Kong listed companies. Between November 2015 to April 2016, we expect to welcome about 3,000 shareholders and their guests, during 75 tours to visit our facilities at CLP Customer Interaction Centre as well as Castle Peak and Black Point Power Stations. About 70 CLP colleagues, including our Chairman, Vice Chairman, Directors and Senior Management, have volunteered to participate as lunch hosts and ambassadors of the programme.

Shareholders' Dates 2016

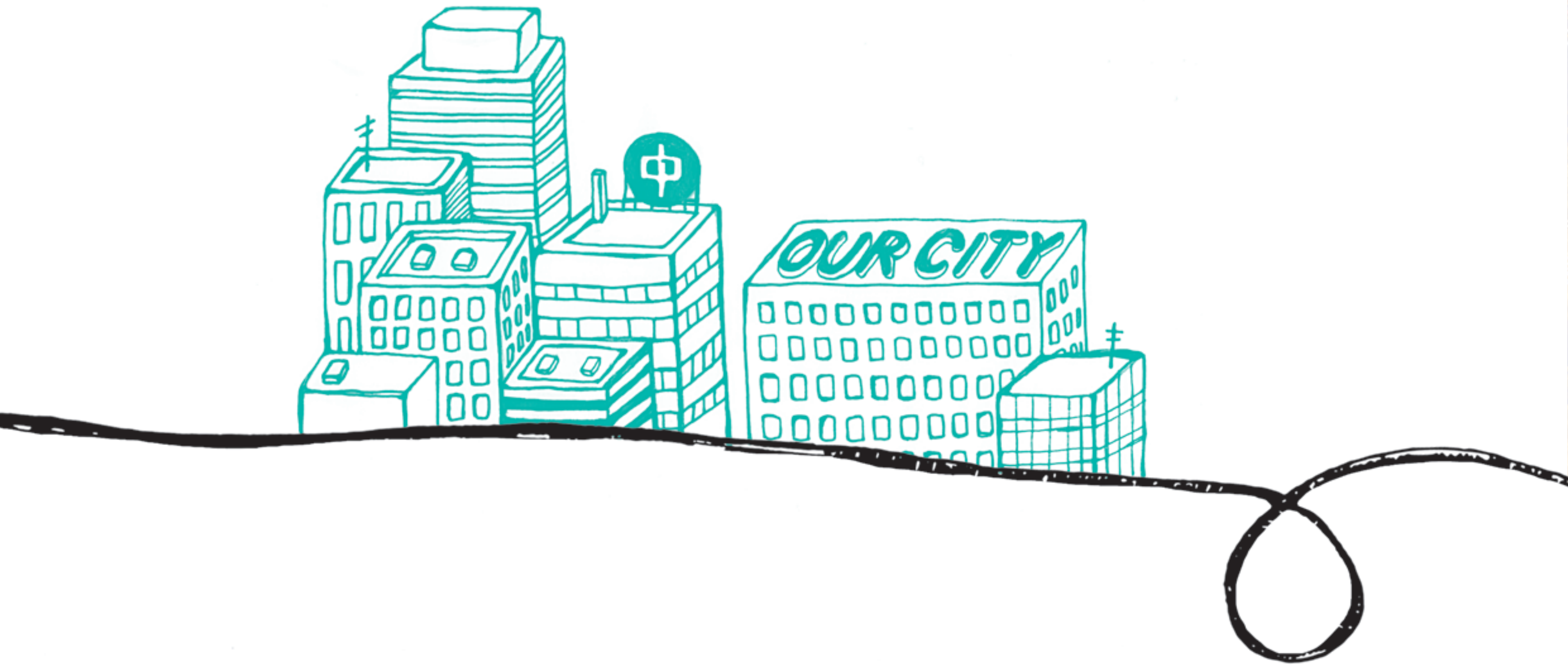
29 Feb	2015 Annual Results and Fourth Interim Dividend announced
14 Mar	2015 Annual Report uploaded on website
15 Mar	2015 Fourth Interim Dividend Book Close Day
24 Mar	2015 Fourth Interim Dividend payable
3-5 May	Voting at AGM Book Close Days
5 May	2016 AGM
9 May	2016 First Interim Dividend announced
3 Jun	2016 First Interim Dividend Book Close Day
15 Jun	2016 First Interim Dividend payable
1 Aug	2016 Interim Results and Second Interim Dividend announced
6 Sep	2016 Second Interim Dividend Book Close Day
15 Sep	2016 Second Interim Dividend payable
20 Oct	2016 Third Interim Dividend announced
6 Dec	2016 Third Interim Dividend Book Close Day
15 Dec	2016 Third Interim Dividend payable

Any changes to these dates will be published on our website.

FINANCIAL REVIEW



How did our business performance
create economic value for our capital providers?



Here we explain how the management and operation of our assets deliver economic value to our shareholders and lenders

Source: Airport Authority Hong Kong

Financial Review

CLP Group's Financial Results and Position at a Glance

Financial statements are the scorecard of a business and the window to a company's operations. The Group's strategy drives investment decisions and business performance, the results of which then translate into a set of numbers in the financial statements. This chart summarises how we delivered economic value in 2015.

Strategy – "Focus • Delivery • Growth"

CLP's updated strategy is to focus on business activities and initiatives that best utilise our core competencies; deliver on the potential of our investments and generate growth for the shareholders. As such, Hong Kong remains our core market and strategic focus. Mainland China and India are our primary growth markets but we will explore secondary growth opportunities in selective Southeast Asian countries. Our focus in Australia is to restore value.

Outcome

- Year 2015 is the first full year execution of CLP's updated strategy. Hong Kong as our core market contributed to 71.8% of Group operating earnings[(1)]. Operating earnings from Mainland China and India grew by 25.2% and 126.7% respectively. Pending any further investment opportunities in Southeast Asia, its earnings remained stable. It is encouraging that operating earnings from Australia improved by 10.6% after our increased focus on customers, cost control and efficiency.
- Group revenue[(2)] mainly came from operations in Hong Kong and Australia. Despite the increase in revenue from Hong Kong on higher fuel cost recovery, Group revenue decreased to HK$80,700 million due to significant drop in Australia as a result of lower exchange rate, lower volumes for commercial and industrial customers, the impact of carbon tax repeal and reduced generation.
- In December 2015, the Group completed the sale of its entire interest in the Iona Gas Plant for a consideration of A$1,780 million (HK$9,991 million) with a gain of A$1,180 million (HK$6,619 million)[(3)]. This divestment is consistent with our strategy to restore value in Australia. On the other hand, despite signs of short-term improvement seen this year, the wholesale electricity market in Australia remains significantly oversupplied which suppresses wholesale prices. The Group therefore has made impairment and onerous provisions for the generation assets in Australia (HK$1,480 million)[(4)]. Impairment provision for Beijing Yire Power Station (HK$243 million)[(5)] has also been made following its closure in March 2015.
- The translation losses resulting from the depreciation of Australian dollar (-10.8%), Indian rupee (-4.6%) and Renminbi (-4.5%) accounted for the negative effect on other comprehensive income[(6)] for the year.
- Hong Kong still has the highest asset allocation amongst the Group because of its scale and scope of operation. Out of the fixed assets, leasehold land and land use rights under operating leases and investment property[(7)] of HK$136,012 million, 76.8% relates to our electricity business in Hong Kong. On the other hand, 61.8% of the goodwill and other intangible assets[(8)] of HK$28,257 million are attributed to EnergyAustralia because its business development was mainly through business acquisitions.

Last Year's Consolidated Statement of Financial Position

	HK$M
Assets	
Fixed assets, leasehold land and land use rights under operating leases and investment property	136,383
Goodwill and other intangible assets	31,129
Interests in joint ventures	11,176
Interest in an associate	786
Derivative financial instruments	3,779
Trade and other receivables	15,719
Cash and cash equivalents	4,036
Restricted cash and others	357
Bank balances, cash and other liquid funds	4,393
Other assets	11,298
	214,663
Equity and Liabilities	
Share capital and reserves	24,019
Retained profits	63,994
Shareholders' funds	88,013
Perpetual capital securities	5,791
Other non-controlling interests	2,155
Derivative financial instruments	3,771
Trade and other payables	21,620
Borrowings	67,435
SoC reserve accounts	1,131
Other liabilities	24,747
	214,663
Closing exchange rate	
Australian dollar / Hong Kong dollar	6.3540
Indian rupee / Hong Kong dollar	0.1227
Renminbi / Hong Kong dollar	1.2496

Beyond Last Year's Statement of Financial Position

	HK$M
Charges on assets	18,984
Contingent liabilities	1,362
Operating lease commitments	4,019
Capital commitments	5,859

Consolidated Statement of Profit or Loss and Other Comprehensive Income for Two Years

		2014 HK$M	2015 HK$M	Increase / (Decrease) %
Revenue	(2)	92,259	80,700	(12.5)
Expenses		(79,389)	(67,580)	
Other gain		2,025	8,900	
Operating profit		14,895	22,020	
Share of results of joint ventures and associate, net of tax		2,358	2,245	
Net finance costs		(4,049)	(3,920)	
Income tax expense		(1,268)	(3,582)	
Earnings attributable to perpetual capital securities holders		(152)	(247)	
Earnings attributable to other non-controlling interests		(563)	(846)	
Earnings attributable to shareholders		11,221	15,670	39.6
Analysed into:				
Hong Kong		7,777	8,276	6.4
Other investments / operations		2,907	3,883	33.6
Unallocated net finance (costs) / income		(36)	17	
Unallocated Group expenses		(586)	(643)	
Operating earnings	(1)	10,062	11,533	14.6
Items affecting comparability:				
Gain on sale of Iona Gas Plant	(3)	–	6,619	
Costs for debt prepayment	(16)	–	(858)	
Impairment for generation assets in 2015 / Narrabri Coal Seam Gas Project in 2014	(4)	(1,578)	(1,480)	
Gain on CAPCO / PSDC acquisitions		1,953	–	
Other items	(5)	784	(144)	
Earnings attributable to shareholders		11,221	15,670	39.6
Other comprehensive income	(6)	(4,000)	(3,870)	
Total comprehensive income		7,221	11,800	
Average exchange rate				
Australian dollar / Hong Kong dollar		6.9735	5.7916	(16.9)
Indian rupee / Hong Kong dollar		0.1272	0.1206	(5.1)
Renminbi / Hong Kong dollar		1.2573	1.2321	(2.0)

Consolidated Profits Retained for This Year

	HK$M
Retained profits at 31.12.2014	63,994
Earnings attributable to shareholders	15,670
Dividends paid for the year	
2014 fourth interim (HK$1.00 per share)	(2,526)
2015 first to third interim (HK$1.65 per share)	(4,169)
Other movements within equity	(16)
Retained profits at 31.12.2015	72,953
Fourth interim dividend declared for 2015, HK$ per share	1.05

From "Operating Profit" to "Cash Inflow from Operating Activities"

		HK$M
Operating profit		22,020
Depreciation and amortisation		6,765
Impairment and onerous provisions		2,536
Gain on sale of Iona Gas Plant		(8,900)
SoC items		(860)
Changes in working capital		(1,169)
Income tax paid		(1,987)
Others		763
Cash inflow from operating activities	(9)	19,168

Consolidated Statement of Cash Flows for This Year

		HK$M
Operating activities		
Cash inflow from operating activities		19,168
Investing activities		
Dividends received	(15)	3,356
Proceeds from sale of Iona Gas Plant	(14)	9,991
Capital expenditure		(10,871)
Investments in and advances to joint ventures		(930)
Additions of other intangible assets		(166)
Other net outflow		(314)
Financing activities		
Net decrease in borrowings		(8,769)
Interest and other finance costs paid		(3,841)
Dividends paid		(6,695)
Others		(1,200)
Net decrease in cash and cash equivalents		(271)
Cash and cash equivalents at 31.12.2014		4,036
Effect of exchange rate changes		(200)
Cash and cash equivalents at 31.12.2015		3,565

Breakdown of Capital Investments

		HK$M
Capital expenditure		10,871
Investments in and advances to joint ventures		930
Additions of other intangible assets		166
Accrual adjustments		446
		12,413
By business activity:		
Coal and gas		4,171
Renewables	(20)	3,042
Transmission, distribution and retail		5,307
Others		(107)
		12,413
By region:		
Hong Kong	(10)	7,614
Mainland China	(12)	2,568
India	(13)	1,396
Southeast Asia and Taiwan		10
Australia	(11)	825
		12,413

This Year's Consolidated Statement of Financial Position

		HK$M
Assets		
Fixed assets, leasehold land and land use rights under operating leases and investment property	(7)	136,012
Goodwill and other intangible assets	(8)	28,257
Interests in joint ventures		11,250
Interest in an associate		785
Derivative financial instruments	(18)	1,678
Trade and other receivables		13,812
Cash and cash equivalents		3,565
Restricted cash and others		234
Bank balances, cash and other liquid funds		3,799
Other assets		8,371
		203,964
Equity and Liabilities		
Share capital and reserves		20,165
Retained profits		72,953
Shareholders' funds		93,118
Perpetual capital securities		5,791
Other non-controlling interests		2,023
Derivative financial instruments	(19)	3,397
Trade and other payables		19,023
Borrowings	(17)	55,483
SoC reserve accounts		1,009
Other liabilities		24,120
		203,964
Closing exchange rate		
Australian dollar / Hong Kong dollar		5.6691
Indian rupee / Hong Kong dollar		0.1171
Renminbi / Hong Kong dollar		1.1935

Beyond This Year's Statement of Financial Position

	HK$M
Charges on assets	19,505
Contingent liabilities	1,315
Operating lease commitments	3,363
Capital commitments	4,586

Optimising Financial and Capital Structure

CLP's prudent financial management ensures that adequate resources are available to meet our operating, investing and financing needs.

Outcome

- Operating activities: Our cash flows from operating activities(9) remained strong on the back of steady growth in Hong Kong electricity business and improved operations for businesses outside Hong Kong.
- Investing activities: In Hong Kong(10), we continued to develop and enhance our generation, transmission and distribution and customer services facilities, in order to cater for the city's development needs and preserve the quality and reliability of our power supply. In Australia(11), capital investments mainly related to improvement works at generation plants. We also continued the construction of Fangchenggang Phase II and renewable projects in Mainland China(12) as well as wind projects in India(13). On the other hand, we sold the Iona Gas Plant in Australia for a cash proceed of A$1,780 million (HK$9,991 million)(14). There were also steady dividend streams(15) received from projects in Mainland China.
- Financing activities: Following the receipt of sale proceeds from Iona Gas Plant, EnergyAustralia repaid certain external debt to enhance its capital structure and to reduce finance costs. The costs associated with these early repayment and the close out of related hedging derivatives totalled HK$858 million(16). Overall, Group capital structure remains strong with our debt(17) kept at a healthy level of HK$55,483 million. Our total debt to total capital ratio decreased from 39.6% to 34.0% at 2015 year end. The credit rating agencies revised the outlooks of CLP Holdings (by Standard & Poor's (S&P) and Moody's) and CLP Power Hong Kong (by S&P) back to stable from negative after the annual credit rating review in May 2015. In parallel, both S&P and Moody's affirmed the credit ratings of CLP Holdings and CLP Power Hong Kong at A-/A2 and A/A1 respectively.

Managing Financial Risks

CLP's philosophy is to mitigate financial risks through the use of financial instruments to hedge our exposures to interest rate, foreign currency and energy portfolio risks.

Outcome

The derivative assets(18) and liabilities(19) refer to the fair value gains and losses of the financial instruments respectively at year end. At 31 December 2015, the Group had net derivative liabilities of HK$1,719 million which represented the net amount we would pay if these contracts were closed out at year end. The net derivative liabilities was mainly due to the settlement of the net derivative assets related to the close out of hedging derivatives in Australia as noted above and higher mark-to-market loss on fuel procurement related forward foreign exchange contracts and loans related cross-currency interest rate swaps in Hong Kong.

Reducing Carbon Intensity

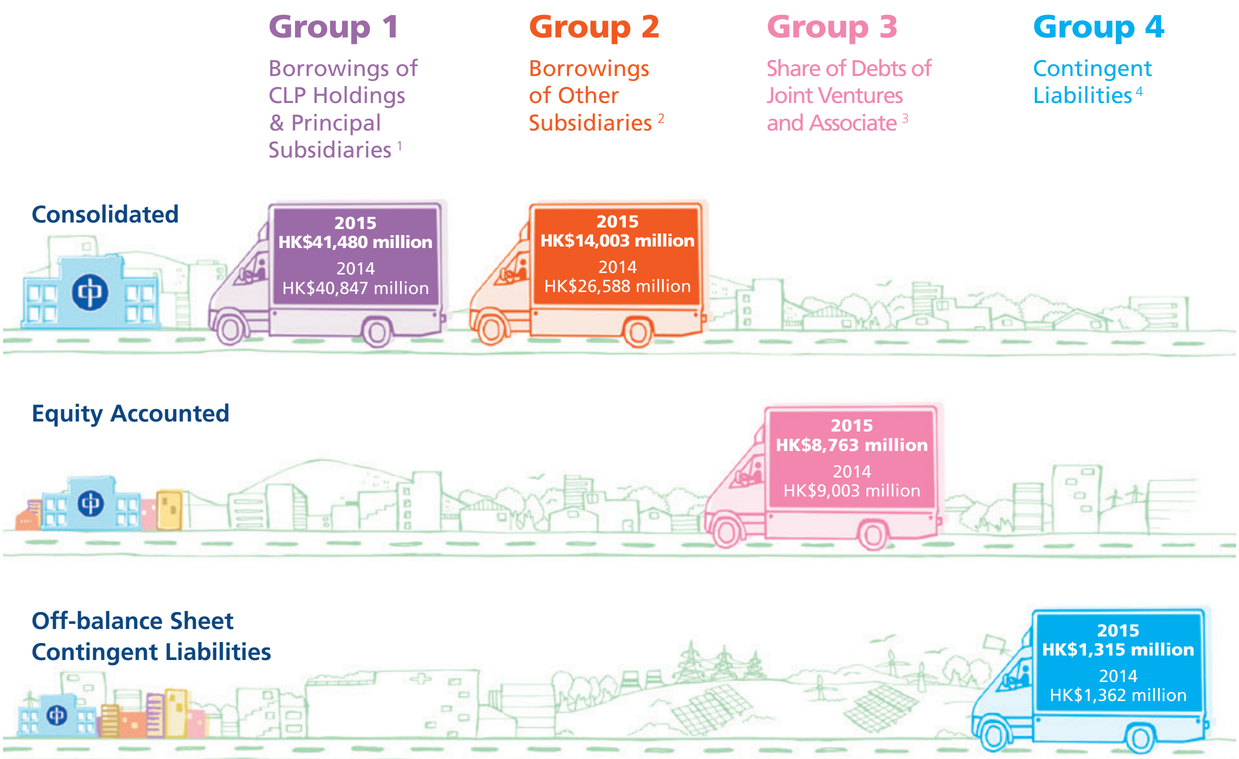
CLP continues to invest in renewable energy to reduce the carbon intensity of its generating portfolio and exploit the opportunities of low carbon emissions generation.

Outcome

- Operating earnings from renewable energy increased from HK$384 million in 2014 to HK$494 million in 2015 mainly due to the commissioning of new solar projects (e.g. Xicun and Sihong) and higher wind resources in Mainland China.
- HK$3,042 million(20) was invested in 2015 mostly in solar projects in Mainland China and wind farms across India and Mainland China.
- Renewable energy sources represented 16.8% of our total generating capacity.

CLP Group's Financial Obligations at a Glance

Consolidated financial statements are prepared to show the effect as if the parent and all of its subsidiaries were one entity by combining their financial statements on a line by line basis. In contrast, under the equity method of accounting, interests in joint ventures and interests in associates are accounted for on the basis of proportionate sharing of net assets (i.e. assets minus liabilities). As a result, the borrowings of our joint ventures and associate are not included as part of the debts shown in our consolidated statement of financial position. The financial risks associated with unconsolidated financial obligations and borrowings of these equity accounted entities are not transparent to the readers. Consistent with our practice of enhanced disclosure, the diagram below illustrates the financial obligations of the CLP Group, as well as those of our joint ventures and associate. These financial obligations are classified into four categories according to their degree of recourse to CLP Holdings.



Total debt to total capital [5] at CLP consolidated level (i.e. Group 1 and Group 2 together) in 2015 was 34.0% (2014: 39.6%). If the attributable portion of debts of Group 3 were also included, total debt to total capital would rise to 37.4% (2014: 42.7%).

Notes:

1 Principal subsidiaries include CLP Power Hong Kong, CAPCO and PSDC.

2 These debts are non-recourse to CLP Holdings. These debts mainly comprise debts of CLP India, subsidiaries in Mainland China and EnergyAustralia.

3 These debts are non-recourse to CLP Holdings or its subsidiaries. The share of debts is calculated by reference to the Group's shareholdings in the relevant joint ventures and associate.

4 Details of the contingent liabilities of CLP Holdings and its subsidiaries are set out in Note 31 to the Financial Statements.

5 In calculating total debt to total capital, the non-controlling interests and shareholder's advances from the non-controlling interests of the non-wholly owned subsidiaries of the Group are included in the denominator to ensure consistency.

Financial Analysis

Group's Financial Results

Financial results	*Notes to the Financial Statements*	2015 HK$M	2014 HK$M	Increase / (Decrease) HK$M	%
Revenue	*2*	80,700	92,259	(11,559)	(12.5)
Expenses		(67,580)	(79,389)	(11,809)	(14.9)
Finance costs	*6*	(4,090)	(4,180)	(90)	(2.2)
Share of results of joint ventures	*12*	1,357	1,562	(205)	(13.1)
Income tax expense	*7*	(3,582)	(1,268)	2,314	182.5
Earnings attributable to shareholders		15,670	11,221	4,449	39.6
Adjusted current operating income (ACOI)		17,929	17,232	697	4.0

Earnings Attributable to Shareholders

	2015 HK$M	2015 HK$M	2014 HK$M	2014 HK$M	Increase HK$M	%
Hong Kong		8,276		7,777	499	6.4
Hong Kong related	206		71			
Mainland China	1,977		1,579			
India	612		270			
Southeast Asia and Taiwan	312		297			
Australia	836		756			
Other earnings	(60)		(66)			
Earnings from other investments / operations		3,883		2,907	976	33.6
Unallocated net finance income / (costs)		17		(36)		
Unallocated Group expenses		(643)		(586)		
Operating earnings		11,533		10,062	1,471	14.6
Items affecting comparability*						
Gain on sale of Iona Gas Plant		6,619		–		
Costs associated with the early termination of debt in Australia		(858)		–		
Impairment and onerous provisions for EnergyAustralia's generation assets		(1,480)		–		
Impairment provision for Beijing Yire Power Station in 2015 / Dali Yang_er in 2014		(243)		(158)		
Revaluation gain on Argyle Street site		99		245		
Net gain on CAPCO and PSDC acquisitions		–		1,953		
Impairment provision for Narrabri Coal Seam Gas Project		–		(1,578)		
Net tax credit from Australia		–		545		
Termination of Redbank Agreement		–		152		
Total earnings		15,670		11,221	4,449	39.6

* Items affecting comparability as defined on page 201 and have been audited by the Company's Auditor

Earnings from Hong Kong increased by 6.4% as a result of the share of additional 30% of CAPCO's full-year earnings after the acquisition in May 2014 and higher return on higher average net fixed assets. Earnings from Mainland China improved as a result of the resumption of sharing of earnings from CSEC Guohua (HK$316 million) after the lapse of the Share Transfer Agreement at 31 December 2014, lower coal prices for coal-fired projects, the commissioning of new solar projects (Xicun and Sihong) and more wind resources for wind projects. However, the increase was partly offset by lower contribution from Fangchenggang due to lower tariff and dispatch. Operations in India have improved. Higher earnings from India were mainly due to the reversal of dividend distribution tax provision, lower finance costs and the progress on litigation at Jhajjar. Earnings from Southeast Asia and Taiwan remained steady. Earnings from Australia increased from HK$756 million to HK$836 million mainly attributable to lower operating expenses and better retail gross margins, despite lower contribution from generation and unfavourable fair value movements on derivatives. Taking into account of all items affecting comparability, total earnings up 39.6% to HK$15,670 million. The performance of individual business is analysed on pages 42 to 73.

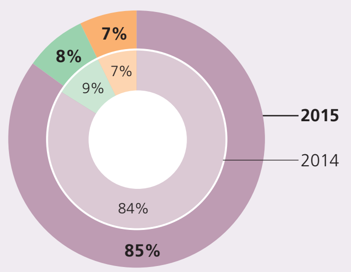
Revenue and Expenses

	Revenue				Expenses			
	2015 HK$M	2014 HK$M	Increase / (Decrease) HK$M	%	2015 HK$M	2014 HK$M	Increase / (Decrease) HK$M	%
Hong Kong	38,937	35,623	3,314	9.3	26,586	23,663	2,923	12.4
India	5,104	4,821	283	5.9	3,675	3,454	221	6.4
Australia	35,707	50,895	(15,188)	(29.8)	35,981	50,828	(14,847)	(29.2)
Others	952	920	32	3.5	1,338	1,444	(106)	(7.3)
	80,700	92,259	(11,559)		67,580	79,389	(11,809)	

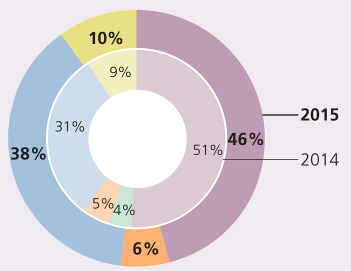
Revenue from Australia decreased by 29.8% mainly attributable to lower exchange rate, lower generation revenue due to less output from Mount Piper and lower pool prices, and lower retail revenue as a result of the carbon tax repeal and lower commercial and industrial volumes. In India, higher revenue was mainly attributable to higher dispatch from Paguthan and the commissioning of more wind farms, partly offset by lower revenue from Jhajjar due to lower generation. Revenue from Hong Kong increased with higher fuel cost recovery.

Lower expenses in Australia were mainly attributable to decrease in "Purchases of electricity, gas and distribution services expenses" as a result of lower purchase volume (in line with lower sales volume). In addition, "Fuel and other operating expenses" in Australia also decreased as a result of no more carbon tax expense in 2015 and the cessation of payments under Transition Services Agreement after its termination in 2014. The lower Australian dollar exchange rate also contributed to the decrease.

Analysis of Revenue



Analysis of Expenses



Finance Costs

The slight decrease in finance costs was mainly due to lower interest rates and the cessation of finance lease charges paid to CAPCO after its acquisition in May 2014, offset by the costs associated with the early termination of debt and the related hedging derivatives by EnergyAustralia.

Share of Results of Joint Ventures

The decrease in share of results of joint ventures was mainly due to the reclassification of CAPCO and PSDC from joint ventures to subsidiaries after their acquisitions in May 2014 and lower earnings from Fangchenggang as a result of fewer units sold, partly offset by the full-year earnings from ShenGang Natural Gas Pipeline (HK$144 million), and the resumption of sharing of earnings from CSEC Guohua after the lapse of Share Transfer Agreement at 31 December 2014.

Income Tax Expense

The increase in income tax expense was attributable to EnergyAustralia as a result of higher taxable profits with improved operations and the gain on sale of Iona Gas Plant.

Adjusted Current Operating Income (ACOI)

ACOI is a performance measurement which represents operating earnings before net finance costs, income tax, other non-controlling interests, distribution to perpetual capital securities holders and net fair value gain / loss on derivatives relating to transactions not qualified as hedges and ineffectiveness of cash flow hedges. For its analysis, please refer to our website.

Group's Financial Position

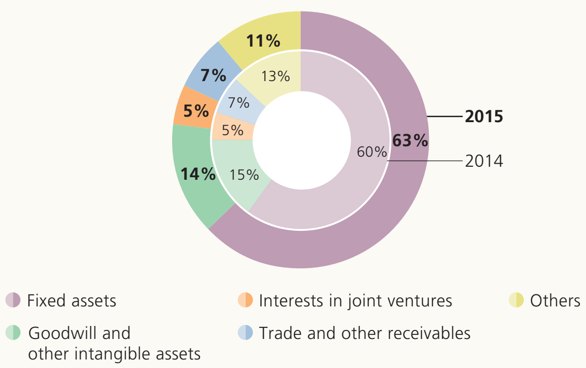
Non-current assets are assets which are held for the long-term, either for use in operations, or for investment (such as fixed assets and investments in joint ventures). They are not expected to be consumed or sold within the normal operating cycle (usually 12 months).

Non-current assets	*Notes to the Financial Statements*	2015 HK$M	2014 HK$M	Increase / (Decrease) HK$M	%
Fixed assets	*10(A)*	**127,801**	128,133	(332)	(0.3)
Leasehold land and land use rights under operating leases	*10(B)*	**5,542**	5,696	(154)	(2.7)
Investment property	*10(C)*	**2,669**	2,554	115	4.5
Goodwill and other intangible assets	*11*	**28,257**	31,129	(2,872)	(9.2)
Interests in joint ventures	*12*	**11,250**	11,176	74	0.7
Deferred tax assets	*21*	**1,690**	3,828	(2,138)	(55.9)
Total assets		**203,964**	214,663	(10,699)	(5.0)
Net assets (total assets less total liabilities)		**100,932**	95,959	4,973	5.2

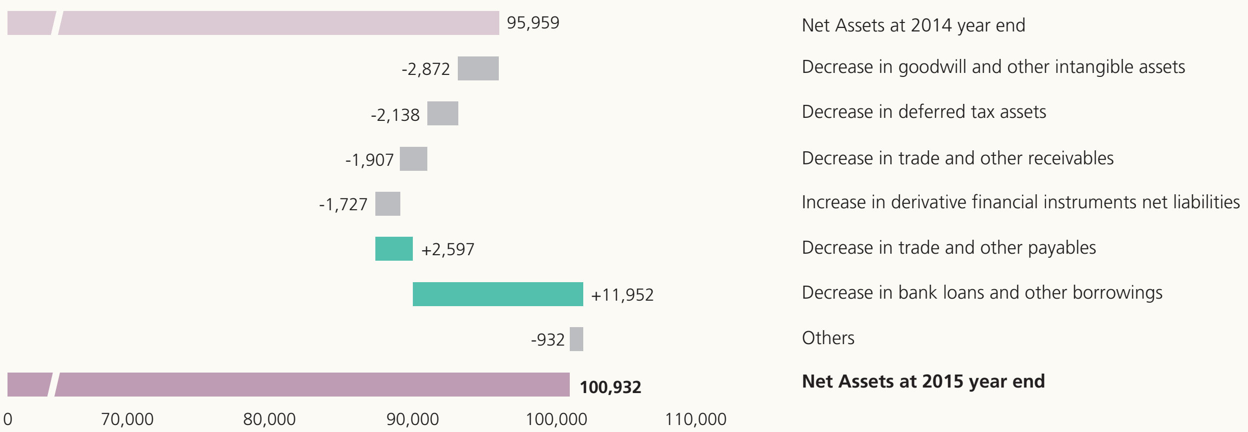
Total Assets and Net Assets

Power industry is a capital-intensive business. Fixed assets accounted for 63% of total assets. Goodwill and other intangible assets (mainly in Hong Kong and Australia) represented another 14%. Around 11% of total assets were current assets. Movements in the Group's net assets are illustrated in the chart below.

Total Assets



Net Assets (HK$M)



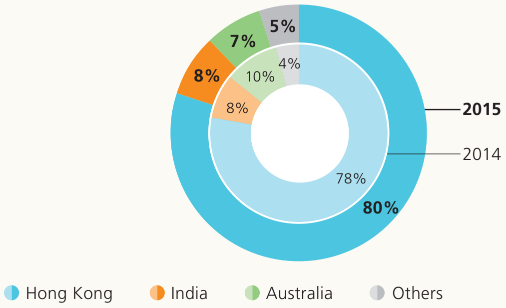
Fixed Assets, Leasehold Land and Land Use Rights under Operating Leases and Investment Property

By nature of the power industry, continuous investment in capital assets is necessary to uphold the quality and reliability of electricity supply across all our operating regions. In addition, the Group continued to invest in renewable projects such as wind farms and solar projects.

In 2015, fixed asset additions amounted to HK$11,279 million. These mainly related to the development and enhancement of our generating plants, transmission and distribution network and customer services facilities in Hong Kong (HK$7.6 billion). Other additions included the construction of renewables projects in Mainland China (HK$1,637 million) and India (HK$1,396 million) and regular capital works on the power stations in Australia (HK$670 million).

Capital commitments at 31 December 2015 stood at HK$4,586 million, representing mainly capital works in Hong Kong and Australia, and the ongoing construction of wind farms in India and Mainland China.

Fixed Assets, Leasehold Land and Land Use Rights under Operating Leases and Investment Property by Geographical Location



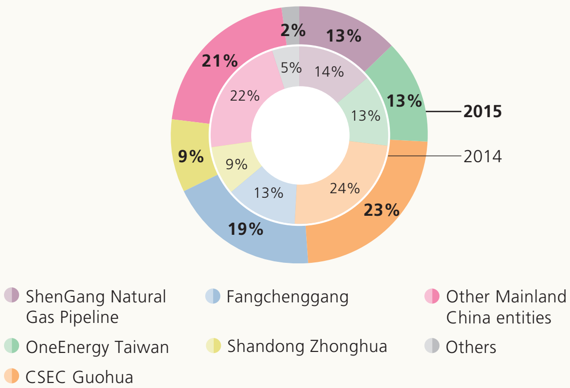
Goodwill and Other Intangible Assets

The decrease in goodwill and other intangible assets was mainly due to lower exchange rate of Australian dollar and amortisation charge of intangible assets for the year.

Interests in Joint Ventures

The slight increase in interests in joint ventures was mainly due to the capital injection for the construction of Fangchenggang Phase II (HK$1,006 million), offset by the sale of Waterloo wind farm in Australia, impairment provision for Beijing Yire Power Station and lower Renminbi exchange rate.

The Group's Major Joint Ventures



Deferred Tax Assets

The decrease in deferred tax assets was mainly due to EnergyAustralia's tax losses under deferred tax assets being fully utilised to set off against the gain on sale of Iona Gas Plant and other taxable profits for the year.

Group's Financial Position

Working capital comprises current assets and current liabilities which are continuously circulating in the business operations (such as bank balances, trade receivables and payables).

Working capital, debts and other non-current liabilities and equity	*Notes to the Financial Statements*	2015 HK$M	2014 HK$M	Increase / (Decrease) HK$M	%
Derivative financial instruments assets*	*15*	1,678	3,779	(2,101)	(55.6)
Derivative financial instruments liabilities*	*15*	3,397	3,771	(374)	(9.9)
Trade and other receivables	*17*	13,812	15,719	(1,907)	(12.1)
Trade and other payables	*19*	19,023	21,620	(2,597)	(12.0)
Bank loans and other borrowings*	*20*	55,483	67,435	(11,952)	(17.7)
Shareholders' funds		93,118	88,013	5,105	5.8

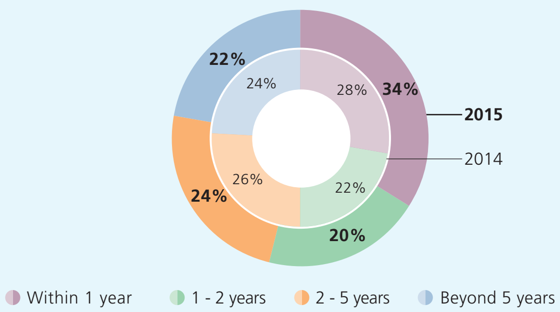
* Including current and non-current portions

Derivative Financial Instruments and Hedging

Other than very limited price discovery trading activities by EnergyAustralia, CLP only uses derivative financial instruments for hedging purposes. The type and maturity profile of the derivative financial instruments are set out below:

	Notional Amount 2015 HK$M	Notional Amount 2014 HK$M	Fair Value Gain / (Loss) 2015 HK$M	Fair Value Gain / (Loss) 2014 HK$M
Forward foreign exchange contracts and foreign exchange options	73,255	100,926	488	891
Interest rate swaps / cross currency interest rate swaps	33,838	46,820	(1,565)	(402)
Energy contracts	10,289	12,196	(642)	(481)
Total	117,382	159,942	(1,719)	8

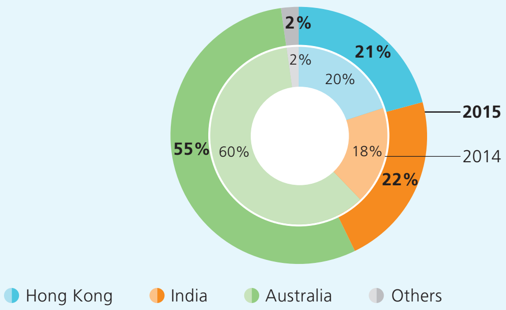
Maturity Profile



Trade and Other Receivables

The decrease in trade and other receivables was mainly attributable to the receipts of dividend receivables during the year, lower electricity sales debtors on lower sales at EnergyAustralia and the decrease in Australian dollar exchange rate.

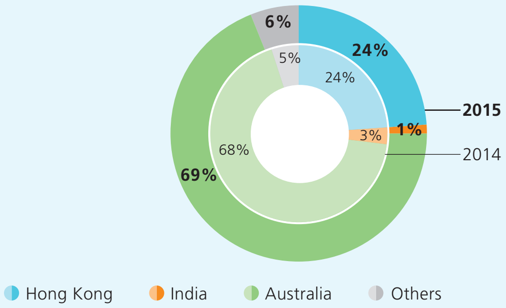
Trade Receivables by Segment



Trade and Other Payables

Trade and other payables in Australia decreased as a result of lower network charges and green liabilities which was in line with lower sales volume, and settlement of carbon tax liabilities after the carbon tax repeal. The decrease in exchange rate of Australian dollar also led to the decrease.

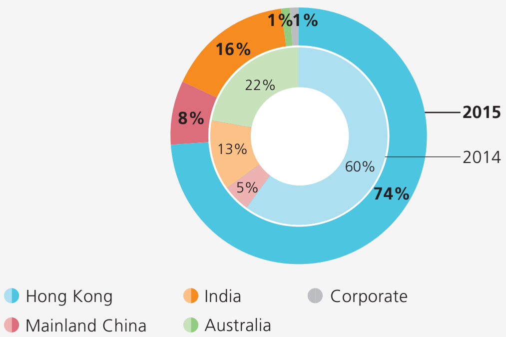
Trade Payables by Segment



Bank Loans and Other Borrowings

The decrease in bank loans and other borrowings was mainly attributable to EnergyAustralia's early repayment of external debt using the cash proceeds from the sale of Iona Gas Plant. CLP Power Hong Kong arranged HK$4.5 billion financing under the MTN programme and other banking facilities. In India, bonds of HK$591 million and green bonds of HK$706 million were issued in April and September 2015 respectively. In Mainland China, loans of HK$2.4 billion were arranged to support the development of renewable projects.

Bank Loans and Other Borrowings by Segment



Shareholders' Funds

Shareholders' funds increased mainly due to earnings retained for the year offset by the translation losses (HK$3.7 billion) on our Mainland China, India and Australia businesses as a result of the decreases in the respective exchange rates.

A Broader Perspective

An Annual Report necessarily concentrates on only one year's financial performance, with a comparison against the previous year. A broader perspective on CLP's financial performance can be helpful.

	2015	2014	2013	2012	2011
Performance Indicators					
EBITDAF [1], HK$M	**31,267**	23,442	19,689	23,602	23,392
ACOI, HK$M	**17,929**	17,232	16,935	18,179	18,891
Operating earnings, HK$M	**11,533**	10,062	9,307	9,406	10,312
Total earnings, HK$M	**15,670**	11,221	6,060	8,312	9,288
Return on equity, %	**17.3**	12.8	6.8	10.1	11.5
Financial Health Indicators					
Undrawn facilities, HK$M	**29,685**	32,533	33,218	33,073	24,377
Total borrowings, HK$M	**55,483**	67,435	56,051	66,198	65,521
Fixed rate borrowings to total borrowings, %	**57**	58	67	57	64
FFO interest cover [2], times	**9.2**	9.1	8.1	7.3	6.0
Net debt to total capital, %	**32.4**	38.0	36.7	36.8	43.1
Shareholders' Return Indicators					
Dividends per share, HK$	**2.70**	2.62	2.57	2.57	2.52
Dividend yield, %	**4.1**	3.9	4.2	4.0	3.8
Total returns to shareholders [3], %	**8.4**	8.8	9.9	12.6	13.7
Cash Flows and Capital Investments					
FFO [2], HK$M	**20,994**	23,431	21,798	24,438	18,717
Free cash flow [4], HK$M	**17,290**	19,027	16,664	18,215	13,533
Capital investments (on a cash basis), HK$M					
SoC capex [5]	**7,328**	6,837	5,600	5,508	4,872
Growth capex [6]	**2,795**	1,747	1,755	2,176	5,740
Maintenance capex [7]	**748**	812	1,223	1,581	1,654
Others [8]	**1,096**	2,918	1,213	1,048	439

Notes:

1 EBITDAF = Earnings before interest, taxes, depreciation and amortisation, and fair value adjustments. For this purpose, fair value adjustments include fair value gains or losses on derivative financial instruments relating to transactions not qualifying as hedges and ineffectiveness of cash flow hedges.

2 FFO (Fund from operations) = Cash inflow from operations. FFO interest cover = FFO / (Interest charges + capitalised interest).

3 Total returns to shareholders represents the 10-year annualised rate of return from the combination of share price appreciation and dividend payments.

4 Free cash flow = FFO - income tax paid + interest received - interest and other finance costs paid - maintenance capital expenditure + dividend received from joint ventures and associate

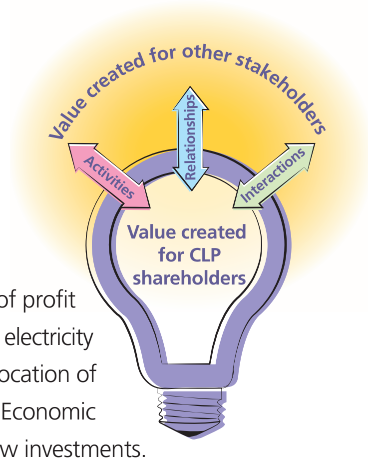
5 Capital expenditure related to SoC business in Hong Kong

6 Non-SoC related capital expenditure for additional generation capacity

7 Non-SoC related capital expenditure other than for additional generation capacity

8 Capital investment on intangible assets and investments in and advances to joint ventures

Allocation of Economic Value Created



While CLP creates economic value for delivering financial returns to the shareholders, CLP also creates value to other stakeholders, both financial and others, and society at large through a wide range of activities, interactions and relationships. A visual representation of the flows of economic value and other non-financial metrics can be found in our Sustainability Report. SR Here we would like to demonstrate how CLP creates economic value and benefits to our stakeholders over time.

From an accounting perspective, economic value created and allocated are reflected in our statement of profit or loss. On the one hand, revenue can be viewed as the economic value CLP created for the provision of electricity and gas supply to our customers. On the other hand, the payment of expenses is considered as the allocation of economic value to our various stakeholders – suppliers, employees, governments and the community. Economic value retained in CLP represents the reinvestment made to preserve operating capacity and to fund new investments. The table below illustrates how this "economic value" perspective of a traditional statement of profit or loss looks like:

An "Economic Value" Perspective			A Financial Perspective	2015 HK$M	2015 %	2014 HK$M	2014 %	Remarks
Economic value generated for	Customers		Revenue	80,700	*100*	92,259	*100*	Serving 5.1 million customer accounts in Hong Kong and Australia, as well as our offtakers in Mainland China and India.
Economic value distributed to	Suppliers and Business partners		Operating costs [1]	46,682	*58*	64,655	*70*	Excluding other gain of HK$8,900 million (2014: HK$2,025 million), about 84% (2014: 78%) related to purchases of electricity, gas and distribution services and fuels. Included share of results from joint ventures and associate of HK$2,245 million (2014: HK$2,358 million), which represented our share of economic value created together with our business partners.
	Employees		Staff expenses	3,649	*5*	3,980	*4*	Another HK$1,046 million (2014: HK$973 million) of staff costs incurred were capitalised. There were 7,360 (2014: 7,387) people employed by CLP at year end.
	Capital providers	Lenders and Perpetual capital securities holders	Finance costs and Distributions to perpetual capital securities holders	4,337	*5*	4,332	*5*	In addition, finance costs of HK$302 million (2014: HK$296 million) were capitalised.
	Capital providers	Shareholders	Dividends	6,822	*8*	6,619	*7*	There were over 20,000 registered shareholders at the end of 2014 and 2015.
	Governments		Income tax [2]	1,818	*2*	1,571	*2*	Apart from this, rent and rates of HK$638 million (2014: HK$536 million) was included under operating costs above.
	Community		Donations	15	-	12	-	Sponsorship of HK$25 million (2014: HK$23 million) was included under operating costs above. Staff volunteered 11,675 hours (2014: over 17,500 hours) during the year.
				63,323	*78*	81,169	*88*	
Economic value retained [3]				17,377	*22*	11,090	*12*	

Notes:

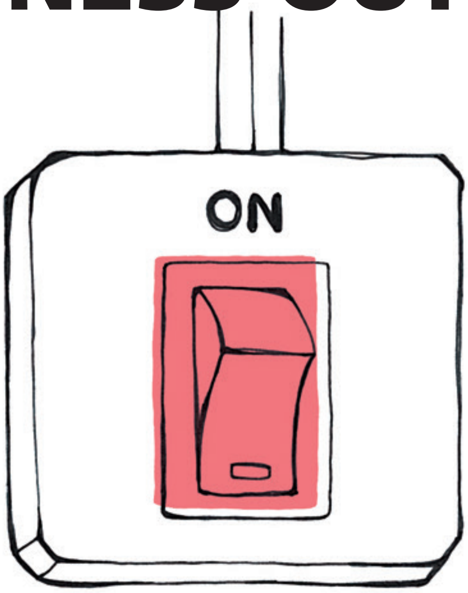
1 For simplicity sake, operating costs included earnings attributable to other non-controlling interests and netted with other gain, finance income and share of results (net of income tax) from joint ventures and associate.

2 Represents current income tax but excluding deferred tax for the year.

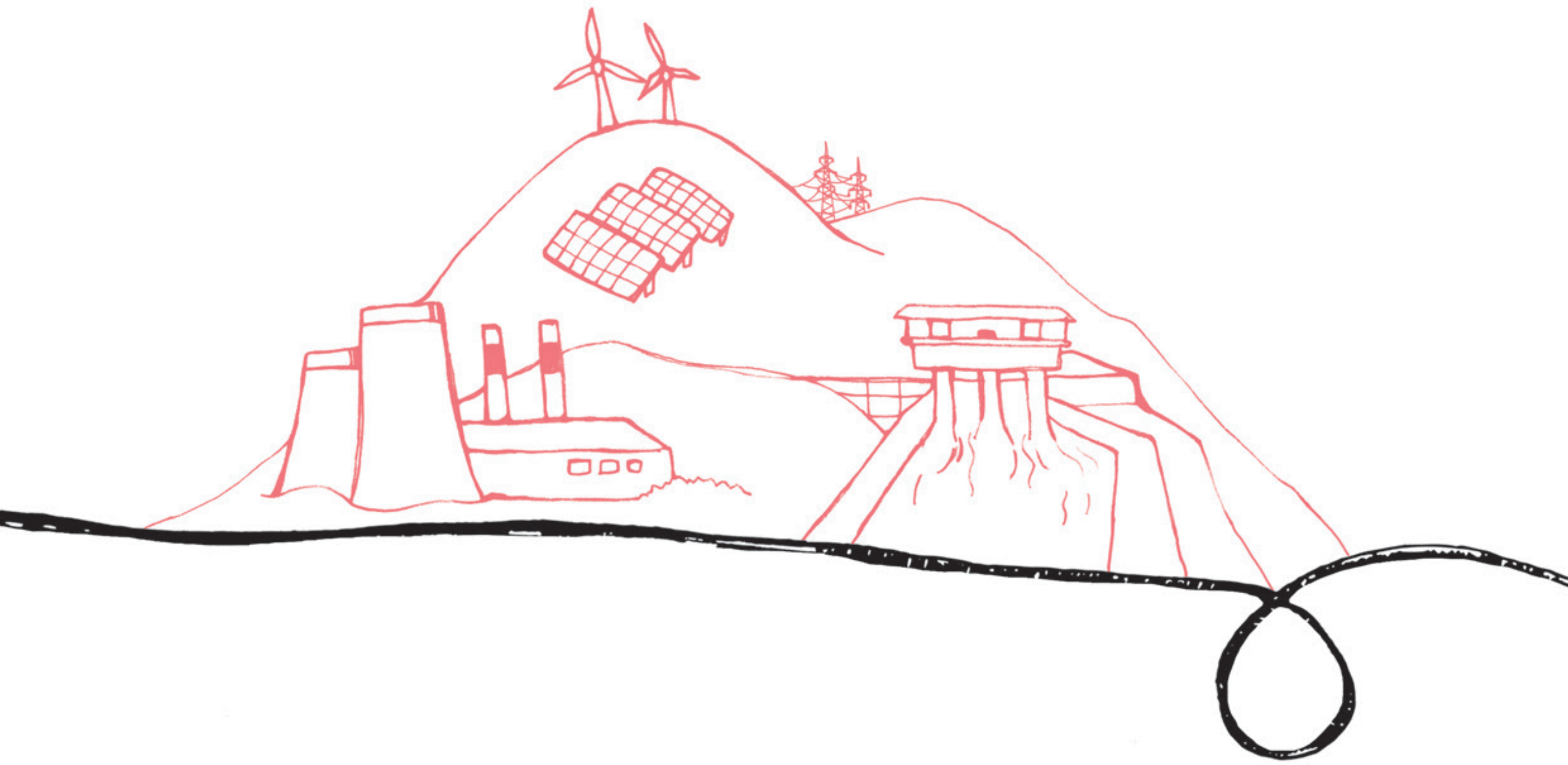
3 Represents earnings attributable to shareholders (before depreciation, amortisation and deferred tax) for the year retained.

Realising the relationships between our operations and the capitals that CLP uses or affects, our mission is to produce and supply energy with minimal environmental impact to create value for shareholders, employees, and the wider community.

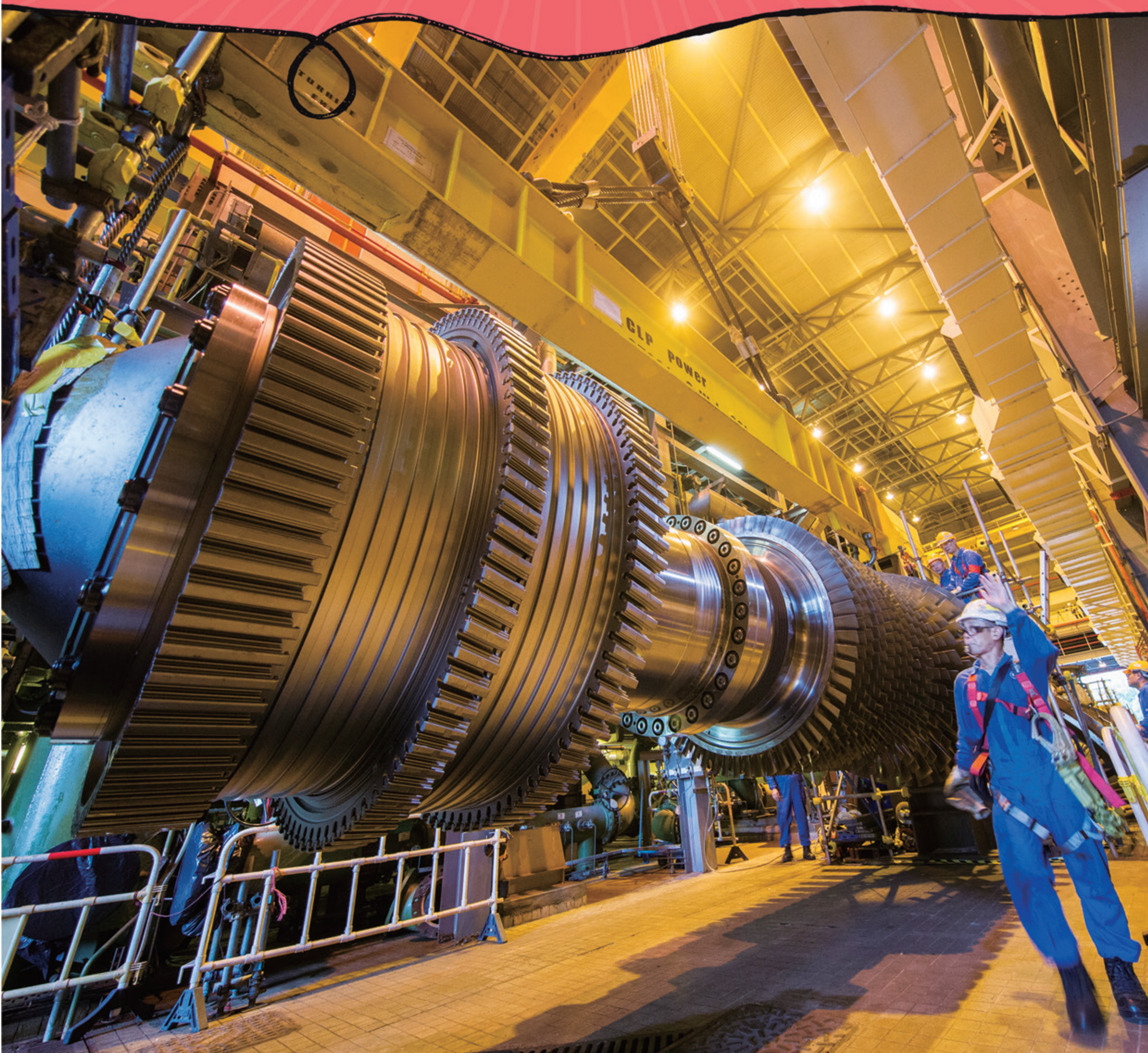
PERFORMANCE AND BUSINESS OUTLOOK



How have we performed against our strategy?
What opportunities and challenges will influence our future performance?



Here we offer an integrated and wide-ranging view of CLP's financial, operational, environmental and social performances in the five markets where we operate



Hong Kong

CLP is a vertically integrated regulated electricity provider serving over 80% of the population

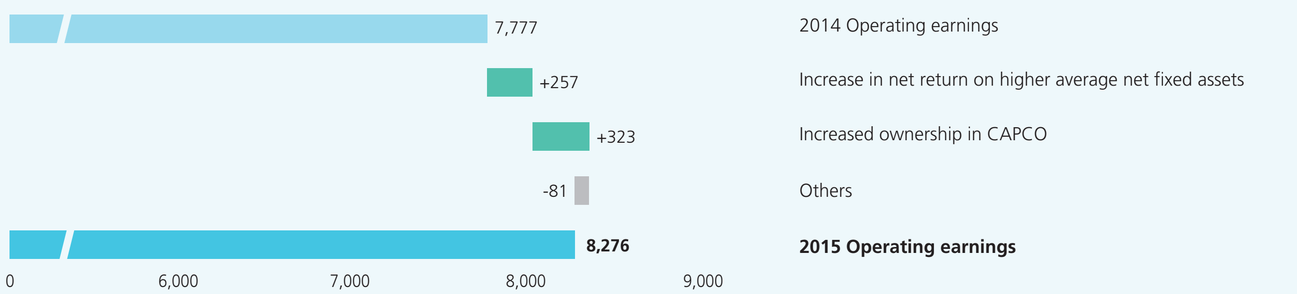
Financial Performance

Hong Kong Financial Performance at a Glance

	2015 HK$M	2014 HK$M	Increase / (Decrease) HK$M	%
Revenue	38,937	35,623	3,314	9.3
Total earnings	8,370	9,943	(1,573)	(15.8)
Operating earnings	8,271	7,745	526	6.8
Electricity business	8,276	7,777	499	6.4
Other businesses	(5)	(32)	27	84.4
EBITDAF	16,549	18,337	(1,788)	(9.8)
Fixed assets	100,508	97,372	3,136	3.2
Total assets	120,087	118,754	1,333	1.1
Bank loans and other borrowings	40,976	40,644	332	0.8
Total liabilities	77,616	77,537	79	0.1
Capital investments	7,614	8,164	(550)	(6.7)

Operating earnings from our Hong Kong electricity business were HK$8,276 million, a 6.4% increase from HK$7,777 million in 2014. This was mainly due to higher permitted return on a higher level of average net fixed assets and share of additional 30% of CAPCO's full-year earnings following its acquisition in May 2014.

Operating Earnings of Hong Kong Electricity Business (HK$M)



Operational Performance

One of our most important objectives is to serve our customers in Hong Kong with a safe, reliable and clean electricity supply at a reasonable cost. We again achieved this in 2015.

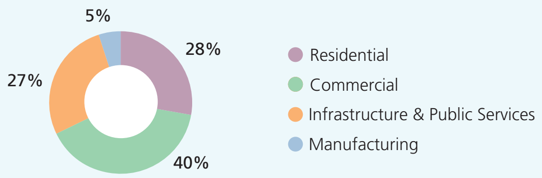
Electricity Sales and Tariffs

In 2015, local sales of electricity were 33,033 gigawatt hours (GWh), representing a slight increase of 0.3% over 2014. A breakdown of the changes during the period by sector is shown in the table on the right.

Local Sales

	Increase / (Decrease)	
Residential	(222GWh)	(2.3%)
Commercial	110GWh	0.8%
Infrastructure & Public Services	220GWh	2.6%
Manufacturing	(0GWh)	(0.0%)

As Percentage of Total Local Sales



Note:
Figures include rounding adjustments.

Compared with 2014, sales to the Residential sector recorded a decrease of 2.3%, mainly due to a lower heating load in the first quarter, followed by a lower cooling and dehumidifying load in the third quarter. This partially offset the increase in sales in the Commercial as well as the Infrastructure and Public Services sectors.

Sales to the Mainland amounted to 1,187GWh, a decrease of 3.2% from 2014, mainly attributed to a decline in electricity sales to Guangdong Power Grid Co., Ltd. in 2015.

Total electricity sales, including local sales and sales to the Mainland, increased by 0.2% to 34,220GWh.

CLP is very aware of the impact of tariff adjustments on people's livelihood and business, and we place great emphasis on managing costs. Thanks to the significant fall in fuel prices in 2015 and our efforts to control costs, we were able to reduce the Average Total Tariff by 0.9% from January 2016, despite the need to use significantly more gas to generate electricity to meet the Government's stringent environmental targets. A special one-off fuel rebate totalling HK$1,264 million was made to our customers from August 2015. If fuel prices remain stable in the coming year, we are confident that our tariff in 2017 can be maintained at the 2016 level despite stricter emissions caps and increasing natural gas usage in 2017.

Investment and Reliability

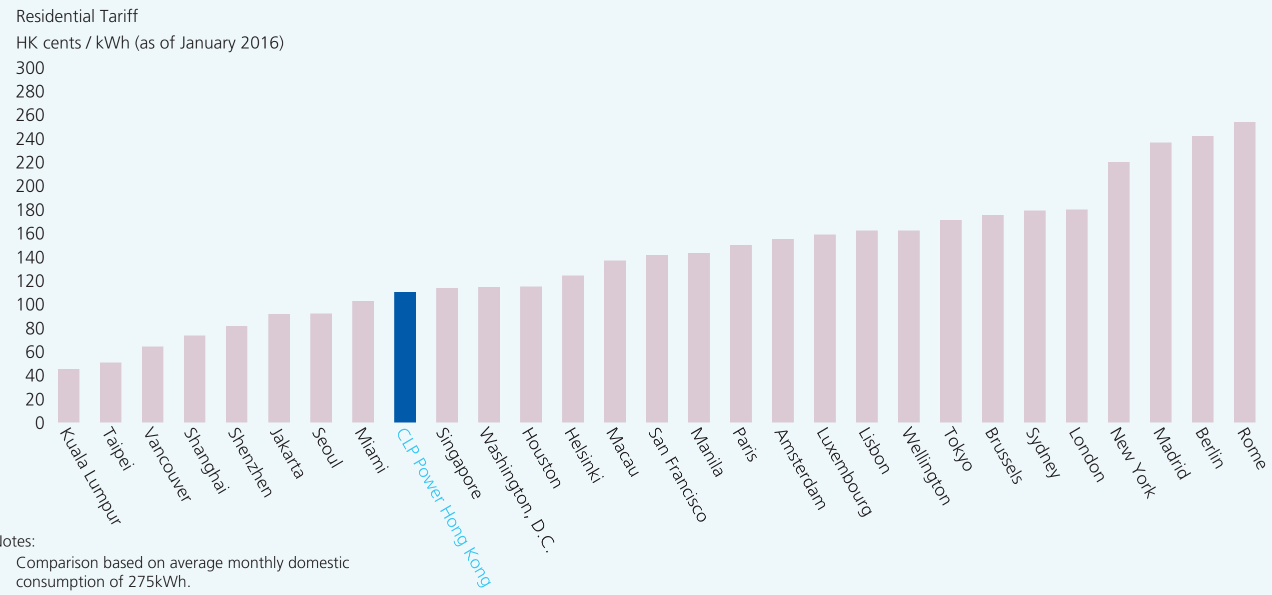
During the year, we continued to make investments to enhance the reliability and security of our supply system amidst new demand growth arising from infrastructure development. CLP invested HK$7.6 billion in generation, transmission and distribution networks, as well as in customer services and supporting facilities. This included the commissioning of three new substations to support the development of Hong Kong's expanding road and railway networks, the Government's Harbour Area Treatment Scheme, and to meet demand from population growth in northwestern New Territories.

In 2015, we achieved a historic low level of 1.32 minutes of unplanned power interruptions per customer per year as we continued to deliver highly reliable electricity supply to our customers. Between 2013 and 2015, on average a CLP customer experienced 1.51 minutes of unplanned power interruptions per year, compared to 17-28 minutes in New York, Sydney and London (between 2012 and 2014).

Reliability Levels in Hong Kong, New York, Sydney, London and Singapore

Notes:
1 2013 – 2015 average for CLP Power Hong Kong.
2 2012 – 2014 average for all other cities (the latest available data).
3 Singapore's power supply network is mostly underground, and is less exposed to the influence of weather and other external interferences than overhead lines.

Residential Tariff Comparison with Other Cities



Notes:
1 Comparison based on average monthly domestic consumption of 275kWh.
2 Tariff and exchange rate at January 2016.

Source: Web Search

Regulatory Affairs

In November 2015, the Hong Kong Government announced the key findings of the public consultation on the future development of the electricity market. The majority of respondents recognised the effectiveness of the Scheme of Control (SoC) Agreement and supported the current contractual arrangements which they felt had met the four energy policy objectives of safety, reliability, reasonable tariffs and environmental protection. Respondents also generally agreed that the SoC Agreement has enabled electricity providers to provide customers with a reliable and safe electricity supply, which is considered to be of great importance. For the future, respondents wanted more emphasis on promoting renewable energy and energy conservation. We welcome the consultation results and we have commenced discussions with the Government on the new SoC Agreement.

Gas Supply

CLP has been actively engaging with key stakeholders on the proposal to build a new Combined Cycle Gas Turbine (CCGT) at Black Point Power Station to support the Government's policy of increasing the share of gas in the Hong Kong's fuel mix for power generation to around 50% in 2020. The new CCGT unit would adopt a technology that produces a comparatively higher efficiency and better emissions performance than our existing generation units. We are making good progress and submitted a Development Plan to the Government at the end of 2015, followed by an environmental impact assessment study report in February 2016.

However, gas supply for our new power station will be a key issue. This was brought into sharp perspective when damage to a section of the 9,000-km Second West-East Gas Pipeline from a landslide in Shenzhen on 20 December 2015 led to temporary suspension of natural gas supplies to Hong Kong from this source. CLP immediately activated its contingency arrangements and ensured that the electricity supply to our customers was uninterrupted. Whilst permanent gas supply is expected to resume shortly, our contingency actions underscore the importance of ensuring that CLP, and Hong Kong as a whole, has access to multiple supplies of natural gas.

To do this, we continue to pursue new sources of gas supply as stipulated under the Memorandum of Understanding (MOU) on energy cooperation signed between the Hong Kong Government and the Central People's Government in 2008. As our gas source from the Yacheng gas fields in South China Sea is depleting and reaching the end of its life cycle, we have entered into a bridging agreement to purchase gas from the nearby small Wenchang gas field to supplement our supply needs in the medium term. Wenchang gas can be supplied to CLP through the same pipeline as Yacheng, providing a cost-effective solution. Based on our long-term gas demand

Is Hong Kong's SoC Agreement still the most preferred regulatory model for the electricity industry, and why?

Over the years, the SoC has provided power companies a stable environment allowing them to support Hong Kong's economic development and to serve customers with electricity of world-class reliability at reasonable cost and in an environmentally-friendly manner.

The SoC has proven to be the most preferred regulatory model for Hong Kong because it has delivered outstanding results for our customers. The public's response to the Government's consultation on the future development of the electricity market last year attested to this conclusion. Hong Kong should not move to emulate other regulatory models that have not been proven to work properly in the interests of our customers. We should continue with the current model, and refine it as appropriate to meet society's aspirations.

Mr Evan Li
Director, Regional Head of Power, Utilities, Renewables and Environment (PURE), Asia-Pacific Global Research
The Hongkong and Shanghai Banking Corporation Limited

Paul Poon
Managing Director
CLP Power Hong Kong

More Q&As

and future fuel mix requirements, we are also commencing engagement with potential suppliers for additional gas requirements for 2020 and beyond.

In addition, to increase the diversity of gas supplies and broaden our access to liquefied natural gas (LNG), we are continuing to evaluate the feasibility of developing a Floating Storage and Regasification Unit – a ship-based LNG import terminal located offshore to store and regasify LNG to supply end users – in Hong Kong. Such a facility would enable our city to have access to a range of competitive LNG supplies directly from the international market and help minimise supply risks.

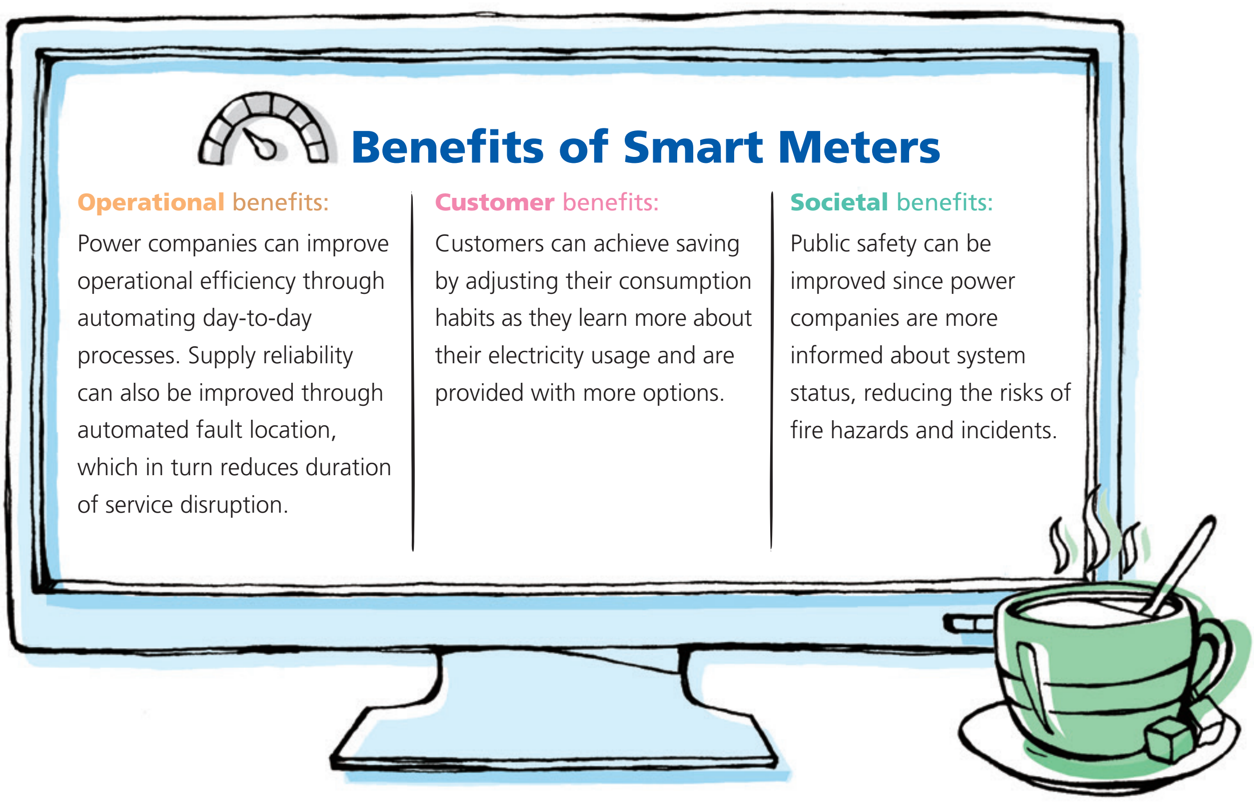
Customers

Customers are at the heart of our operations. In 2015, we continued to look for ways and invest in technologies to provide a greener and smarter electricity supply to our customers, enhance customer experience, and promote the smarter use of energy.

Although Hong Kong lacks available land supply and the best renewable energy resources, we continue to support renewable energy development such as the Government's Sludge Treatment Facility. We also welcome the installation of distributed renewable energy facilities. Currently, over 200 renewable energy systems are connected to CLP's grid. Throughout 2015, we improved customer support and streamlined the application process to encourage adoption of these facilities.

We support green motoring and were the first to set up charging stations across Hong Kong offering a variety of chargers for different models of electric vehicles. We have now established more than 140 charging points providing standard, semi-quick and quick charging services, including the first multi-standard quick charger in the city. We have extended our free charging services until the end of 2016 and introduced a new service in 2015 to facilitate the installation of private chargers by our customers in residential or commercial buildings.

Our efforts in promoting energy efficiency and conservation continued in 2015 as more programmes were rolled out to help our customers identify energy saving opportunities and better manage their electricity usage. During the year, we submitted the encouraging findings of myEnergy, a smart meter pilot programme for residential and small-to-medium commercial customers, to the Government. CLP is working with the Government to explore greater use of smart meters in the future.



In 2015, we also successfully conducted the first-of-its-kind "Power Your Love" programme, encouraging more than 200,000 of our residential customers to save energy and transfer the electricity they saved to people in need. When the programme ended in July 2015, 9.5 million kWh of electricity was saved. As a result, CLP donated HK$6 million from a shareholders' fund, together with some HK$60,000 of public donation, to help pay for the electricity bills of about 20,000 underprivileged residential households. Other examples of our energy efficiency and conservation initiatives can be found below:

Promoting Energy Efficiency and Conservation

Demand Side Management

Our Demand Response programmes enable our commercial and industrial customers to save electricity by meeting their pre-agreed load reduction targets during demand peaks.

Awareness Building Campaign

- **Eco Building Fund**
  The Eco Building Fund helped fund energy efficiency improvement projects in common areas of residential buildings. By the end of 2015, 36 applications involving HK$16 million had been approved.
- **GREEN^{PLUS} Award 2015**
  The Award encouraged business customers to practise energy efficiency and conservation.
- **Green Building Symposium**
  The Green Building Symposium held in November 2015 provided a platform for our business customers and professionals in the building industry to share ideas and experiences.
- **Eco Home Tour – Smart Living • Smart Use of Energy**
  The new Eco Home Tour showcased an ingenious selection of home energy saving technology and devices from around the world to introduce low carbon living and energy saving tips to visitors. The customer service centre in Tai Po was refurnished as an Eco Home to provide green living tips to customers.

Energy Efficiency Education

- **Green Studio**
  Green Studio, Hong Kong's first 3D environmental education mobile studio, has been in service since 2009. It received over 13,000 visitors in 2015 and will reach its 100,000th visitor milestone in 2016.
- **CLP Junior Green Engineer Programme 2015**
  Through field trips, talks and interactive workshops, primary four to six students who joined the CLP Junior Green Engineer Programme in the summer learned about science, environmental protection and the engineering profession. In 2015, the programme received over 1,000 applications.
- **Green Elites Campus Accreditation Programme**
  We engaged with more than 8,000 students and teachers of primary schools under Po Leung Kuk through the Green Elites Campus Accreditation Programme. Together with Friends of the Earth (HK) and Green Power, we provided them with educational tools and daily tips to encourage them to practise green living. In addition, over 22,000 primary school students enrolled as Green Elites through our Green Elites Portal to learn more about green living.

Environmental Performance

Air Emissions

We have established a robust environmental management system to manage environmental issues for our generation portfolio in Hong Kong and conduct regular reassessment to ensure these environmental controls remain up to date. In terms of environmental issues, air emissions continue to be the most material.

In 2015, we faced a new set of emissions caps that required us to reduce our emissions by up to 65% from the tight base of 2014. We were able to meet these new requirements, largely due to increased gas consumption. In addition, we managed to optimise our diversified fuel mix, use more low-emissions coal, enhance the effectiveness of our emissions control facilities, and ensure good performance of our power generation. Significant reduction in the overall emissions levels was achieved, as shown in the chart below.

We concluded discussions with the Government on a new set of emissions caps for our power stations starting in 2020. Under the new Technical Memorandum, the allowances for air emissions of sulphur dioxide (SO_2), nitrogen oxides (NO_x) and respirable suspended particulates (RSP) in 2020 and afterwards will be reduced by 9%, 10% and 12% respectively, compared to the already stringent 2019 caps.

Environmental Regulatory Compliance

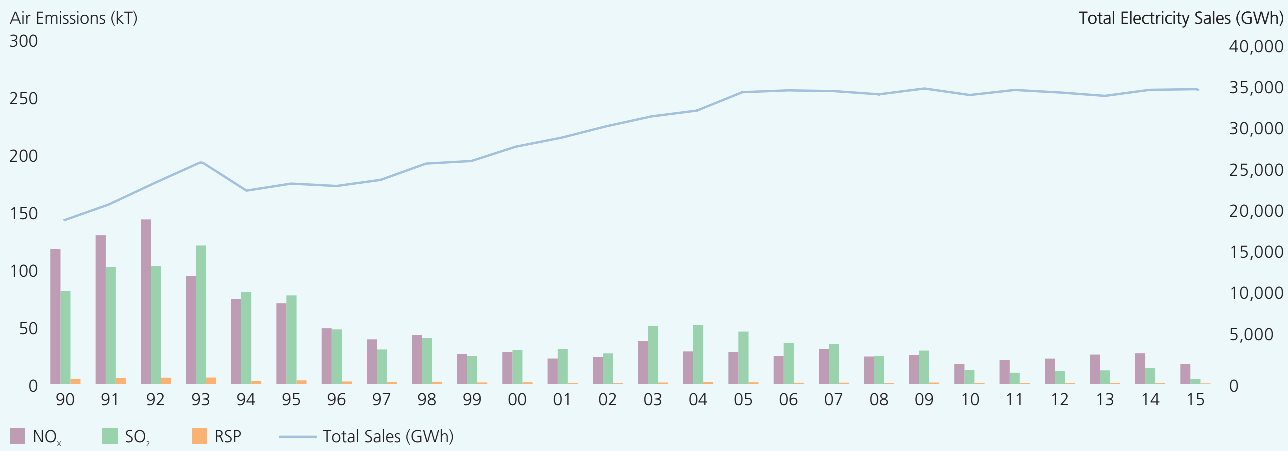
During 2015, there were no fines or prosecutions arising from environmental-related regulatory non-compliances for any of our Hong Kong assets over which we had operational control.

Social Performance

Stakeholder Engagement

As a responsible public utility serving over 80% of Hong Kong's population, CLP is mindful of customers' expectations against the backdrop of the uniqueness and complexity of the energy industry. In 2015, we continued to engage a wide range of stakeholders through the organisation of seminars, workshops and visit programmes. We made use of information packs and videos to assist our stakeholders in gaining a better understanding of our business, particularly for the preparation of developing additional gas-fired generation capacity in support of the Government's 2020 fuel mix target. We also actively participated in the Government's consultation on the future development of the electricity market through attending forums, providing information to the Government and explaining CLP's response to our key stakeholders. CLP's efforts in stakeholder engagement have enabled us to gain a broader insight into the needs of our customers and to respond more promptly.

CLP Power Hong Kong Air Emissions and Total Electricity Sales since 1990



Note:
The electricity sales data from 1990 – 1998 is on a financial year basis ending 30 September. The 1998 data covers the period 1 October 1997 - 30 September 1998 and the 1999 data covers the period 1 January 1999 – 31 December 1999.

Community Initiatives

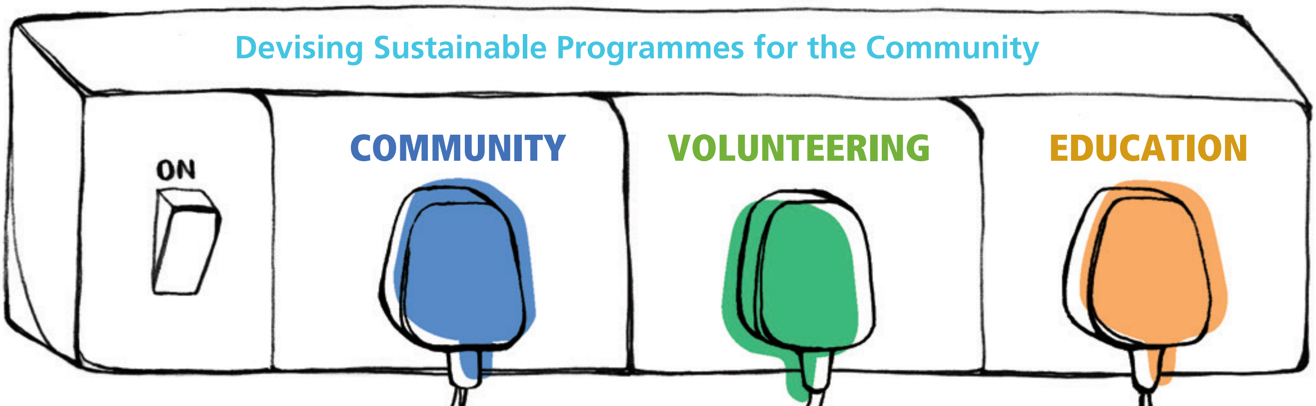
The success of our business is closely aligned with the well-being of the community we serve. In Hong Kong, our community initiatives focus on three areas: the environment, youth and education, and community well-being. We work closely with local non-governmental organisations and community groups to identify evolving needs in society and devise programmes that will bring an enduring impact. These collective efforts have brought fruitful outcomes in 2015.

During the year, we initiated and supported 392 community projects in Hong Kong. Some of the key projects are highlighted below:

Outlook

As discussed in the Chairman's Statement and CEO's Strategic Review, the Paris Agreement has laid down a clear direction and objectives for global cooperation to tackle climate change. To this end, the Hong Kong Government has pledged to take forward-looking mitigation measures. One of its first actions is setting up an inter-departmental committee to steer and coordinate the implementation work on this front. As Hong Kong's largest power company, we look forward to this opportunity and will work closely with the Government to help Hong Kong achieve a greener future.

Devising Sustainable Programmes for the Community



CLP Hotmeal Canteens

About **10,000** hot meals a month were provided to the needy in Sham Shui Po, Kwai Tsing and Kwun Tong areas.

Sharing the Festive Joy

CLP volunteers celebrated with over **800** elderly people on three festive holidays.

Elderly Yum Cha

About **30,000** elderly people were treated to dim sum breakfasts. The event was supported by district council members, catering associations, NGOs and local community groups.

CLP Volunteering

- More than 1,000 CLP volunteers contributed over **9,800** hours of their free time in serving the community.
- CLP received the Corporate Award of the Hong Kong Volunteer Award and the Grand Caring Award (Enterprise Group) of the Corporate Social Responsibility Recognition Scheme organised by the Federation of Hong Kong Industries.

One School One Engineer Pilot Programme

Over **2,700** secondary school students learned about energy and the engineering profession through the programme.

On our part, ensuring a reliable and stable power supply is our most important commitment to our customers. Over the years, we have undertaken various measures to improve the resilience of our power supply system and to counter extreme climate conditions of super typhoons and severe floods. These measures include enhancing the structure of our pylons and adoption of an Emergency Restoration System for the rapid construction of temporary pylons. We have set up a flood prediction system and put in place flood detection systems for substations, and conducted regular drills. We have also established a typhoon response protocol and coordinating system. Although power interruptions may be unavoidable during extreme natural events, we will continue to enhance our power system to alleviate the impact to our customers.

The future of Hong Kong's electricity sector and regulatory regime has far-reaching and important implications for our customers and the wider community. We are encouraged by the results of the public consultation on the future development of the electricity sector that recognised the importance of a stable regulatory framework and the contribution of the SoC. We are committed to continuing to serve our customers with an electricity supply of world-class reliability at reasonable cost whilst making a steady improvement in environmental performance. To that end, we look forward to working closely with the Government on the post-2018 regulatory arrangement.

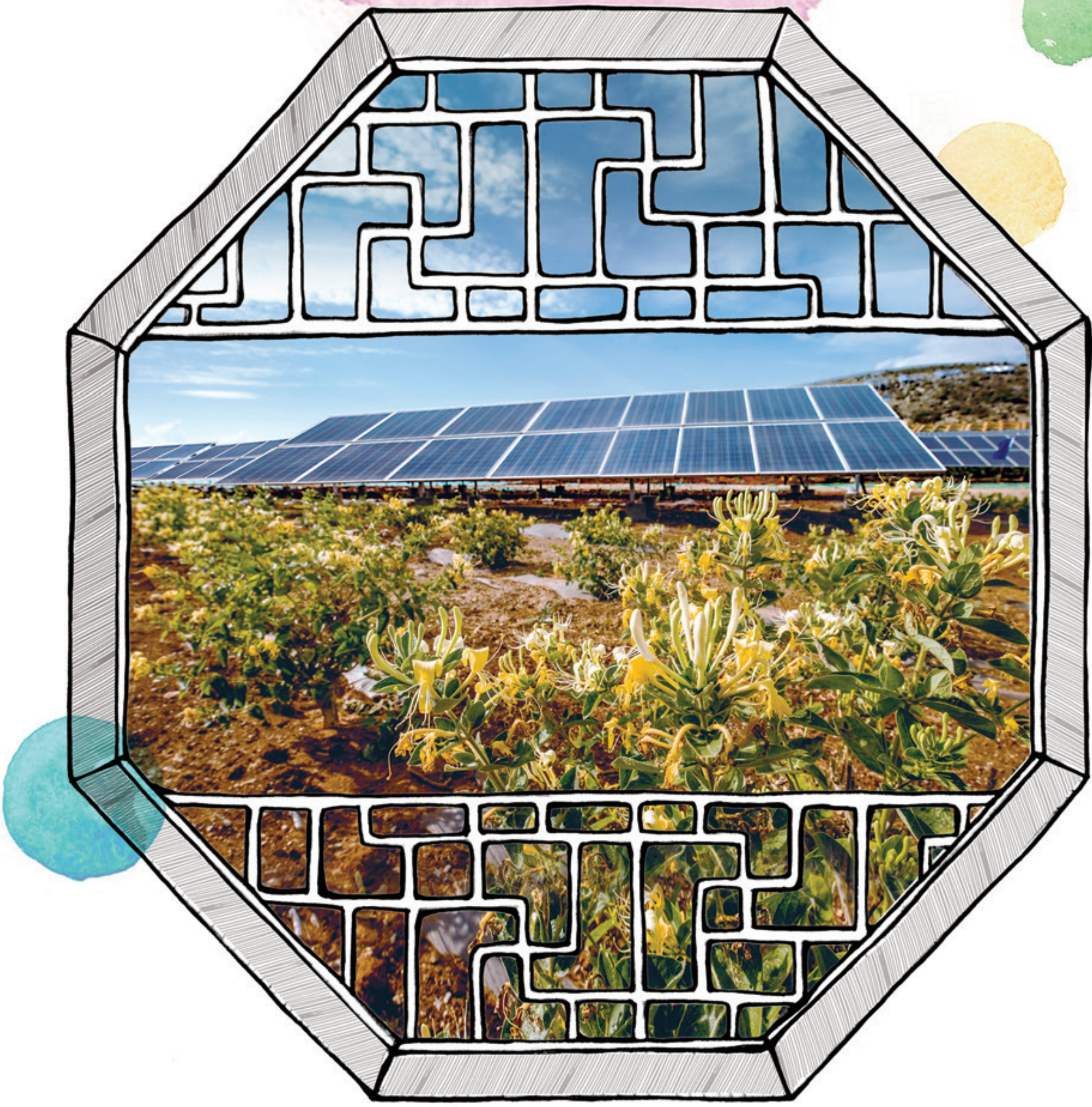
We are confident of keeping tariffs in 2017 at the 2016 level, provided fuel prices remain stable. At the same time, we are committed to reducing our emissions through increasing our gas consumption and making use of emissions control facilities. CLP will continue to liaise with the Government and other stakeholders on its proposed CCGT project with a view to receiving approval by mid-2016 to allow the new unit to be ready by 2020 to contribute to the community's environmental targets. The final investment decision on the project will however depend on factors such as electricity demand, technical feasibility and project economics in addition to regulatory and environmental considerations.

We will continue to support the Government's green initiatives to promote energy efficiency and conservation, and help customers manage their energy consumption. We are convinced that by working together with the community to ensure growth is achieved in a more sustainable manner, we can strengthen our customer base and build a stronger brand in the long term.

About 10,000 hot meals are served each month at the CLP Hotmeal Canteens in Shum Shui Po, Kwai Tsing and Kwun Tong

Mainland China

We are one of the largest external independent power producers, focusing on clean energy generation



Financial Performance

Mainland China Financial Performance at a Glance

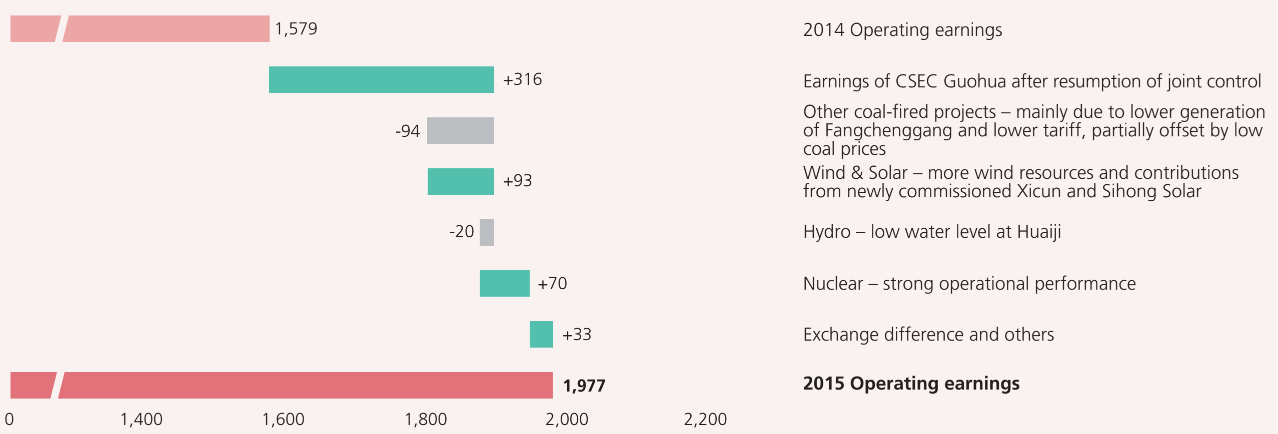
	2015 HK$M	2014 HK$M	Increase HK$M	%
Revenue	**937**	909	28	3.1
Total earnings	**1,885**	1,458	427	29.3
Operating earnings	**2,128**	1,616	512	31.7
Power projects in Mainland China	**1,977**	1,579	398	25.2
PSDC and Hong Kong Branch Line	**151**	37	114	308.1
EBITDAF	**2,705**	2,188	517	23.6
Fixed assets	**6,473**	5,364	1,109	20.7
Total assets	**26,653**	25,917	736	2.8
Bank loans and other borrowings	**4,402**	3,516	886	25.2
Total liabilities	**7,265**	6,610	655	9.9
Capital investments	**2,568**	2,357	211	9.0

Operating earnings from Mainland China were up by 25.2% to HK$1,977 million in 2015, as compared to HK$1,579 million in 2014. The main contributions were as follows:

- Earnings from our 25% stake in the Daya Bay Nuclear Power Station rose by 11.6% as a result of the strong operational performance.
- Earnings from coal-fired projects improved mainly due to lower coal prices and the resumption of sharing of earnings from CSEC Guohua (HK$316 million) after the lapse of Share Transfer Agreement at 31 December 2014, partly offset by lower contribution from Fangchenggang Power Station due to fewer units sold and reduction in tariff.
- Contributions from solar projects increased mainly attributable to Xicun I and Sihong projects, which were commissioned in late 2014 and early 2015 respectively. In addition, earnings from wind projects remained stable. On the other hand, earnings from hydro projects (in particular Huaiji Hydro) were lower due to lower water levels.

In view of the cessation of operation of Beijing Yire Power Station in March 2015, an impairment provision of HK$243 million has been made.

Operating Earnings of Power Projects in Mainland China (HK$M)



Operational Performance

In 2015, we continued to expand our generation portfolio concentrating on renewable energy and high efficiency coal-powered developments. This was despite a slowdown in overall electricity demand growth to 0.5% from 3.8% in 2014.

Underlining our commitment to developing renewable energy in Mainland China as a key growth market, 2015 saw the addition of 90MW of solar energy (Sihong and Xicun II) to our portfolio.

Performance of our solar projects was satisfactory. Xicun I, which was commissioned in December 2014, performed above our expectations due to better solar resources and higher plant efficiency. The success of Xicun I has helped CLP secure an additional capacity quota from the Yunnan Provincial Government to develop Phase II, adding a further 42MW of capacity. The second phase, of which the construction was completed in four months, was commissioned in November 2015.

Elsewhere, Jinchang reported higher sales after participating in a direct electricity sales scheme. Sihong reported solid performance after commencing operation in February 2015 with solar resources close to original expectations.

In 2015, operational performance of our wind projects was on par with last year. Oversupply led to grid curtailment and lower demand growth affected our projects in northeast China.

In the meantime, Xundian (49.5MW) commenced commercial operation in January 2016, whilst the construction of Sandu I, CLP Laizhou I and Laiwu II (198MW combined) continues. We have also obtained approval from Guizhou Energy Administration for the development of Sandu II (99MW).

On hydro, Jiangbian reported higher generation and more sales through direct contracts when compared to the previous year. It also received the Project Completion Acceptance approval in September 2015 from the National Development and Reform Commission fulfilling the national requirements of design, construction and operation. Jiangbian is the second hydropower project in the Mainland to achieve such qualification.

Dali Yang_er continued to suffer from lower rainfall resulting in reduced generation. Huaiji also generated less electricity due to lower rainfall in the region and lower reservoir water levels over the first half of 2015.

On the safety aspect, Fangchenggang, Jiangbian Hydro and Qian'an Wind achieved at the same time a platinum five-star rating from National Occupational Safety Association (NOSA) in 2015. It is the second consecutive year that Jiangbian Hydro and Qian'an Wind achieved such rating.

In July 2015, we shared CLP's work safety management experience and practices with Guangxi Work Safety Committee in Fangchenggang to enhance work safety management across various government departments and enterprises.

The giant blade of a wind turbine is on its way to the Sandu Wind Farm in Guizhou

Mainland China

During the year, we continued to benefit from the fall in international and domestic coal prices. The decline in coal prices helped offset the reduction of on-grid tariff rates which took effect in April 2015. Fangchenggang Power Station suffered from increased hydro generation in Guangxi and more subdued electricity demand, which resulted in lower dispatch. Meanwhile, the construction of Fangchenggang II is progressing on schedule. In March 2015, Beijing Yire Power Station ceased operation in support of Beijing Government's effort to combat air pollution although the coal-fired power station remained in full compliance with regulatory emissions requirements. We were allowed to transfer Yire's allocated generation quota to other power plants under CSEC Guohua in which CLP holds a 30% equity stake.

2015 marked the 30th anniversary of CLP's partnership with China General Nuclear Power Corporation (CGNPC) in Guangdong Daya Bay Nuclear Power Station (GNPS). During the year, GNPS continued to operate smoothly, achieving an utilisation rate of 89.5%, compared to 87.8% in 2014. It also completed an extensive planned maintenance outage during the year as required by the National Nuclear Safety Administration every 10 years. GNPS maintained an excellent safety record and its performance compared favourably vis-a-vis indices promulgated by the World Association of Nuclear Operators. A "Below-Scale" Licensing Operational Event (also known as a Level 0 event under the International Nuclear and Radiological Event Scale) occurred in October 2015. This event had no safety implications and caused no reduction to the supply of electricity to customers.

Environmental Performance

Air Emissions

Fangchenggang is currently our only fossil-fuel based power station under CLP's operational control in Mainland China. Its air emissions in 2015 were lower than 2014 due to low dispatch levels. In 2013, the Central People's Government issued emissions control enhancement requirements for coal-fired power stations for 2014-2020. Guangxi was originally not within the scope of these new requirements, but had since been included. In order to ensure Fangchenggang I and II meet these requirements within the required time frame, CLP has been working to enhance the environmental mitigation measures of both plants, including upgrading Fangchenggang I's desulphurisation, denitrification and dust emission equipment, to meet the higher air emissions standard imposed by the Chinese Government.

Environmental Regulatory Compliance

In 2015, there were no fines or prosecutions arising from environmental-related regulatory non-compliances for our assets in Mainland China in which we have operational control.

We are constructing a number of power stations in Mainland China including Fangchenggang II and several wind and solar projects. Over 2015, we continued to monitor the environmental performance of our construction sites through regular measurements, site supervision, and on-site audits by both CLP internal staff and independent parties. None of these sites experienced any regulatory environmental compliance issues throughout the year.

Wind Projects – Performance

	Installed Capacity (MW)	Generation (GWh) 2015	Generation (GWh) 2014[1]	Utilisation (%) 2015	Utilisation (%) 2014[1]
Wholly-owned					
Qian'an I and II	99.0	**159.0**	172.5	**18.0**	19.9
Penglai I	48.0	**96.8**	89.3	**23.0**	21.2
Laiwu I	49.5	**67.6**	68.3	**15.6**	n/a[2]
Minority-owned					
21 projects	936.9	**1,676.4**	1,647.5	**20.4**	20.1
CGN Wind JV					
CGN Wind Portfolio[3]	1,794.0	**2,979.3**	3,138.3	**19.0**	20.0

Notes:
1 Based on electricity sent-out.
2 n/a (not applicable): projects that had not been commissioned for a full year's operation.
3 Utilisation applies to projects with full-year operation in the JV.

Solar Projects – Performance

	Installed Capacity (MW)[1]	Generation (GWh) 2015	Generation (GWh) 2014	Availability (%) 2015	Availability (%) 2014	Utilisation (%) 2015	Utilisation (%) 2014	Operating Hours (Hours) 2015	Operating Hours (Hours) 2014
Jinchang	85	**130**	101	**100**	100	**17**	14	**1,529**	1,182
Sihong[2,3]	93	**128**	n/a	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a
Xicun I[2,4]	42	**90**	n/a	**100**	n/a	**24**	n/a	**2,134**	n/a
Xicun II[2,5]	42	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a

Notes:
1. Alternate Current (AC) capacity is used to align with the calculation method for other power plants under CLP portfolio.
2. n/a (not applicable): projects that had not been commissioned for a full year's operation.
3. The project entered commercial operation in February 2015.
4. The project entered commercial operation in December 2014.
5. The project entered commercial operation in November 2015.

Hydro Projects – Performance

	Installed Capacity (MW)	Generation (GWh) 2015	Generation (GWh) 2014	Availability (%) 2015	Availability (%) 2014	Utilisation (%) 2015	Utilisation (%) 2014	Operating Hours (Hours) 2015	Operating Hours (Hours) 2014
Dali Yang_er	50	**124**	140	**86**	84	**28**	32	**2,494**	2,816
Huaiji[1]	129	**397**	439	**92**	88	**35**	39	**3,085**	3,462
Jiangbian	330	**1,277**	1,151	**89**	87	**44**	40	**3,869**	3,487

Note:
1 A 1MW expansion to one of the hydropower stations was completed in 2015, bringing total installed capacity from 128MW to 129MW.

Thermal Projects – Performance

	Installed Capacity (MW)	Generation (GWh) 2015	Generation (GWh) 2014	Availability (%) 2015	Availability (%) 2014	Utilisation (%) 2015	Utilisation (%) 2014	Operating Hours (Hours) 2015	Operating Hours (Hours) 2014
Majority-owned									
Fangchenggang	1,260	**3,133**	4,812	**89**	82	**28**	44	**2,486**	3,819
Minority-owned									
Shiheng I & II	1,260	**6,607**	6,577	**94**	95	**60**	60	**5,244**	5,220
Heze II	600	**3,305**	3,318	**94**	90	**63**	63	**5,508**	5,530
Liaocheng I	1,200	**6,627**	6,643	**96**	92	**63**	63	**5,523**	5,536
Panshan	1,060	**5,410**	6,263	**95**	92	**58**	69	**5,104**	6,050
Sanhe I and II	1,300	**6,489**	7,183	**93**	95	**57**	63	**4,991**	5,525
Suizhong I and II[1]	3,760	**14,903**	14,455	**94**	96	**46**	46	**4,009**	4,015
Yire[2]	400	**560**	2,183	**100**	94	**16**	62	**1,401**	5,458
Zhungeer II and III	1,320	**6,384**	7,660	**99**	95	**55**	66	**4,837**	5,803
Shenmu	220	**950**	1,237	**94**	95	**49**	64	**4,318**	5,623

Notes:
1 Retrofit of Units I and II of Suizhong Power Station completed in 2015, which increased total installed capacity from 3,600MW to 3,760MW.
2 In accordance with the notice served by the Beijing municipal government, Beijing Yire Power Station ceased operation on 20 March 2015. The closure comes as part of the government's efforts to combat air pollution by reducing coal-fired generation in Beijing, despite the fact that the power station complies fully with the regulatory emissions requirements.

Social Performance

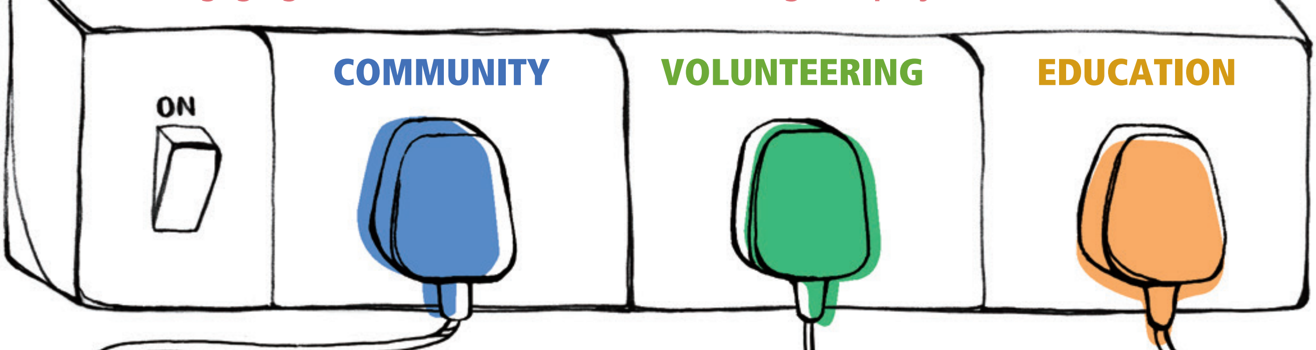
Stakeholder Engagement

We place importance on creating positive relationships with stakeholders through understanding and addressing their expectations. As one of the largest foreign investors in the Mainland's power industry, we continued to maintain close contacts with our stakeholders, including but not limited to the Mainland Chinese Government and local authorities, to facilitate their understanding of our business, operations and development direction. In 2015, various meetings were held to engage key stakeholders from the National Development and Reform Commission, the National Energy Administration, Hong Kong and Macao Affairs Office, State Grid Corporation, China Southern Power Grid, CGNPC and provincial governments of Yunnan, Shandong, Sichuan, Guizhou, Guangdong and Guangxi. In particular, we have arranged visits to our power stations for Guangxi Party Secretary Peng Qinghua and Guangxi Vice-chairman Chen Gang.

Improving the Learning Environment

- CLP donated over 60 computers to a secondary school in Sandu, Guizhou, enabling its **1,300** students to restart their computer classes.
- We sponsored three schools in Jiangbian, Sichuan to upgrade their facilities and funded two school libraries in Fangchenggang, benefiting about **1,200** students.
- Some **230** students from nine schools in three provinces benefited from our Support-a-student Programme, which is supported by CLP colleagues' donations and our company's one-to-one matching funds.
- Through the CLP Young Power Programme, **95** students from nine secondary schools in Nanning, Guangxi learned more about low carbon energy and energy conservation.

Engaging the Communities We Serve through Employee Volunteerism



Community Infrastucture

- Over **1,100** villagers benefited from improved village roads and drainage sponsored by Sandu Wind Farm in Guizhou.
- CLP sponsored daily living necessities for **300** residents in Nanning, Guangxi.

Eradication of Poverty

Donated **RMB70,000** to the governments of Yunnan and Sichuan on Poverty Eradication Day.

CLP Volunteering

- CLP volunteers contributed over **700** hours of their free time to help organise charity events, and visit schools and elderly homes.
- Volunteers participated in tree planting activities near our power plants and nearby villages.

Community Initiatives

Our community initiatives are designed to complement and build upon measures undertaken by the local communities, non-governmental organisations and government services. These activities reinforce our relationships with the communities in which our assets are located. In 2015, focusing on our key areas of youth education and community well-being, we launched a range of initiatives to support underprivileged individuals in local communities, as shown on page 56.

Outlook

Mainland China's transition from an export-led, high growth model to a low carbon economy that emphasises sustainability and the services sector poses challenges to conventional power generators. We expect Fangchenggang's performance to remain under pressure in the near term. To help boost generation, we are exploring new sales channels such as direct sales contracts. More importantly, our three focus regions of Shandong, southwest China and the cross border area neighbouring Hong Kong are still amongst the fastest growing areas in the country. We remain confident of the long-term demand growth in these areas.

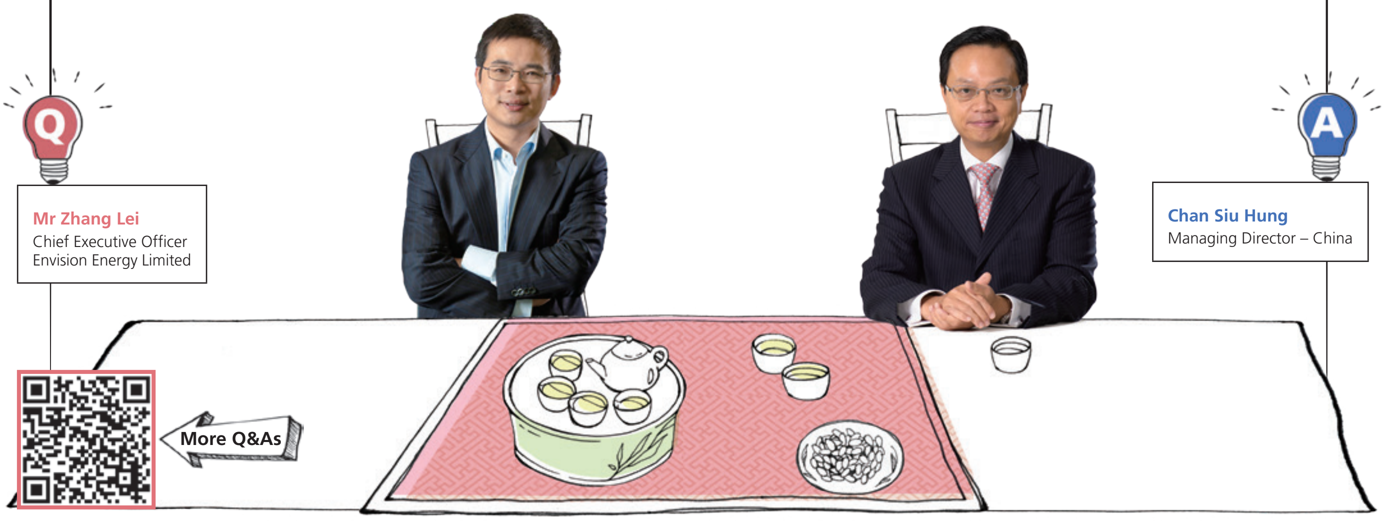
Meanwhile, we see more opportunities in the non-carbon and renewable fronts. CLP is focused on the development of renewables and high-efficiency coal projects and is therefore well-positioned to capitalise on these opportunities. We are encouraged by the Mainland government's green and air quality policies that provide strong impetus to investors such as CLP to make selective investments in the country.

We note that government subsidies on renewables will come down over time, and there is very keen competition in securing new renewable projects. This presents a key challenge to all developers including CLP and we will take proactive actions. On the other hand, technology advancement is expected to drive down costs creating opportunities for new projects. Hence we will focus on developing wholly- or majority-owned wind and solar projects in the country. These include the expansion of existing projects in Shandong, Guizhou and Yunnan, and new opportunities that we are exploring in eastern and southwest China. In 2016, we target to commission CLP Laizhou I Wind (49.5MW) and Laiwu II Wind (49.5MW) and start construction of Sandu II Wind (99MW). We also plan to expand our solar portfolio and currently have a number of projects in the pipeline.

China's 13th Five-Year Plan, which begins in 2016, has reaffirmed nuclear power as a primary source for non-fossil energy power generation in the long term. Drawing on our expertise in nuclear energy, we will continue to explore opportunities in the area. The electricity sector reform may also bring potential opportunities for CLP in areas such as distribution and retail.

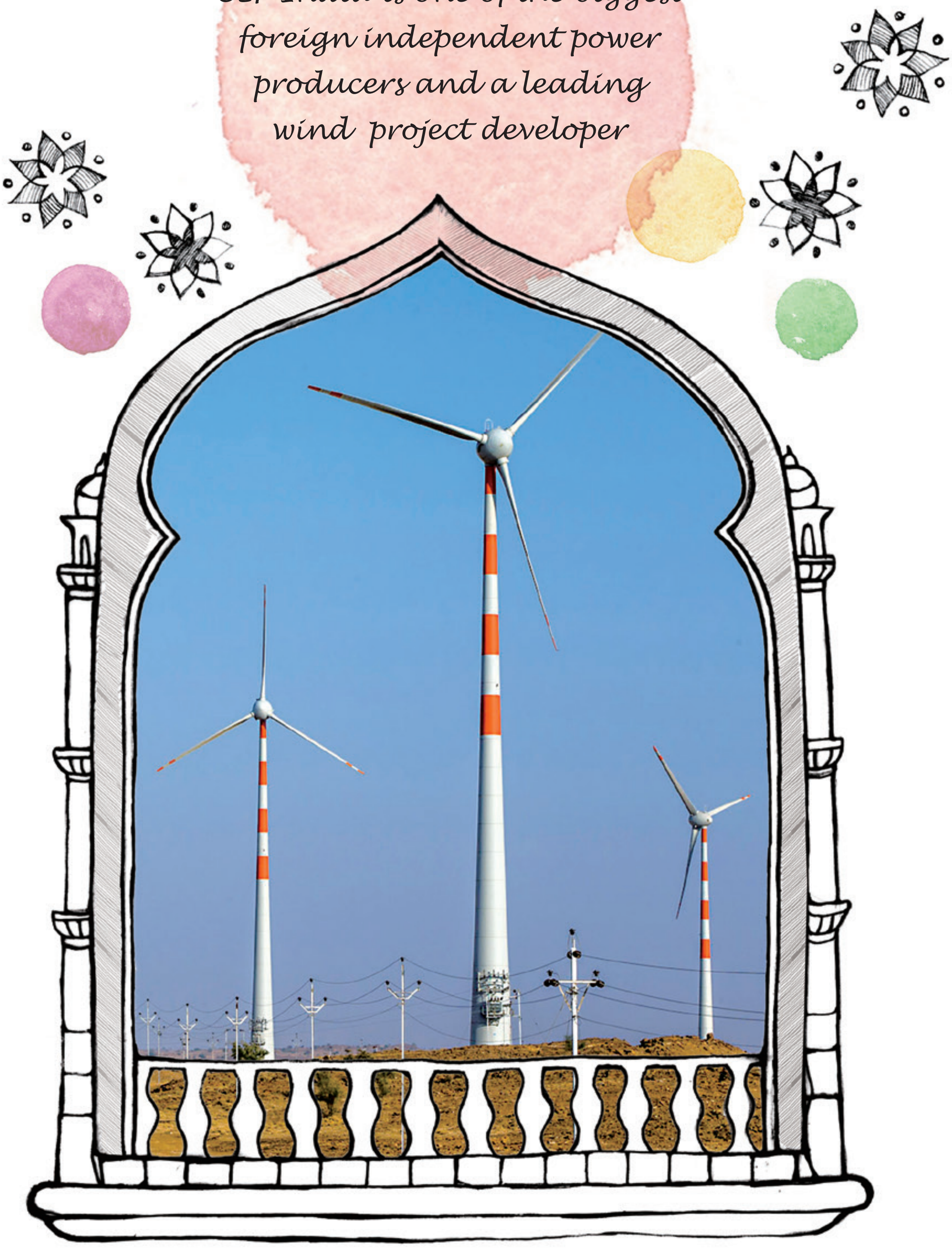
China pledges in its 13th Five-Year Plan (2016–2020) to embrace a "green" development model. What impact will it have on CLP's investment strategy in China?

We fully support the reform as outlined in the 13th Five-Year Plan. Mainland China is also a primary growth market where we will focus on renewable energy. As such, we will build on our past success and pursue more renewable projects in the future. Despite recent tariff cuts and growing competition, our solar projects remain robust thanks to our effective cost control and strategic selection of project regions. Besides, we will continue to explore opportunities in China's expansion of its nuclear capacity.



India

CLP India is one of the biggest foreign independent power producers and a leading wind project developer



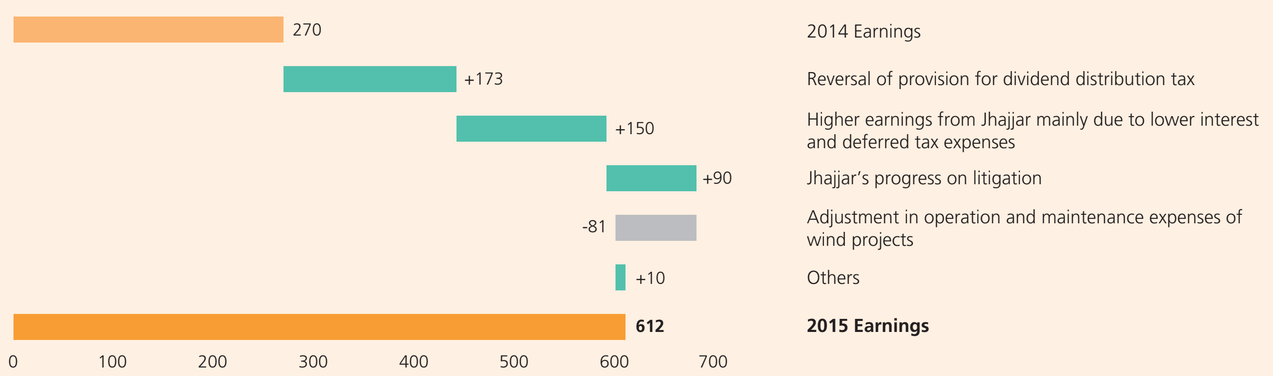
Financial Performance

India Financial Performance at a Glance

	2015 HK$M	2014 HK$M	Increase / (Decrease) HK$M	%
Revenue	**5,104**	4,821	283	5.9
Total earnings	**612**	270	342	126.7
Operating earnings	**612**	270	342	126.7
EBITDAF	**1,985**	1,934	51	2.6
Fixed assets	**11,542**	11,259	283	2.5
Total assets	**16,777**	16,635	142	0.9
Bank loans and other borrowings	**8,835**	8,656	179	2.1
Total liabilities	**9,590**	9,783	(193)	(2.0)
Capital investments	**1,396**	461	935	202.8

The performance of our India business has improved with operating earnings increased from HK$270 million in 2014 to HK$612 million in 2015. The increase was mainly attributable to the reversal of provision for dividend distribution tax, the turnaround of Jhajjar's performance from a loss in 2014 to a profit of HK$146 million in 2015 and the progress on litigation at Jhajjar, partly offset by an adjustment in operation and maintenance expenses of wind projects.

India Earnings (HK$M)



Operational Performance

Our operations in India continued their positive momentum in 2015. Even though the demand for power declined compared with previous years, we were able to report good performance in both conventional and renewable energy projects, and achieved new financial milestones. At the same time, the Indian Government has identified the power sector as a key area for sustainable growth, resulting in new opportunities especially in the field of renewable energy. We are well positioned to take advantage of these positive industry conditions and look forward to the continuing growth of our business in India.

Performance of our flagship Jhajjar coal-fired power plant improved in 2015 with plant availability exceeding 82%. This was due to an increase in domestic coal supply and our efforts to strengthen operations. Shortage in domestic coal has been a challenge for us until last year. The increase in domestic fuel supply has also significantly reduced our dependence on imported coal. For the current Indian fiscal year ending 31 March 2016, we expect availability to remain over the 80% contractual target level.

We have engaged with the domestic fuel supplier and put systems in place to resolve fuel quality issues. The Indian Government has also introduced initiatives to ensure better quality of coal. Over time, these initiatives and efforts are expected to produce positive results.

Utilisation at the gas-fired Paguthan plant more than doubled from around 5% in 2014 to over 11% in 2015, largely due to CLP India winning two rounds of auctions by the Federal Government for 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. To ensure a steady supply, we plan to participate in the next round of bidding for the 2016-2017 fiscal year.

On the renewable energy front, we commissioned more than190MW of new wind capacity in 2015 after three wind farms (Chandgarh in Madhya Pradesh, and Bhakrani and Tejuva in Rajasthan) became fully operational. Having resolved land acquisition issues, construction of Yermala wind farm (149MW) in Maharashtra has now started. Commissioning of the first 30MW is expected by April 2016.

However, wind power generation did decline in 2015, owing to multiple factors. First, wind speed was low and it was the second consecutive year that India experienced a low monsoon season. In addition, there has been power curtailment in Tamil Nadu and Rajasthan. Load restriction constraints were imposed on Theni wind farm in Tamil Nadu and generation of our wind farms in Sipla, Bhakrani and Tejuva in Rajasthan was affected due to unusual gusty winds. Their loss in generation was, however, partly made up by the early commissioning of Chandgarh as well as contractual protections.

Thermal Projects – Performance

	Installed Capacity (MW)	Generation (GWh)		Availability (%)		Utilisation (%)		Operating Hours (Hours)	
		2015	2014	2015	2014	2015	2014	2015	2014
Jhajjar	1,320.0	**5,764.2**	6,256.5	**82.4**	80.0	**49.9**	54.1	**Unit-1 6,144.2 Unit-2 6,103.1**	Unit-1 5,745.6 Unit-2 6,986.7
Paguthan	655.0	**637.9**	278.1	**97.4**	89.8	**11.1**	4.8	**3,244.0**	1,557.0

Wind Projects – Performance

	Installed Capacity (MW)	Commissioned/To be Commissioned (MW)	Forecast Full Commissioning Date	Utilisation (%)	
				2015	2014
Andhra Lake	106.4	106.4	–	**21.8**	22.2
Bhakrani	102.4	102.4	–	**16.6**	n/a[1]
Chandgarh	92.0	92.0	–	**20.4**	n/a[1]
Harapanahalli	39.6	39.6	–	**25.0**	27.2
Jath	60.0	60.0	–	**22.3**	n/a[1]
Khandke	50.4	50.4	–	**22.7**	21.9
Mahidad	50.4	50.4	–	**25.4**	n/a[1]
Samana I	50.4	50.4	–	**23.0**	20.5
Samana II	50.4	50.4	–	**25.0**	22.2
Saundatti	72.0	72.0	–	**20.9**	21.8
Sipla	50.4	50.4	–	**19.2**	22.9
Tejuva	100.8	100.8	–	**20.1**	n/a[1]
Theni I	49.5	49.5	–	**15.5**	21.4
Theni II	49.5	49.5	–	**15.0**	20.7
Yermala	148.8	0.0 / 148.8	Dec 2017	**–**	n/a[1]
Total	1,073.0	924.2 / 148.8			

Note:
1 n/a (not applicable): projects that had not been commissioned for a full year's operation.

In 2015, we achieved a new milestone in financing with the issuance of bonds in the local market for the first time. In April, we issued the first asset-specific corporate bond in the Indian power sector and raised Rs.4.76 billion (HK$591 million) to refinance debts for Jhajjar. This was followed in September where we issued the first green bond by a power company in South Asia and Southeast Asia, and raising Rs.6 billion (about HK$700 million) for the development of wind projects in India. The proceeds from these bonds will be used for funding the capital expenditure of the renewable projects.

Environmental Performance

Air Emissions

Air (SO_2, NO_x and Particulate) emissions levels for both Jhajjar and Paguthan remained relatively low in 2015 due to low dispatch. However, since Paguthan increased power generation because of an improvement in fuel supply, overall net emissions levels were higher than that of 2014. We have previously reported particulates emissions issues at Jhajjar. Plant operational issues have now largely been resolved, resulting in a significant reduction in overall particulates emissions.

Environmental Regulatory Compliance

During 2015, there were no fines or prosecutions arising from environmental-related regulatory non-compliances for any of our India assets in which we had operational control.

Social Performance

Stakeholder Engagement

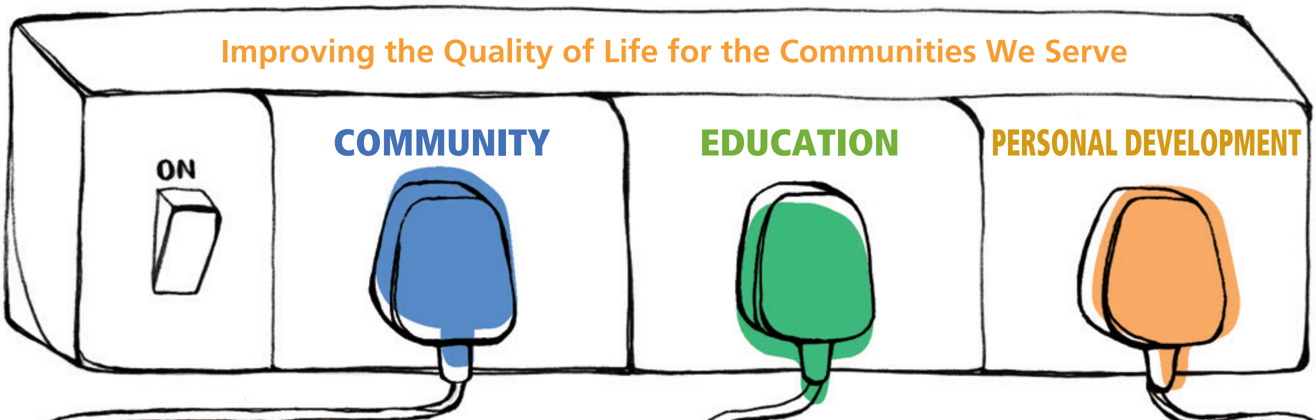
When building relationships with key stakeholders, CLP India works to achieve mutual trust with respect and integrity. This applies to all Government departments, elected bodies of neighbouring villages and community programme partners. From time to time, we engage State and Federal Government agencies responsible for policy decisions on areas affecting our business, and make joint representations on key issues with leading industry associations.

Medical care is one of the four focus areas of CLP India's community initiatives

India

Community Initiatives

CLP India believes in being an active participant in the social and economic development of the communities in which we operate. Our initiatives reflect the needs and expectations of the local communities. In 2015, we actively participated in a wide range of community initiatives, focusing primarily on the areas of health care, youth education, community infrastructure support and the empowerment of women. Some of our notable initiatives are highlighted below:



Health Care

- About **6,000** villagers in Bharuch District in Paguthan benefited from the non-subvented health care projects funded by CLP India.
- Under the Pulse Polio Programme, we provided vaccinations for **3,000** young children.
- Our signature Mobile Health Van medical outreach programme in Jhajjar continued to provide free treatment and consultation for over **25,000** villagers nearby.

Community Infrastructure

- Over **3,000** villagers in Paguthan benefited from improved public facilities such as children's park and bus stands.
- CLP funded a feasibility study on solid waste management and the water scheme in local villages.

Promoting Sports

- CLP sponsored the Mumbai Marathon 2016 and URJA Cricket Cup 2015.
- We supported **200** mentally-challenged children in Bharuch to participate in the district level Olympics.

Youth & Education

- CLP volunteers ran supplementary evening classes for **400** children in 10 villages to reduce non-schooling and drop-outs.
- We supported the government's School Enrolment Scheme.
- Through the Educational Support Scheme, we provided financial and mentoring support for **100** students.
- Computer literacy classes were conducted for **50** young people and students to enhance their employability.
- We sponsored vocational training for tribal young people.

Women Empowerment

- An awareness session was held for **200** mothers and their daughters in Jhajjar to encourage them to join the Indian Government's "Save Girl Child, Educate Girl Child" programme.
- Over **250** village women received cloth stitching training in Jhajjar.

Outlook

India is one of our key growth markets and we see significant opportunities in the country. The potential demand for electricity is large as electricity consumption per capita is significantly lower than that in the developed world. However, state-owned distribution companies (DISCOMS) are suffering from serious losses in their transmission and distribution businesses. Their depressed financial status has an adverse impact on dispatch and the healthy growth of the power sector. It is therefore vital for DISCOMS to regain their financial health so that the power sector can pick up momentum again. The Federal Government has announced a new scheme to revive the financial and operating health of DISCOMS but this will need the support of the state governments to make a positive impact.

Going forward, we will continue our discussion with relevant agencies to explore the possibility of building a new coal-fired plant after 2018 on the existing site of Paguthan using imported coal. We are also evaluating an expansion of the existing Harapanahalli wind farm in Karnataka. Final investment decisions for these projects will depend upon commercial feasibility.

Solar power generation has witnessed tremendous growth in India with over 5,000MW of generation capacity awarded over the last year alone. Although the low tariff for solar projects has been a challenge, it represents a potential area for CLP to expand into and we will continue to explore viable projects in this field. At the same time, we will continue to assess opportunities in electricity transmission projects should they arise.

What is CLP's vision towards youth empowerment in India? What opportunities does your company see as to how SEWA Rural can collaborate with CLP towards realisation of such a vision?

We believe in being an active participant in the social and economic development of the communities in which we operate, whilst meeting the interests of all stakeholders. To achieve this objective, one of our focus areas is education and skill training for the youth in the communities.

We believe it is important to support the youth with guidance and mentoring. Hence our employees and their spouses have volunteered to counsel young boys and girls from the communities who are keen on pursuing higher education.

We value the work done by SEWA Rural in this area and appreciate the head way you have made. We hope to continue working closely with SEWA Rural to facilitate the youth in India with the required knowledge and tools.

Southeast Asia and Taiwan

We invest in and develop solar and coal-fired power projects

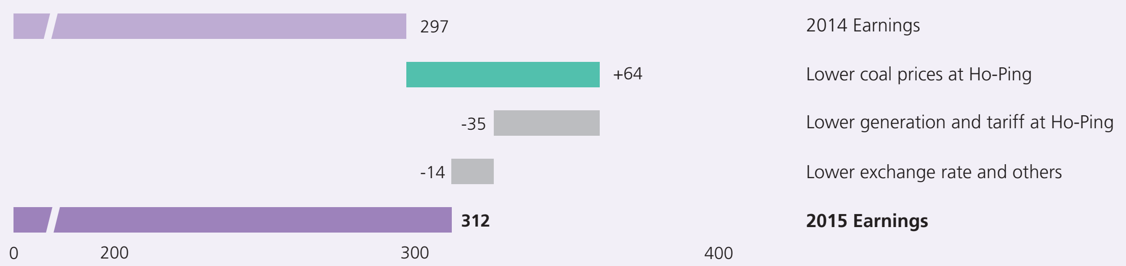
Financial Performance

Southeast Asia and Taiwan Financial Performance at a Glance

	2015 HK$M	2014 HK$M	Increase / (Decrease) HK$M	%
Revenue	**9**	8	1	12.5
Total earnings	**312**	297	15	5.1
Operating earnings	**312**	297	15	5.1
EBITDAF	**310**	294	16	5.4
Total assets	**1,780**	1,793	(13)	(0.7)
Total liabilities	**3**	3	–	–
Capital investments / (repayment)	**10**	(178)	188	n / a

Operating earnings from our investments in Southeast Asia and Taiwan in 2015 increased to HK$312 million, compared with HK$297 million in 2014. Operational performance at Ho-Ping and Lopburi solar project remained stable. Ho-Ping's earnings increased mainly due to lower coal prices, partly offset by lower generation and lower tariff.

Southeast Asia and Taiwan Earnings (HK$M)



Operational Performance

Throughout 2015, Ho-Ping in Taiwan and our Lopburi solar project in Thailand continued to perform strongly. Significant progress was also made in the development of our two coal-fired projects in Vietnam – Vung Ang II and Vinh Tan III.

Buoyed by low coal prices, and notwithstanding temporary suspension of operations due to strong typhoons in August and September 2015, Ho-Ping recorded another year of strong financial performance.

Ho-Ping continues to defend against an unjustified claim of NT$5,266 million (CLP's share: HK$249 million) by Taiwan Power Company (Taipower) relating to alleged losses by Taipower over tariffs prior to December 2012.

At Lopburi, reliable operation and high solar irradiance contributed to the solar plant's good financial results.

Work continues on the development of the Vung Ang II and Vinh Tan III coal-fired projects in Vietnam. Contracts for equipment supply and construction, and for the supply and transportation of coal, are largely settled, securing key linkages for construction and long-term importation of fuel. Negotiations for the key concession agreement and power purchase agreement (PPA) are in their final stages.

Meanwhile, the Vinh Tan III project received a significant boost in November when the project company signed a Memorandum of Understanding (MOU) with China's leading policy bank, China Development Bank, as part of the proposed lending group for the prospective development of the project. The signing of the MOU was witnessed by Xi Jinping, the President and General Secretary of the Communist Party of China, and Nguyen Phu Trong, the General Secretary of the Communist Party of Vietnam.

Environmental Performance

In 2013, the Taipei High Administrative Court (THAC) ruled in favour of Ho-Ping regarding a penalty of NT$442 million (CLP's share: HK$18 million after tax) imposed by the Hualien County Government (HCG) for Ho-Ping's exceedance of its coal consumption limit in 2009 and 2010. The HCG subsequently appealed and the THAC was instructed to re-examine the case. In December 2015, the THAC ruled in favour of the HCG but marginally reduced the penalty to NT$436 million (CLP's share: HK$18 million after tax). Ho-Ping has appealed against the verdict.

Social Performance

In Thailand, Natural Energy Development Co., Ltd. (NED) continued to support stakeholder engagement programmes and initiatives, focusing on youth and education and conservation of traditional culture. Its GreenNEDucation Centre has served as an important platform in raising awareness about renewable energy in the community. Additionally, NED participated in the Innovation Expo to promote home solar energy system and renewable energy knowledge.

In Taiwan, Ho-Ping's community initiatives continued to focus on health, environment and cultural development. Throughout 2015, Ho-Ping supported numerous sports events and cultural activities, as well as a broad range of community events including beach cleaning and blood donation. Through these efforts, Ho-Ping successfully engaged with key stakeholders in Hualien and Yilan counties.

Outlook

Looking ahead, our strategy in Southeast Asia and Taiwan is to focus on our existing operations in Ho-Ping and Lopburi, and the development of Vung Ang II and Vinh Tan III.

With the support of its shareholders including CLP, Ho-Ping will strive to maintain good operational and safety performance, and contribute quality earnings to shareholders. Lopburi will focus on reliable and safe operation.

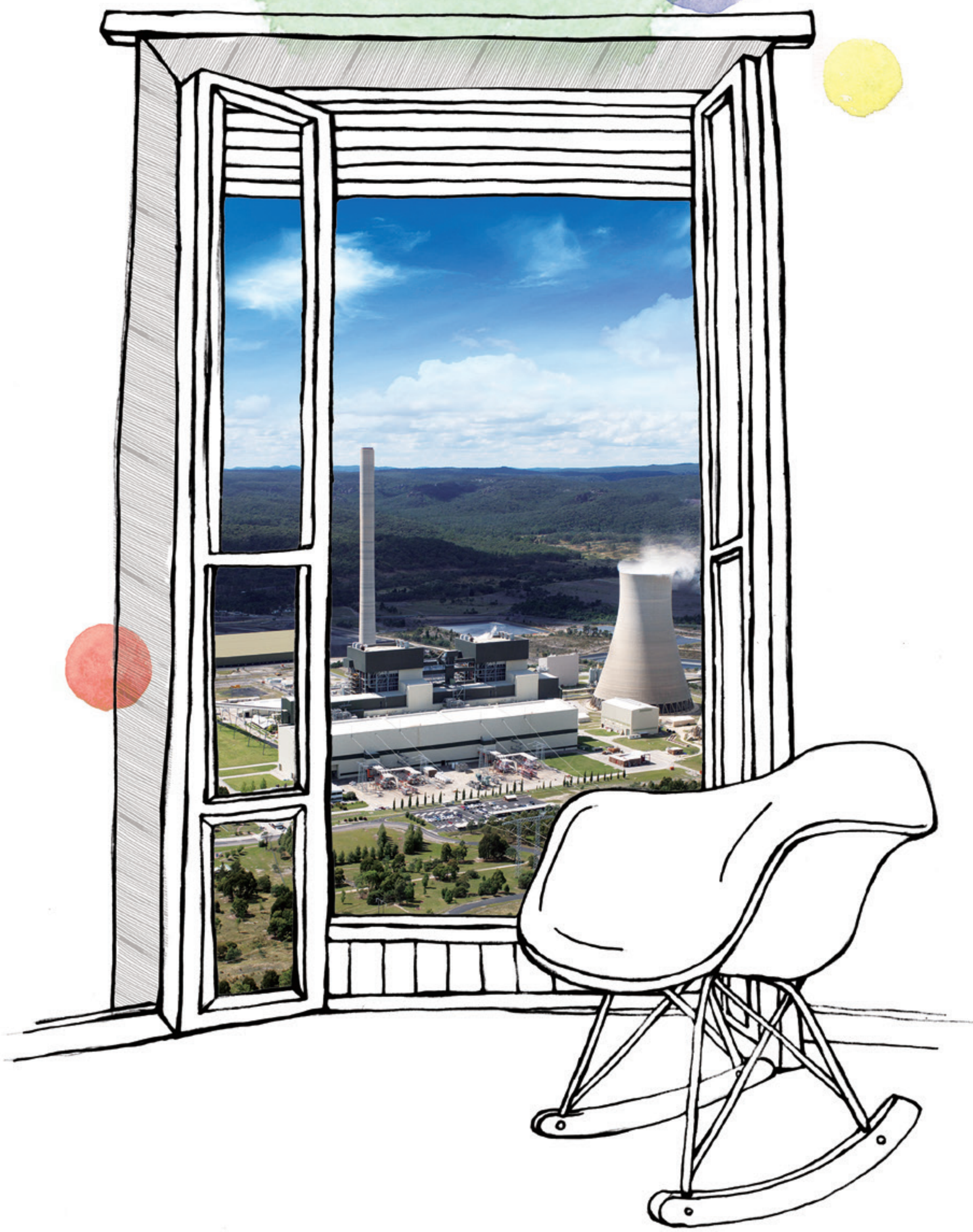
We are confident that we can contribute to Vietnam's economic growth by supplying the country with electricity that is reliable and competitively-priced. We are focusing on the advancement of our negotiations to allow the Vung Ang II and Vinh Tan III projects to proceed to a final investment decision.

In addition to managing our existing assets and development projects, we continue to monitor opportunities in the Southeast Asia and Taiwan markets, particularly where long-term PPAs are still available.

Executive Director & CFO Geert Peeters signs a Memorandum of Understanding with China Development Bank for the Vinh Tan III project in Vietnam

Australia

EnergyAustralia is a retail-focused energy business serving 2.64 million accounts across southeast Australia



Financial Performance

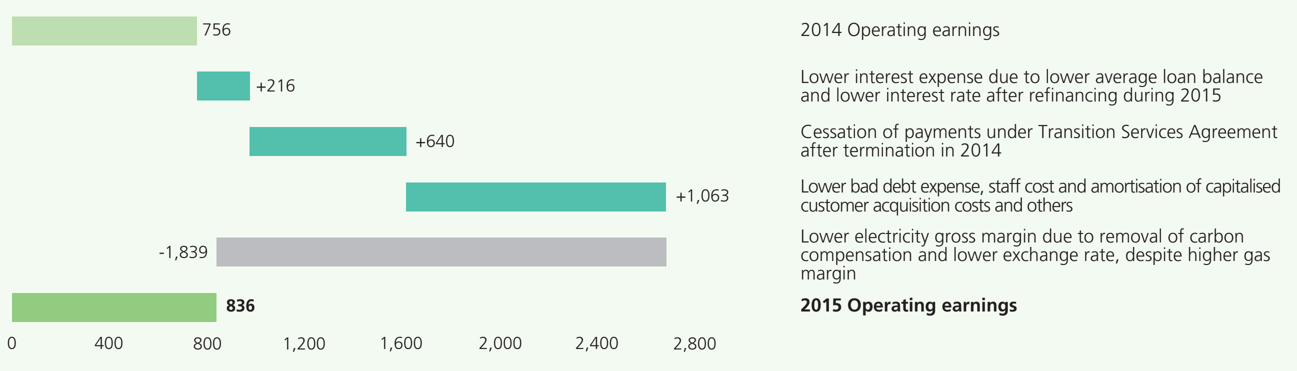
Australia Financial Performance at a Glance

	2015 HK$M	2014 HK$M	Increase / (Decrease) HK$M	%
Revenue	35,707	50,895	(15,188)	(29.8)
Total earnings	5,117	(125)	5,242	n/a
Operating earnings	836	756	80	10.6
EBITDAF	10,318	1,231	9,087	738.2
Fixed assets	9,139	13,982	(4,843)	(34.6)
Total assets	36,551	50,302	(13,751)	(27.3)
Bank loans and other borrowings	964	14,619	(13,655)	(93.4)
Total liabilities	8,021	24,555	(16,534)	(67.3)
Capital investments	825	1,764	(939)	(53.2)

EnergyAustralia's operating earnings increased by 10.6% from HK$756 million to HK$836 million in 2015 despite a 16.9% decrease in the Australian dollar exchange rate during the year. The rise in earnings was attributable to lower operating costs as a result of the successful completion of migration of customers and the consequent termination of the Transition Services Agreement, lower bad debts, staff and amortisation expenses. Finance costs also reduced resulting from lower interest rates and a lower average loan balance. A higher contribution from retail business due to improved gross margin and favourable weather was offset by lower commercial and industrial volumes and lower exchange rate. On the other hand, contribution from wholesale was negatively impacted by the repeal of carbon tax and its compensation.

In December 2015, the Group completed the sale of Iona Gas Plant with proceeds of A$1,780 million (HK$9,991 million) and recorded a gain of A$1,180 million (HK$6,619 million). The proceeds were used to prepay external debt and terminate associated hedging derivatives leading to a total cost of HK$858 million. In addition, impairment and onerous provisions for generation assets (HK$1,480 million) have been made in view of the oversupplied wholesale electricity market in Australia.

Operating Earnings of Australia (HK$M)



Operational Performance

In 2015, EnergyAustralia set a solid platform enabling us to become a leading, low-cost energy retailer and restore value to the business.

A new executive management team with proven experience in energy, retail and business transformation was appointed and successfully restructured EnergyAustralia around its new strategy. The work refreshed and sharpened the business focus in key areas, in particular enhancing customer service, expanding its offer of next-generation products, reducing operational costs across the enterprise and making generation assets more reliable and efficient.

Whilst much work remains to be done, and external retail and wholesale energy markets remain challenging, good progress was made in critical areas during 2015.

Retail

EnergyAustralia ended the year with a modest net increase in mass market customer accounts to 2.62 million, or a market share of 21.5% in the states in which we operate (New South Wales (NSW), Victoria, South Australia and Queensland). The growth was the result of enhanced brand awareness, a focus on customer retention and new third-party sales channels. During the year, customer complaints made to the Ombudsman fell to a monthly average of 56 per 10,000 customers in 2015 from 298 in 2013. This represents one of the most satisfying achievements for EnergyAustralia in 2015.

Additionally, EnergyAustralia reduced its bad debt expense and successfully overhauled the telephony system in contact centres. The launch of a new major marketing campaign and improved analytical capacity allowed the business to target offers and campaigns at specific segments of the market.

Renewed focus on customer retention reduced customer losses, or "churn", which remains lower than the industry average. For example, EnergyAustralia's churn rate in NSW and Victoria was 14% and 20% respectively, against 16% and 24% in the broader market.

Midway through 2015 a new business function dedicated to identifying and developing next-generation products and services was established, whilst across the year online sales exceeded plan.

On costs, the successful integration of all mass market customer accounts onto a single billing platform in late 2014 continued to support refinement of EnergyAustralia's processes, making them simpler, more efficient and more reliable. The integration, together with the termination of the Transition Services Agreement with the NSW Government, has contributed significant savings. In total, EnergyAustralia delivered A$100 million in savings (compared with a 2013 baseline) one year ahead of the 2016 target to which EnergyAustralia had committed.

In the fourth quarter of 2015, EnergyAustralia announced the difficult decision to close a call centre and relocate some services to the Philippines. The closure, scheduled for September 2016, will give EnergyAustralia additional flexibility to scale its operations, increase options for extending contact hours and reduce exposure to expensive Australian capital city real estate.

Wholesale

During the year, EnergyAustralia improved the efficiency of key assets. Yallourn Power Station in Victoria completed a five-year maintenance programme on time and on budget. The latest component of the work delivered a 2.7% improvement in generation efficiency at the plant's second generating unit. Overall the programme will allow Yallourn to produce power for 100,000 extra homes from the same amount of coal.

Elsewhere in the generation portfolio, Mount Piper Power Station in NSW operated at reduced output due to uncertainty about coal supply. The outlook became clearer in October when the Springvale mine, the main source of supply for Mount Piper, received development approval from the relevant authorities.

In November 2015, EnergyAustralia complemented its operational improvements with the sale of the Iona Gas Plant in Victoria for A$1,780 million (HK$9,991 million). The transaction sets a solid financial foundation for the business, freeing funds for new projects, service enhancements and repaying loans extended by CLP Group and third-party debts. In addition to generating capital from the sale, EnergyAustralia entered into an agreement through which it has secured long-term access to gas storage services at the plant at competitive prices.

Externally, electricity market conditions improved but remain challenging. The trend since 2010 of declining demand in the National Electricity Market (NEM) abated in 2015. Overall, demand increased by 1.0% compared with 2014, mainly due to the electricity needs of three large liquefied natural gas projects in Queensland. In contrast, demand in Victoria and South Australia was lower in 2015 compared to the year before whilst in NSW it was broadly the same.

Whilst demand was lower in aggregate across the southern states of Australia, there was greater volatility. State capitals Sydney and Melbourne experienced their hottest weather in the July-to-December period of the last 20 years, whilst for Adelaide it was the second-warmest second half in the past two decades. These factors, together with concerns about the El Nino weather pattern and lower hydroelectric generation, led to higher average electricity spot prices across the southern states compared with 2014.

Despite signs of short-term improvement, the wholesale electricity market remains significantly oversupplied with prices well below the level required to provide adequate long-term returns on generation investments. That has been reflected in announcements of plans to shut down power stations, particularly in southern states, following EnergyAustralia's closure of Wallerawang Power Station in NSW.

Detailed analysis of the economic prospects of EnergyAustralia's generation assets indicates a return to more sustainable wholesale prices will take longer than previously anticipated, resulting in a decision to impair and make provisions for some of those assets totalling A$261 million (HK$1,480 million).

Australia

To support the development of renewable energy projects and secure a supply of large-scale generation certificates to meet the requirements of the federal government's Renewable Energy Target scheme, EnergyAustralia has signed four PPAs with new wind farm developments. Under these PPAs, EnergyAustralia buys output from the Mortons Lane, Taralga, Boco Rock and Gullen Range wind farms. These four wind farms have all been commissioned and have started commercial operations, with Taralga the most recent to come online, in June 2015.

Environmental Performance

Air Emissions

The air emissions levels of our Australian fossil fuel power stations were at intensity levels similar to that in previous years, but the net amount was affected by specific situations at individual power plants. Mount Piper was affected by coal supply issues and had therefore been operating at low dispatch, resulting in lower overall net emissions.

Environmental Regulatory Compliance

As at 31 December 2015, there was one environmental non-compliance case resulting in fines at Yallourn Power Station and a penalty infringement notice. There was also one case of licence limit exceedance at Tallawarra Power Station.

We also report below an environmental incident at Mount Piper Power Station which the local authority requested a formal incident report. However, the incident constituted neither a licence exceedance nor non-compliance case, and no penalty was imposed.

Yallourn

EnergyAustralia was fined A$7,584 by the Environment Protection Authority Victoria for the Yallourn Power Station breaching the Environment Protection Act 1970. The incident in February 2015 involved a discharge of ash slurry into the Morwell River. Around 8,600 kilolitres of salt water entered into the river after a welded point joint failed, causing the pipeline to rupture. The spill was diluted by river flows, minimising its impact on the environment. To prevent repeat incidents, EnergyAustralia has introduced process improvements including upgrades to alarms to automatically shut down ash line pumps and alert site staff to ruptures, installing CCTV cameras in high-risk areas and requiring hydraulic testing of new pipework prior to commissioning.

Tallawarra

Dead fish were found near a water inlet. Water samples showed that dissolved oxygen content in the water was below the statutory limit. Tallawarra Power Station has developed and implemented a plan to minimise the risk of any impact as a result of activating the Main Cooling Water and Attemperation pumps.

Mount Piper

At Mount Piper, cooling water was discharged into Neubecks Creek in November 2015 when a drain valve was left open on a cooling water conduit that was being refilled during an outage. Approximately 250 to 750 kilolitres of water flowed down a

CEO Richard Lancaster (second right) and Independent Non-executive Director of EnergyAustralia Christine O'Reilly (second left) visit Mount Piper Power Station in New South Wales

Thermal Projects – Performance

	Installed Capacity (MW)	Generation (GWh) 2015	2014	Availability[1] (%) 2015	2014	Utilisation[1] (%) 2015	2014	Operating Hours[2] (Hours) 2015	2014
Hallett	203	**31**	30	**87**	93	**2**	2	**3,135**	2,925
Tallawarra	420	**2,539**	2,480	**91**	82	**69**	67	**7,662**	6,193
Yallourn	1,480	**11,172**	10,697	**85**	83	**86**	83	**30,335**	29,944
Mount Piper	1,400	**5,523**	8,270	**87**	89	**45**	67	**12,275**	15,521
Wilga Park[3]	16	**–**	–	**–**	–	**–**	–	**–**	–
Ecogen	966	**240**	311	**83**	68	**3**	4	**981**	1,052

Notes:

1 In this table and elsewhere, "availability" is the extent to which a generating unit is made available by its operator for generation to the grid system, whereas "utilisation" is the extent to which the unit actually generates as compared to its rated capacity applied over the period in question. Since historical rated capacity is used in the calculation and may not reflect recent increases in generation efficiencies, it is possible to achieve utilisation greater than 100%.

2 Reflects the total hours in operation by all units at the station in the year.

3 Wilga Park is not used for commercial purposes by EnergyAustralia. It is used to burn waste gas from the Narrabri coal seam gas exploration project (of which EnergyAustralia has a 20% equity stake) which is in negligible quantities.

Wind Projects – Performance

	Installed Capacity (MW)	Generation at Farm Gate (GWh) 2015	2014	Availability (%) 2015	2014	Utilisation (%) 2015	2014
Cathedral Rocks	66	**171**	180	**89**	92	**30**	31

Generating Capacity under Contract to EnergyAustralia

	Installed Capacity (MW)	Net Generation (at node) (GWh) 2015	2014
Boco Rock	113	**298**	21
Gullen Range	166	**428**	–
Mortons Lane	20	**63**	62
Taralga	107	**143**	–
Waterloo	111	**269**	304

storm water drain, and into Neubecks Creek. An assessment found there was no material harm to the environment. We have advised the Environment Protection Authority and will submit a formal incident report.

Social Performance

Stakeholder Engagement

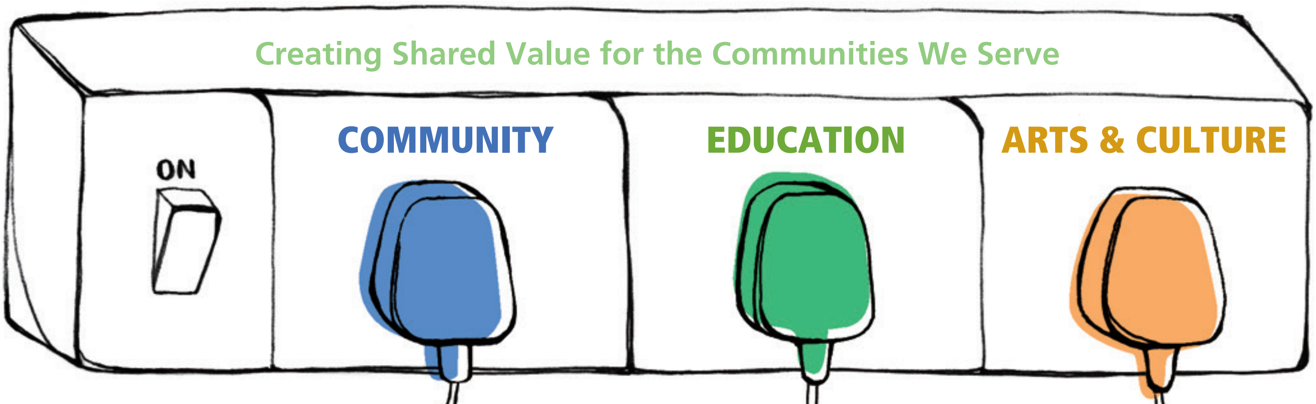
EnergyAustralia recognises the importance of engaging with external stakeholders so that it is transparent in how it conducts its business and is able to identify issues of importance to stakeholders for consideration in business planning. EnergyAustralia stakeholders include customers, employees, governments, regulators, local communities, non-government organisations, consumer advocacy groups, suppliers, the media and business partners.

Engagement in 2015 included community liaison group meetings and site visits, tendering submissions on government policy reviews, presentations as keynote speakers at industry forums and active participation in policy committees of relevant industry associations.

In July 2015, EnergyAustralia conducted research to better understand stakeholder expectations of its role and responsibilities in supporting customers struggling to pay energy bills. This involved surveying customers in addition to a variety of stakeholders such as regulators, government agencies, customer advocacy support services and social services providers. Through this work stakeholders were able to appreciate changes EnergyAustralia is making to better support customers. The exercise enabled EnergyAustralia to identify areas for improvement in its hardship programme. This will be a priority area for stakeholder engagement during 2016.

Community Initiatives

EnergyAustralia works closely with the local communities in which it operates with the aim of building a reputation as a trusted local operator. Consistent with this approach, in 2015 EnergyAustralia formed a dedicated Social Enterprise team. The team focuses on community engagement, arts & culture, local community infrastructure enhancement works and sporting sponsorships. Some of the highlights of our works in 2015 are listed below:



Goals to End Hunger Campaign

EnergyAustralia donated A$25,000 in a joint campaign with Port Adelaide Football Club and Foodbank South Australia to provide **58,950** meals for the needy.

Partnership with Swim Australia

As part of EnergyAustralia's continuing partnership with Swim Australia to promote swimming safety, the SwimSAFER Week provided the public with valuable information on safety skills in and around water through more than **400** swimming schools.

Waterloo Wind Farm Community Fund

Through the Waterloo Wind Farm Community Fund, four organisations received **A$20,000** in sponsorship to support local conservation, community groups, school programmes and improvement to local amenities.

Youth & Education

EnergyAustralia sponsored **A$65,000** to support 23 indigenous students to complete their schooling.

Arts & Culture

In addition to photography award, EnergyAustralia also sponsored dancing events, which attracted young performers from across the wider Gippsland and Latrobe Valley area.

Outlook

At the 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change, the Australian Government committed to reduce Australia's emissions to between 26 and 28 per cent on 2005 levels by 2030. The Australian Government's policy of "Direct Action" – funding projects to reduce emissions – remains its primary mechanism to meet the target, with a review of Australia's emission reduction policies flagged for 2017-18.

EnergyAustralia is well placed to contribute to Australia's emission reduction goals. Since 2008 the business has reduced the emissions intensity of its generation portfolio by more than 20%. Additionally, EnergyAustralia is pursuing a range of initiatives to further reduce emissions. These include maximising the efficiency of its generating assets and investing in renewable energy. Government policies will play a key role in driving innovation and lowering emissions from Australia's electricity sector and EnergyAustralia remains committed to working with authorities and other stakeholders to achieve these goals.

We anticipate wholesale market conditions will remain challenging. EnergyAustralia maintains that industry-led and government-supported action is needed to resolve market over-supply issues and to make a step change in the aggregate emissions across the NEM.

At the same time, EnergyAustralia is managing its emissions by improving the efficiency of its power stations so that they produce more energy from the same amount of fuel. Additionally, EnergyAustralia invests in and supports the development of large-scale renewables (underpinning A$1 billion of investment in wind projects to date), and assists its customers to manage their energy use according to their budgets.

EnergyAustralia intends to build on the progress it made in 2015 by continuing to focus on its transformation, in particular measures which enhance customer service, improve efficiency and reduce costs.

The Aboriginal AFL Academy, supported by EnergyAustralia through its sponsorship of the Port Adelaide Football Club, focuses on educational success for its Aboriginal students whilst teaching them football and leadership skills. How does this align with EnergyAustralia's values?

Our involvement reflects the importance EnergyAustralia places on a fair and inclusive society, including for indigenous Australians. EnergyAustralia is developing a Reconciliation Action Plan which sets out actions we will take to improve indigenous engagement and participation in our business.

At EnergyAustralia, we are all about leading change, just as the Aboriginal AFL Academy, which is the first of its type in the Australian Football League. Another example is that both EnergyAustralia and the Academy share a common value of treating people equally, and with fairness and respect.

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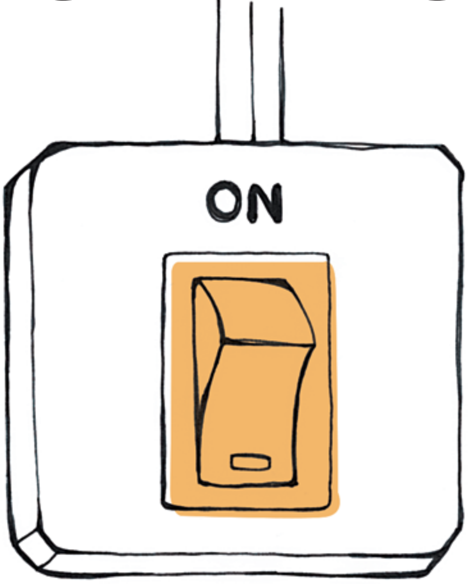
Mr Keith Thomas
Chief Executive Officer
Port Adelaide Football Club

A

Catherine Tanna
Managing Director – EnergyAustralia

CAPITALS



What are the “Capitals”
that sustain our business?

We have selected some resources and relationships – collectively known as capitals – that are critical to CLP, and explain how careful management of these capitals contribute to the sustainability of our business

Financial Capital

Our funding resources and capability

Financial Market Update

On 19 December 2015, the US Federal Reserve (Fed) announced the increase of Fed Funds rate from close to zero to a range of 0.25%-0.5%. This first credit tightening since 2006 officially ended the debate about prolongation of its accommodative monetary policy and signified a vote of confidence by the Fed to the strength of the US economy.

In contrast, the European Central Bank and the Bank of Japan further supplemented their quantitative easing programmes in December 2015 with new flurries of measures to arrest the lingering weak economies and combat deflationary pressures.

This has highlighted the divergence of central bank monetary policies that, if not managed properly, can lead to significantly higher market volatility and uncertainty when confidence is already fragile.

Looking back in 2015, global financial markets have been jolted by several major shocks. Firstly, in the first quarter of the year, anxiety regarding the Fed tightening too early saw the US 10-year treasury yield fluctuate. Secondly, the default of Greece on a US$1.7 billion International Monetary Fund loan repayment in June unsettled the Eurozone and caused grave apprehension of another financial crisis. Thirdly, the massive sell-off of China's A-share index from June to August, triggered by weaker-than-expected economic data and government policy to dampen excessive speculative positions, sent shock waves through global equity markets. Fourthly, the move by China to adopt a new foreign exchange regime and devaluate the Renminbi (RMB) in August took the markets by surprise.

The above market challenges, combined with a steady decline of liquidity in the financial markets and re-emerging geopolitical concerns, have reminded CLP to stay vigilant.

CLP's Proven, Meticulous Financing and Investment Disciplines

Over the years, this "Financial Capital" section has highlighted the importance of acquiring sustainable, diversified, cost-effective, long-tenured debt and equity funding on a timely basis to support business growth as our investments are capital intensive and involve long payback periods. It is also critical to identify the financial market challenges to CLP so that we can manage the composite risk elements (including funding, foreign currency, interest rate, credit rating, counterparty) and meet corporate and compliance objectives. In addition, our prudent financial planning and innovative approach enables us to mitigate adversities, protect customers' interest, enhance shareholder value and avoid potential impediments to business sustainability.

In November 2013, credit rating agencies put CLP Holdings and CLP Power Hong Kong under negative credit watch following the announcement of the CAPCO and PSDC acquisitions. Some of the Group's financial ratios remained tight, amidst EnergyAustralia's operational challenges in a depressed electricity market. In order to resolve the negative rating watch for CLP Holdings and its subsidiaries and deliver a more robust financial profile, we undertook proactive and multi-levered initiatives to reduce our gearing and lower our finance costs. Some of the measures are listed below and more details can be found on pages 79 and 83:

- CLP's major entities prepaid about HK$13 billion of debt to save financing costs and lower the debt leverage ratio of the Group.
- CLP Power Hong Kong advanced the completion of its 2015 Medium Term Note (MTN) programme annual update by around one month to early April for issuing a US$300 million bond in order to forerun potential interest rate hikes, and capture a better market window to arrange cost-effective debt. Soon after the bond placement, both the US 10-year treasury yield and credit margin of public bonds climbed considerably with renewed concerns over the future interest rate path.
- CLP Power Hong Kong continued to diversify its funding sources and tapped into the Japanese onshore market in September 2015 for a US$125 million (HK$969 million) cross-border bank loan.
- CLP India kicked off its fund-raising in the domestic bond market with two inaugural issuances. We issued a series of green bonds totalling Rs.6 billion (HK$706 million) in September 2015 to fund our renewable projects, making CLP the first company in the power sector of South and Southeast Asia to issue green bonds. Earlier in April 2015, Jhajjar Power Limited also issued asset-specific corporate bonds of Rs.4.76 billion (HK$591 million) to replace higher cost bank loans and extend duration.

- In July 2015, EnergyAustralia refinanced A$1.8 billion (HK$10.7 billion) of syndicated bank facilities.
- EnergyAustralia also completed the divestment of Iona Gas Plant. This enabled EnergyAustralia to take major steps of reducing debt gearing. In addition to the early repayment of external debt, EnergyAustralia repaid part of the shareholder's loan extended by CLP Holdings in February 2016.
- CLP China arranged RMB3.56 billion (HK$4.45 billion) project loans for the development of Fangchenggang II in March 2015 with favourable lending rate amidst tighter liquidity in the first half of 2015. We reported last year that CLP would diversify into the more liquid, cost-effective offshore RMB bank loan market in Hong Kong (CNH) to fund construction and early operation of our renewable energy projects. We would also seek onshore RMB project level refinancing after the start of commercial operation to better match the asset and liability profile. In September 2015, we successfully refinanced the operating Xicun I Solar project with a non-recourse, long-term project loan of RMB302 million (HK$360 million) by a domestic bank. This strategy enables CLP to develop and construct wholly-owned renewable projects in Mainland China with shorter timeline and better financing terms.

As a result of these actions, CLP Holdings saw meaningful improvements in the debt gearing and interest coverage ratios in 2015 (Net Debt to Total Capital as at 31 December 2015: 32.4% versus 31 December 2014: 38.0%, EBIT (Earnings Before Interest and Taxes) interest cover (2015: 10 times versus 2014: 6 times) and FFO (Fund From Operations) interest cover (2015: 9 times versus 2014: 9 times)). In addition, credit ratings outlooks for CLP Holdings, CLP Power Hong Kong and EnergyAustralia returned to their full strength (See Credit Ratings section on page 83 for more information).

In November 2015, the Vinh Tan III power project in Vietnam that CLP co-owns and takes a leading role in developing and financing achieved an important milestone when the project company, Vinh Tan 3 Energy Joint Stock Company (VTEC), signed a Financing Memorandum of Understanding (MoU) with China Development Bank Corporation, Beijing (CDB) in Hanoi, Vietnam. In the MoU, VTEC and CDB agreed to carry out investment and financing endeavours in cooperation with each other for Vinh Tan III. VTEC aims to finalise contractual arrangements with the Vietnamese Government and structure project financing in the next stage.

Major funding sources and usages of the Group are summarised below:

Funding Sources and Usages

Shareholder Value Creation

On-going capital investments will lead to higher returns in subsequent years

- Scheme of Control: HK$7,328 million
- Growth: HK$2,795 million
- Maintenance: HK$748 million
- Joint ventures and intangible assets: HK$1,096 million

Dividends

Continual growth in dividends in past years

2015: HK$6,822 million
2014: HK$6,619 million

Healthy Capital Structure

Good operational performance will generate strong cash flows, dividends and retained earnings ensuring a sustainable capital structure

- Reduction of net debt balance by HK$11,358 million
- Net debt to total capital ratio decreased by 5.6%
- Shareholders' funds (including retained earnings) increased by HK$5,105 million

Operational Performance

Quality operations deliver good revenues to pay for expenditures, debt services and dividends

Free cash flow: HK$17,290 million

Capital Recycling to Realise Economic Benefit and Support Future Growth

Divestment of non-core, limited growth assets will generate profit and cash flows for new investments

Iona Gas Plant sale proceeds: HK$9,991 million

Debt and Equity

Provide new funding for natural growth, merger and acquisitions, and operations

A Vigilant, Evolving and Pragmatic Financing Approach

Our financial management is dedicated to maintaining good investment grade credit ratings that help preserve a healthy capital structure to meet CLP's business objectives and employ sound risk management policies to weather through cycles in the financial markets. Such approach provides CLP the ability to access global financial markets in a cost-effective and timely way, even in highly volatile periods during financial crises. As at 31 December 2015, the Group maintained business relationships with 74 financial institutions. This number had significantly increased over the last decade from about 40 financial institutions in 2005, demonstrating our continued efforts in developing and broadening our business relationship base. Apart from conventional bank loans, CLP Power Hong Kong has the ability to tap into the global debt capital markets denominated in multi-currencies under their MTN programmes of up to US$4.5 billion. This enables us to diversify funding sources and achieve long-tenured asset and liability matching. As at 31 December 2015, CLP Power Hong Kong has outstanding 41 tranches of bonds (denominated in US dollars, HK dollars, Japanese yen and Australian dollars) issued under its MTN Programme comprising a notional value of approximately HK$27 billion whilst EnergyAustralia has one tranche of US dollar bond (US$30 million) issued in the US private placement market.

The Essence of CLP's Financial Framework

VALUE CREATION

Optimised Debt Profile Creates Value for Stakeholders
(Shareholders, Customers, Business Counterparties)

STRATEGIC OBJECTIVES

Well-diversified, Cost-efficient, Sustainable Debt Funding with Strong Financial Structure

DESIRABLE OUTCOMES

Good Relationship and Strong Access to Markets	Effective and Proven Risk Mitigations	Strong Business and Financial Profile

CONCRETE ACTIONS

Good Relationship and Strong Access to Markets

Longstanding, Mutually Beneficial Relationships
- Respectful business practices
- Open and transparent communications with stakeholders
- Long-term, sustainable relationship with lenders and investors
- Development of new business relationship with potential parties

Market Knowledge and Professionalism
- Stay abreast of global financial markets and developments
- Useful insights from financial and business counterparties
- High level of integrity and commitment

Effective and Proven Risk Mitigations

Prudent, Well-proven Risk Management Principles
- Timely identification of risk elements
- Cost-effective hedging instruments
- Ongoing policy review and market monitoring to protect against compounding risk exposures

Funding Diversity
- Avoid concentration risk by spreading out sources, tenor, markets, currencies and instruments
- Well-diversified debt profile minimises (re)financing risk

Strong Business and Financial Profile

High Quality Grade Credit Ratings
- Healthy capital structure
- Robust financial metrics and flexibility

Strong Foundation
- Disciplined investment and financial strategies
- 115 years of experience
- Good corporate governance
- Ample liquidity and solid operating cash flow to cover business requirement and guard against adversities

Major Achievements in Financing Activities

CLP Power Hong Kong	**US$300 million[1] (HK$2.3 billion) 10-year bond** • Issued in April 2015 at 3.125% fixed coupon with an order book of US$2.8 billion (9 times coverage) from around 200 global investor accounts • The bond was priced at US Treasury yield plus 1.25% which was issued at a time when US 10-year Treasury rate remained at a low level of around 1.9% • This bond is a Regulation S issue with listing on the Stock Exchange of Hong Kong **US$125 million[1] (HK$969 million) 3-year syndicated bank loans** • The third tranche of cross border syndication loan placed to Japan-based financial institutions since 2013 • Borrowing cost after swapping to Hong Kong dollars was lower than loans offered by Hong Kong-based banks • Syndicated to six regional and city banks in Japan, three of which are new lenders **HK$618 million 12 and 15-year bonds** • Long-dated multi-currency bonds[1] (49% in Hong Kong dollar, 32% Japanese yen, 19% Australian dollar) at favourable fixed interest rates **HK$600 million 5.5-year bank loan facilities** • Arranged at preferential rate
CLP China	**RMB3.56 billion (HK$4.45 billion), 18-year project loan** • Non-recourse project loan in the name of Fangchenggang (70% owned by CLP) to develop the phase II extension of 1,320MW coal-fired generation units **RMB1.7 billion (HK$2.04 billion) 12 to 15-year project loans** • Non-recourse project loans for the Sandu Wind, Xundian Wind, CLP Laizhou Wind, Laiwu Wind and Xicun I Solar projects (all wholly-owned by CLP) at competitive rates **RMB276 million (HK$329 million) 3-year CNH loan** • A portion of the offshore, more liquid and cost-effective CNH bank loan in Hong Kong to fund construction of the Xicun II Solar project (wholly-owned by CLP)
CLP India	**Rs.4.76 billion (HK$591 million) 10 and 11-year bonds** • One of the first power companies in India to issue asset-specific corporate bonds in the name of Jhajjar Power Limited (AA+ credit rating from India Ratings and Research Private Limited) in April 2015 and listed on the Bombay Stock Exchange • Coupon at 9.99% which was lower than the bank loans that it replaced and extended debt tenor **Rs.6 billion (HK$706 million) 2.5, 3.5 and 4.5-year green bonds** • Issued in the name of CLP Wind Farms (India) Private Limited in September 2015, the first CLP entity to issue green bonds, to fund renewable projects • At 9.15% coupon rate which was more competitive than Indian rupee bank loans and carried AA credit rating from India Ratings and Research Private Limited **Rs.3 billion (HK$365 million) 1-year and Rs.1 billion (HK$122 million) 10-year bank loans** • For working capital and construction purposes of wind projects in CLP Wind Farms (India) Private Limited
EnergyAustralia	**A$1.8 billion (HK$10.7 billion) 3 to 5-year syndicated loan** • Reduced from A$2.1 billion (HK$12.5 billion) reflecting improvement of the business • Lower interest margins and extended average tenor of facilities by 1.5 years **A$700 million (HK$4.2 billion), 3-year working capital loan** • Lower interest margins and extended average tenor of facilities by one year

Note:
1 Foreign currency proceeds were swapped back to Hong Kong dollars to mitigate foreign currency risk.

A Disciplined Follower of Effective Risk Management

The power industry is characterised by high investment costs, capital intensity and long payback periods with compounding risk factors. The ability to arrange timely, cost-effective, diversified, multiple-tenured and sustainable funding in equity and debt markets is crucial in managing and growing our business. Our shareholders and business partners value our commitment to prudent and vigilant financial management. We are dedicated to preserve a healthy capital structure, retain good investment grade credit ratings, maintain sound business relationships with lenders and investors whilst developing new ones, and reserve financial strength and flexibility to withstand unforeseen contingencies driven by financial market volatilities.

Our substantial and expanding businesses portfolio exposes CLP to multiple risks of liquidity, (re)financing, foreign exchange, interest rate, counterparty and compliance. CLP Group requires all business units to clearly identify, diligently monitor and effectively manage their financial related exposures, both in policy formulation and implementation.

Our financial risk mitigation approaches and results are highlighted below:

Liquidity
The risk of not being able to fulfil payment obligation

Mitigation

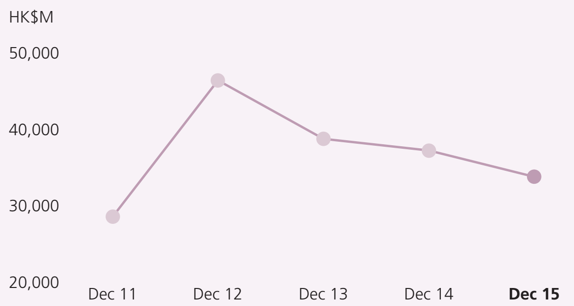
CLP is risk adverse. We believe it is imperative to maintain sufficient liquidity by:

- keeping adequate committed credit facilities / cash balances at cost effective terms
- preserving strong financial flexibility to support potential strategic moves and meet contingencies

Result

As at end 2015, CLP Group is highly liquid with HK$33.5 billion of undrawn bank facilities and internal resources.

Liquidity



Note: Liquidity equals to the undrawn bank facilities plus bank balances, cash and other liquid funds.

Debt profile as at 31 December 2015

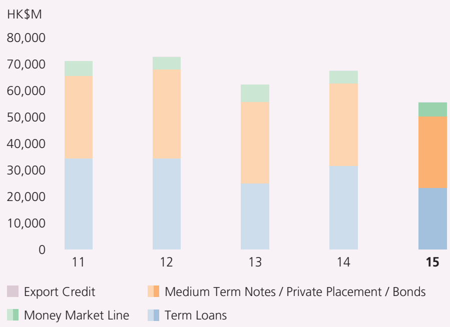
	CLP Holdings HK$M	CLP Power Hong Kong HK$M	CAPCO HK$M	Other Subsidiaries HK$M	CLP Group HK$M
Available Facility[1]	9,400	39,202	7,165	29,401	85,168
Loan Balance	306	35,002	5,974	14,201	55,483
Undrawn Facility	9,094	4,200	1,191	15,200	29,685

Note:
1 For the MTN Programmes, only the amounts of the bonds issued as at 31 December 2015 were included in the total amount of Available Facility. The Available Facility in EnergyAustralia excludes a facility set aside for guarantees.

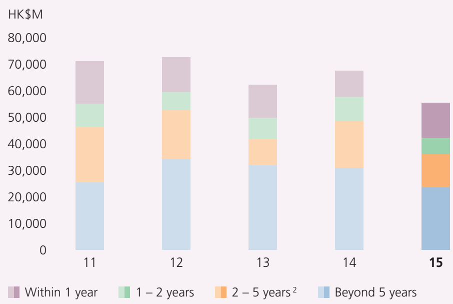
Refinancing
The risk that refinancing may become difficult or costly thus impairing the ability to fulfil payment obligations

Mitigation	Result
CLP seeks longlasting, trustworthy relationships with bond investors, lending banks and financial derivative counterparties. We act promptly to secure diversity (tenor, currency, instrument, market, geographical region) and cost-effectiveness.	As at end 2015, CLP achieved a very well-balanced debt portfolio with well spread-out key attributes: • long-term business partnership with 74 financial institutions (2014: 77) minimising concentration risk • evenly distributed loan maturities in multiple tenors (beyond 5 years: 43%, 2-5 years: 22%, 1-2 years: 11%, within 1 year: 24%) • type of debt (medium term notes/private placement/bonds: 48%, term loans: 42%, money market line: 10%) • bond denominations in USD (49%), HKD (35%), JPY (8%), INR (5%), AUD (3%)

Loan Balance – Type[1]

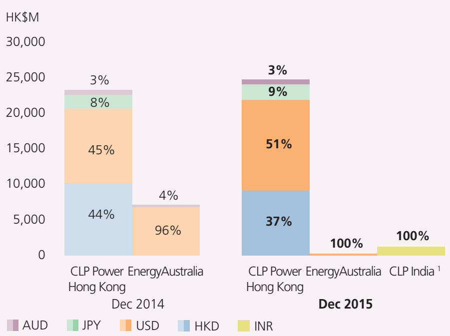


Loan Balance – Maturity[1]



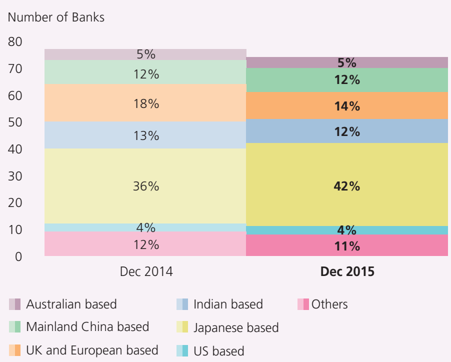
Notes:
1 The 2014 and 2015 figures include CAPCO and PSDC as subsidiaries of the Group after the acquisitions. For comparative purpose, we have included CLP Group, CAPCO and PSDC in the 2011, 2012 and 2013 figures.
2 Loan balance between two and five years as at 31 December 2015 included loan drawdown with current tenor less than one year under revolving facility with maturity falling beyond one year.

Currency of Bond Funding



Note:
1 Jhajjar Power Limited arranged its inaugural issuance of Rs.4.76 billion (HK$591 million), 10 and 11-year asset-specific corporate bonds in April 2015. CLP Wind Farms (India) Private Limited also arranged its inaugural issuance of Rs.6 billion (HK$706 million), 2.5, 3.5 and 4.5 years green bonds in September 2015.

CLP Banking Relationship – Balanced Mix of Lending Financial Institutions



Note: Geographical bases of the financial institutions are determined according to the places of incorporation of their respective holding entities.

Interest Rate
The risk of adverse impact on profit or loss or cash flow as a result of interest rate fluctuation

Mitigation	Result
CLP proactively manages interest rate risk through a carefully calibrated use of fixed rate debt and interest rate swaps.	CLP Power Hong Kong arranged an aggregate HK$24.7 billion long-tenured fixed rate bond since the global financial crisis in 2007 to lock in favourable interest rates in low interest rate environment. As at 31 December 2015, the Group has borrowings in fixed rate of 57% (without perpetual capital securities) or 61% (with perpetual capital securities).

Foreign Exchange

The risk of adverse impact on profit or loss, cash flow or balance sheet as a result of foreign exchange volatility

Mitigation	Result
Translational This relates to the foreign currency element of our equity investment for the business outside Hong Kong but carries no profit or loss nor cash flow effect. CLP does not hedge such risk as per its policy (unrealised in nature, long-term investment, geographically diversified). **Transactional** This arises from mismatch of revenues generated in host country currencies of the respective business units whilst debt or invoice payments are paid in other currencies. CLP hedges a high portion of committed and highly probable transactional foreign currency risk to deliver a more certain economic outcome.	Our initiative to hedge a high level of foreign exchange exposure on behalf of customers is but one example of this, allowing all parties to avoid undue tariff volatility. CLP's tariffs in Hong Kong and overseas remain fairly stable despite much increased foreign currency volatility during regional and global financial crisis.

Counterparties

The risk of adverse impact on profit or loss or cash flow due to default of business parties

Mitigation	Result
CLP transacts only with trustworthy, capable parties. Our business units have a list of authorised financial institutions that are financially sound and competent in executing financing and risk management transactions and will persistently perform their obligations over a long period of time.	CLP has not faced any loss from default or potential default by its financial counterparties over the past decade.

Compliance

The risk of adverse impact as a result of failure to meet regulatory requirements

Mitigation	Result
CLP has a high level of corporate governance and always strives to maintain full compliance of all rules and regulations for financial and risk management. This requires a high level of professional integrity and strong commitment. CLP is implementing a new Group Treasury Management System to further enhance the efficiency and effectiveness of treasury management, compliance and report.	CLP achieves satisfactory audit outcomes by internal and external auditors, and meets all regulatory and internal compliance requirements with high standard of corporate control and governance procedures.

CLP has an ambitious growth plan in the field of non-carbon emitting generation. How does CLP plan to finance its new investments?

We take pride in the track record of our team for diversified and innovative financing. Last year, we set a milestone by issuing our first green bond in Indian rupees through our wholly-owned subsidiary CLP Wind Farms (India) Private Limited to fund the development of renewable projects in India. In China, we make use of a mix of short-term funds from the offshore Renminbi market to fund construction, supplemented by long-term project financing from Chinese financial institutions once the project operates. Looking forward, we plan to issue Renminbi-denominated green bonds in China, or known as "green panda bonds", as a means to fund our renewable projects in the country like what we did in India.

Credit Ratings

CLP is committed to maintaining high quality grade credit ratings. Our effort to further enhance the capital structure of the Group by issuing US$750 million (HK$5.8 billion) perpetual capital securities in 2014 and deliver a more robust financial profile by further reducing debt gearing and lowering debt funding costs in 2015 paid off. The credit rating agencies revised the outlooks of CLP Holdings (by S&P and Moody's) and CLP Power Hong Kong (by S&P) from negative to stable after the annual credit rating review in May 2015. In parallel, both S&P and Moody's affirmed the credit ratings of CLP Holdings and CLP Power Hong Kong at A-/A2 and A/A1 respectively. In May 2015, S&P revised EnergyAustralia's rating outlook to stable from negative and affirmed its BBB- credit rating. These rating actions demonstrated that the two credit rating agencies recognised CLP exercised a high level of discipline in managing its investments and financials.

	CLP Holdings		CLP Power Hong Kong		EnergyAustralia
	S&P	Moody's	S&P	Moody's	S&P
Long-term Rating					
Foreign currency	A-	A2	A	A1	BBB-
Outlook	Stable	Stable	Stable	Stable	Stable
Local currency	A-	A2	A	A1	BBB-
Outlook	Stable	Stable	Stable	Stable	Stable
Short-term Rating					
Foreign currency	A-2	P-1	A-1	P-1	–
Local currency	A-2	P-1	A-1	P-1	–

More information about the credit ratings of our major companies is shown on our website.

S&P

Positives	Negatives
• The Group has good financial flexibility and strong access to banking facilities • CLP Holdings' focus on organic growth should lead to the steady improvement of credit metrics • CLP Power Hong Kong has excellent business risk profile and provides sound and stable cash flows • EnergyAustralia's new retail billing system and expected lower operating cost should bring stable earnings • CLP India's Jhajjar power plant has improving coal supply and higher utilisation	• Strengths of Hong Kong's favourable regulatory conditions are tampered by the future regulation-reset risk and clean energy policy • EnergyAustralia is facing moderately high industry risk

Moody's

Positives	Negatives
• CLP Holdings' credit profile, though constrained in 2015, will strengthen in the next two to three years • Gradual decline in financial leverage of the Group • Predictable cash flows from Hong Kong operations • EnergyAustralia's operations have higher visibility and more steady performance • Increasing earnings from operations in Mainland China and India	• Expansion into riskier, non-regulated electricity and retail businesses has raised CLP Holdings' overall business risk • EnergyAustralia's performance has remained weak since 2012 due to challenging operating environment but modest growth in revenue is expected

Natural Capital

Our respect for the environment

Care for the environment is one of the four "key values" of our Value Framework that guides us in fulfilling our mission and turning our vision into reality. The Framework mandates us to responsibly manage the short-term and long-term impacts of our business on the environment. Since our business covers the entire energy supply chain, the suite of potential environmental issues that we need to manage depends on the type of generation, site specific conditions and the nature of the business.

Environmental Management Approach

Our Group Environmental Policy Statement, which is included in the CLP Value Framework and available on our website, sets out the principles that our business units must follow. The topics covered by the combination of our Group Environmental Policy Statement, standards and guidelines include: compliance; use of resources such as materials, energy and water; impacts such as emissions, effluents and waste; and biodiversity. Through this Policy Statement, we commit to:

- Comply fully with all applicable environmental laws and regulations;
- Ensure that all key environmental impacts are identified and managed in a responsible manner;
- Use all resources, including fuel, water and other natural resources efficiently and conservatively, and increase the use of renewable resources;
- Continuously improve our environmental performance;
- Monitor and report the environmental performance of our business;
- Provide the training and resources necessary to meet our environmental responsibilities;
- Share our knowledge of environmental issues and management practices with others in our industry and our communities; and
- Support the development of effective government policy to address environmental issues.

To support the delivery of the principles laid out in the Group Environmental Policy Statement, our operationally controlled assets are required to develop their own site specific Environmental Policy Statement, using the Group Environmental Policy Statement as a framework. Furthermore, we have developed and implemented internal environmental standards and guidelines to cover a range of material environmental issues.

In respect to regulations and compliance, CLP has two primary components to its management of environmental impacts and resource use. The first is to ensure full regulatory compliance in the diverse set of regulatory jurisdictions in which we operate. The second is to both monitor evolving environmental regulations which apply to our operations and respond to anticipated regulatory developments as necessary – whether by making specific investments at an asset level or adjusting our core business strategy.

Internal Environmental Standards

CLP's commitment to environmental protection goes beyond basic regulatory compliance. CLP takes the view that, as a leader, we should require our operations, in particular those in locations where environmental regulatory controls are weaker, to perform beyond compliance and our internal environmental standards reflect that. For example, all power generation facilities in which we have operational control must establish effective environmental management systems which conform to the globally recognised ISO14001 Standard and achieve third-party certification within 2 years from commencement of operation or acquisition. All our assets in this category obtained the required certification on time in 2015. More details are available in our 2015 Sustainability Report. Another example is that for air emissions, fossil-fuel based power stations developed after the effective date of our Power Plant Air Emissions Standard are required to operate within CLP prescribed limits on SO_2, NO_x and particulates emissions, or to comply with local regulations, whichever is more stringent.

On the business development side, we also assess our potential environmental liability carefully before we commit to projects. CLP's Pre-Investment Environmental Risk Assessment process ensures that sufficient environmental considerations are given to every project as part of the approval process by the Investment Committee.

Performance on Group Environmental Goals

This year, we continue to report on our performance on the three aspirational environmental goals under CLP Group's Sustainability Framework to move towards:

- zero emissions;
- a more sustainable rate of resource use, and
- no net loss of biodiversity.

Our performance in these areas is summarised below:

Group Goal	Aspect	Group Highlights	2015	2014
Move towards zero emissions	Greenhouse gases	• Total CO_2 emissions (from power generation) • Carbon intensity (on equity basis)	**46,553kT** **0.81kg CO_2/kWh**	53,044kT 0.84kg CO_2/kWh
	Air pollutants	• Total SO_2 emissions • Total NO_x emissions • Total particulate matter emissions	**63.4kT** **56.3kT** **9.8kT**	93.0kT 74.6kT 11.5kT
	Water discharged	• Total water discharged	**4,463.0 Mm^3**	4,792.2 Mm^3
	Waste	• Total solid waste produced • Total liquid waste produced	**12,096T** **3,031kl**	21,626T 2,861kl
Move towards a more sustainable rate of resource use	Fuel	• Total coal consumed • Total gas consumed • Total oil consumed • Non-carbon % (on equity basis) • Renewable energy % (on equity basis)	**450,937TJ** **95,591TJ** **2,892TJ** **19.5%** **16.8%**	541,865TJ 63,268TJ 2,345TJ 16.7% 14.1%
	Water	• Total water withdrawal	**4,503.0 Mm^3**	4,834.0 Mm^3
Move towards no net loss of biodiversity	Air/Terrestrial	• Group guidelines	**Implemented**	Endorsed by Group HSSE Committee

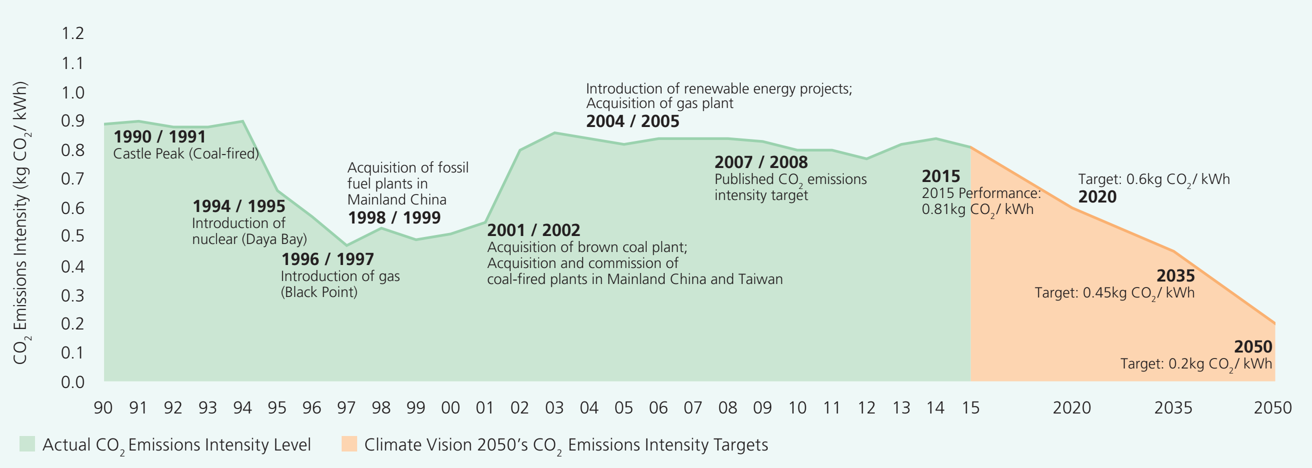
Climate Vision 2050

In 2007, we developed our Climate Vision 2050, which was centred around an ambitious science-based target of reducing the carbon intensity of our generating portfolio by approximately 75% by 2050, compared to our 2007 level. We also developed milestone reduction targets in between, taking into account assumptions on technological advancements and regulatory change.

Our performance up to 2012 was quite encouraging, however local priorities in Asia on energy security and access, favoured the continued development of fossil-fuelled assets. In 2014, the Group's carbon intensity increased back up to 0.84 kg CO_2/kWh. However, in 2015, the Group's carbon intensity has fallen back down to 0.81kg CO_2/kWh, mainly due to:

- less generation from our coal-fired Castle Peak Power Station in Hong Kong, and more gas-fired generation at Black Point Power Station to further reduce emissions from power generation;
- less generation from our coal-fired Fangchenggang Power Station in Mainland China, as demand has become suppressed, and
- less generation from our coal-fired Mount Piper Power Station in Australia, due to maintenance and uncertainty over coal supply.

CLP Group CO_2 Emissions Intensity



Although our present portfolio composition makes it challenging for us to achieve our interim targets within the original timeframe set, we remain committed to our original long term Climate Vision 2050 target. With the Paris Agreement delivered at COP21 in December, articulating the greater ambition to move from maintaining the global average temperature rise from below 2 degrees to 1.5 degrees, we remain committed to this longer term target and will review it once the new projection scenarios are released by the Intergovernmental Panel on Climate Change (IPCC) in 2018.

The Paris Agreement provides the policy signals we need to continue to scale up our renewable energy business, as well as for meeting our Climate Vision 2050 targets, particularly the next set of targets for 2020, which include 20% renewable energy and a carbon intensity reduction of over 28% compared to our 2007 level.

CLP will review the potential business opportunities as well as risks, arising from the Nationally Determined Contribution (NDC) commitments submitted by the nations we operate in. We aim to complete our post-COP21 review soon after the Paris Agreement is open for ratification.

Emerging economies will continue to require new coal-fired power stations for some time in order to meet their need for affordable, reliable electricity supply. Where that is the case in those countries in which we currently have a presence, we commit to utilising technology of the highest possible efficiency for our thermal projects and continue to invest in renewables. We will ensure our approach to climate change is consistent with both international and national policies in the countries we operate, and we will continue to regularly monitor global and national developments and adjust our investment profiles as required.

Non-Financial (Operations) Data Management

The demand on reporting robust, accurate and timely non-financial data in the jurisdictions where CLP operates has increased over time. With some of these requirements progressively becoming mandatory, effective data reporting processes are essential to ensure that our non-financial data reported and communicated to our stakeholders and the community is accurate and robust.

In 2015, we introduced an updated process for non-financial data reporting and assurance. More responsibilities are now placed with responsible staff at asset, regional and Group level, thus achieving a desired level of check and balance. At the same time, an upgraded online system for operational data was introduced to facilitate effective and streamlined data collection and approval, whilst reducing the chance of human error. Through the design and implementation of such a data system, we also aligned the non-financial data reporting process and timeline with financial data. The new requirements have been formally documented under the internal Standard for Non-Financial (Operations) Data Reporting and have been fully implemented. Corresponding requirements on non-financial (human resources) data reporting have been developed separately by our Human Resources department due to their sensitive nature.

Environmental Regulatory Compliance

As at 31 December 2015, we had 14 environmental incidents that resulted in license breaches. One of them resulted in a penalty infringement notice. Details can be found in the Performance and Business Outlook section of Australia, the Environmental section of the Five-year Summary and the 2015 Sustainability Report.

Air Quality

Our Group's total air emissions have decreased compared to 2014. This was due mainly to lower utilisation at some of our coal-fired power stations, use of more gas in Hong Kong and some improvement in air emissions mitigation measures at our Jhajjar Power Station in 2015. The 2015 Sustainability Report has more details.

Emerging Environmental Regulations

We continue to be alert on the development of environmental policies and regulations, both in the countries we operate and other advanced economies such as the US and the European Union. We carefully keep ourselves abreast of these emerging issues in order to be prepared to meet similar requirements when they become applicable in our operational locations. For example, we have carried out extensive research in the past two years on issues related to mercury emissions from coal-fired power stations. We face increasing regulatory control on mercury emissions in the locations where we operate, and we have just completed a research on the suite of control technologies available.

HSSE Integration

We reported last year that we have spent a substantial amount of effort in integrating our management approach on Health, Safety, Security, and Environment (HSSE) issues. We were able to demonstrate the success of this integration in 2015. Firstly, the overall HSSE management structure is clear and our approaches are now unified. This includes clear definition of roles at asset and regional level, as well as a consolidation and streamlining of how internal requirements are implemented. Secondly, the Group level HSSE Committee, chaired by our CEO, established a clear link between our assets, regions, and other related corporate committees in particular the Sustainability Committee. Thirdly, as the integration became more mature, we were able to share knowledge, expertise and lessons learnt much more effectively throughout the CLP Group. Going forward in 2016, we have plans to instigate an even closer working relationship under the HSSE functions, with the objective to achieve excellence in HSSE performance.

CLP's Chui Ling Road Substation in Tseung Kwan O is Hong Kong's largest Sky Woodland hosting 80 trees made up of 32 native species

Human Capital

Our people and safety performance

Safety Comes First

Safety has always been a central pillar of how we conduct our business. For decades, a "Safety Comes First" culture has guided CLP well. Today, we employ 7,360 people across the Asia-Pacific region and we apply the same principles and values in all our businesses. Our goal is zero injuries in all our operations and safety is always our top priority wherever we do business.

We benchmark our safety performance by measuring our Lost Time Injury Rate (LTIR) and Total Recordable Injury Rate (TRIR). They refer to the number of lost time injuries or recordable injuries measured over 200,000 working hours of exposure, which is equivalent to around 100 persons working for one year.

In 2015, we recorded 16 cases of LTI in our majority-owned assets or assets under our operational control. The combined TRIR of CLP employees and contractors fell from 0.41 in 2014 to 0.25 last year. However, one fatality happened in 2015 when a worker was electrocuted whilst carrying out maintenance work on site at a minority-owned asset in Dagangzi of Jilin Province in Mainland China.

The table below summarises the overall safety performance of our majority controlled assets and assets under our operational control in 2015 for both employees and contractors:

Safety Performance

	Employees						Combined Employees and Contractors					
	2015			2014			2015			2014		
Location	LTI	LTIR	TRIR	LTI	LTIR	TRIR	LTI	LTIR	TRIR	LTI	LTIR	TRIR
CLP Holdings	0	0.00	0.53	0	0.00	0.00	0	0.00	0.49	1	0.32	0.32
Hong Kong	0	0.00	0.07	1	0.02	0.11	4	0.04	0.13	6	0.06	0.17
Australia	6	0.28	0.42	3	0.14	0.42	8	0.28	0.84	8	0.27	0.83
Mainland China	0	0.00	0.00	0	0.00	0.44	1	0.02	0.13	1	0.03	0.31
India	2	0.54	0.54	0	0.00	0.71	3	0.08	0.28	7	0.19	0.86
Total:	8	0.10	0.18	4	0.05	0.26	16	0.07	0.25	23	0.11	0.41

In 2015, we issued a number of supporting guidelines and developed an e-learning package to assist our regional business units to implement the Health, Safety, Security and Environment (HSSE) Management System Standard that we rolled out in the previous year. The Standard enables our regional organisations to incorporate the HSSE requirements into their business programmes. This allows us to continue to maintain high standards in health, safety, security and environmental areas of our operations as we expand.

Our Organisation and Resources

To successfully implement our investment strategy, we must ensure that we are effectively organised, adequately resourced, and equipped with the necessary capabilities. We continuously review our organisation to ensure that it supports our investment strategy and the continued efficient and safe operations of our businesses. In addition, we need to have the organisational agility to adapt to an increasingly complex and volatile business environment and meet the challenges presented by the accelerating pace of technological innovation and digital disruption. The tables below and on page 89 show more details of our employee distribution at the end of 2015.

Age Distribution by Region (% of Employees)

	Below 18	18 to 29	30 to 39	40 to 49	50 & Above
Hong Kong	0.1	12.3	20.7	27.4	39.5
Mainland China	0.0	18.8	27.9	38.3	15.0
India	0.0	32.0	42.1	19.4	6.5
Australia	0.0	25.0	34.5	20.0	20.5

Gender Distribution by Region (% of Employees)	Male	Female
Hong Kong	82.2	17.8
Mainland China	79.3	20.7
India	90.2	9.8
Australia	57.4	42.6

Employment Type by Region (% of Employees)	Permanent	Short-term Contract
Hong Kong	80.8	19.2
Mainland China	70.0	30.0
India	99.7	0.3
Australia	98.3	1.7

Last year, we reviewed the use of short term contracts in Hong Kong, and set a limit on the use of these in order to ensure that short term contracts were not used where permanent employment would be more appropriate.

In addition to our employees, all our businesses make use of external contractors, that is staff who are employed by third party contractors to CLP rather than directly by CLP.

Enhancing our information on the use of contractors is important for three reasons:

- So that we have a full and accurate picture of the total human resources needed to meet our business needs;
- To ensure that the employment and other rights of staff employed by contractors are respected, and
- To support our strategic workforce planning and ensure that we are not outsourcing core capabilities.

In 2015, we have taken steps to strengthen our data collection and in future years we plan to report more fully on our use of contractors, taking into account the definitional, data collection and procurement policy issues associated with this.

In all of our operations the majority of employees are local. As an international business, however, we also need to move selected staff between operations for reasons including individual development, transfer of know-how, and project resourcing. We plan and manage these movements through our Management Development and Succession Planning process.

In 2015, a total of 510 headcounts were employed in wind, solar and hydro projects, reflecting the progressive shift in our generation portfolio to renewable energy.

Ensuring Our Capabilities to Implement Our Strategy

Our core requirement is to ensure that we attract, retain and deploy employees with the capabilities needed to construct, operate and maintain power facilities across the full range of fuel types. In particular, we need to retain and maintain our excellence in engineering.

The recent Group Investment Strategy Review highlighted the importance of greenfield projects to our future, particularly in our primary growth markets of Mainland China and India. Given this strategy, in 2015 we strengthened Group Operations resources and capabilities significantly, through a combination of external recruitment and internal transfers of staff, in order to allow us to unlock value and enhance performance through common standards and processes in project management, asset management, procurement and safety.

In EnergyAustralia, a major reorganisation was undertaken through the third quarter of 2015 to provide a clear, fit-for-purpose and accountable operating model that would ensure we meet the business challenges in the Australian operating environment.

In India, the focus has been on developing our talent through initiatives like cross-functional transfers, short-term assignments and mentoring by seniors from other functions.

Our career development opportunities reflect our high rate of internal promotion compared to external recruitment, and this is based on our strong management development and succession planning process. For example, of our current 11 members of Senior Management, four were external appointments and seven internal promotions. Two members of our Senior Management team joined CLP as graduate trainees.

In addition to the on-the-job experience, we are also committed to formal training and development programmes covering job specific skills, generic management or supervisory skills, and language training. The tables below and on page 90 show the percentage of employees trained by gender, employee category, and the average training hours completed per employee.

	% of Employee Trained by Region and Gender		Average Training Hours Per Employee
	Male	Female	
Hong Kong	96.9	98.9	55.1
Mainland China	100.0	99.1	66.8
India	86.3	87.2	34.3
Australia	100.0	100.0	63.5

% of Employee Trained by Region and Professional Category	Managerial	Professional	General & Technical Staff	Total
Hong Kong	98.7	99.3	95.4	97.2
Mainland China	100.0	99.4	100.0	99.8
India	90.7	86.1	85.5	86.4
Australia	100.0	100.0	100.0	100.0

To support our succession planning process, we run a number of regular management development programmes at the Group level for high potential staff. In 2015, a number of our employees took part in the following programmes:

- Personal leadership programme for executive development at the Institute for Management Development, a leading European Business School;
- Accelerating Management Talent Consortium Programmes at the Ivey Business School;
- Tsinghua Executive Consortium Programme;
- Hong Kong Young Leaders Programme organized by the Global Institute for Tomorrow supported by the Hong Kong Government's Efficiency Unit and the Hong Kong Jockey Club;
- World Business Council for Sustainable Development Future Leaders Programme, and
- Emerging Leaders Programme at the Indian Institute of Management, Ahmedabad.

Our industry is changing rapidly and we have expanded our range of strategic partnerships related to learning and development to help us navigate the future successfully.

Our senior management team has access to the strategic thinking and research capability of the globally respected Chatham House, and we are working closely with them on an industry specific research project.

During the year we also began a pilot programme with École Polytechnique Fédérale de Lausanne, a leading technology research institute. Twenty-three of our high potential staff from across the Group attended the programme to strengthen their understanding of the disruptive changes driven by technological innovation and digitisation that are happening to the electricity industry. Through the programme, participants learned about the impact of such changes on European utilities, how that may affect our business model, and the need to prepare CLP for the transformational changes facing the industry.

We also held regular expert briefings for senior staff on key emerging topics. In 2015, these briefings included digital disruption, electromobility and the future of coal.

Our ability to retain staff is reflected in our voluntary turnover (VTO) rates, which are typically below the local market average in most of our operations. The VTO for Australia of 13.7% is above the local market average of 10%, predominantly because a large percentage of EnergyAustralia's staff work in call centers, which typically have a VTO rate significantly higher than for other staff groups. In the tables below, we show our voluntary staff turnover rate by age group, gender, and geographical location.

Voluntary Turnover Rate by Region and Age Group (%)	Below 18	18 to 29	30 to 39	40 to 49	50 & Above	Total
Hong Kong	–	5.3	6.1	2.0	1.7	2.8
Mainland China	–	5.9	4.1	0.5	1.3	2.6
India	–	9.9	11.6	6.5	8.3	9.8
Australia	–	15.6	18.9	11.2	5.5	13.7

Voluntary Turnover Rate by Region and Gender (%)	Male	Female	Overall
Hong Kong	2.5	4.7	2.8
Mainland China	2.7	1.9	2.6
India	9.6	11.5	9.8
Australia	12.6	15.2	13.7

Leveraging Our Capabilities to Implement Our Strategy

Leveraging our capabilities means both being able to deploy key skills to where they are needed across the Group, and capturing and retaining critical experience in order to ensure we are not losing it through retirement or sub-contracting our core capabilities.

An important example of leveraging our capabilities was our resourcing plan for the Fangchenggang II construction project in 2015. We posted seven employees to the project last year, in order to expose them to project management and construction experience, and capture that learning to support our future project resourcing requirements around the region.

Addressing Long-term Human Capital Challenges

To be a sustainable business, we also have to anticipate and plan for the longer term internal and external Human Capital challenges that we face. The most significant of these are:

- We have an ageing workforce in our core Hong Kong business, as a result of low turnover and a high average length of service. However, it is also important to recognise that retirement creates opportunities. The percentage of staff eligible to retire in the next five years is shown in the table on page 91. In 2015, we recruited 315 new staff in Hong Kong. The average age of these new recruits is 23.3, which is significantly below the average age of our Hong Kong workforce.

% of Employees due to retire in the next 5 years	
Hong Kong	16.2
Mainland China	11.9
India	0.8
Australia	10.9

- We face demographic pressures in some markets due to ageing populations and the high demand for engineers. Consequently, we will continue to diversify our sources of recruitment for engineers, both geographically and in terms of gender diversity.
- Historically we have had limited geographical mobility of our Hong Kong-based staff due to cultural and personal reasons. This has inhibited our ability to deploy our core capabilities effectively outside of Hong Kong, and we are now taking active steps to increase mobility.
- Young engineers in some parts of the world have an increasing preference to work in renewable energy. Given that our renewable energy business is concentrated in India and Mainland China, we have created opportunities for Hong Kong-based engineers to be seconded to these projects, and six assignments were confirmed last year.

To address our long-term challenges we have implemented a number of initiatives.

Firstly, we have had established a senior management forum, which meets regularly, to review and optimise the use of our engineering resources. A key task being addressed by this forum is increasing the mobility of engineering staff across the Group. For example, we seconded three young engineers from India to Hong Kong last year. These cross-business assignments contribute to the transfer of know-how, sharing of best practices and individual development.

Secondly, we are progressively increasing the number of graduate engineering trainees, and diversifying the sources of recruitment. In addition to Hong Kong, last year we hired more extensively throughout China and India, and we will seek to increase our number of female engineers. We recruited nine graduate trainees locally in China and India last year including four female engineering graduates. Our apprentice and technician intakes have also been progressively expanded.

Increasing Diversity and Inclusiveness

Given that we employ predominantly local staff in each of the markets that we operate in, CLP is already a very diverse organisation from an ethnic perspective.

Historically, utilities have had a significantly higher percentage of male than female employees. In our case this is compounded by our operating in countries across Asia-Pacific and, for cultural reasons, there have been relatively low levels of female participation in the workforces of these countries.

The tables below show the breakdown of male and female staff by level and geographical location, and also the ethnic and gender diversity of our current senior executives.

% of Employees by Region, Professional Category and Gender	Managerial		Professional		General & Technical Staff	
	Male	Female	Male	Female	Male	Female
Hong Kong	76.6	23.4	79.3	20.7	85.0	15.0
Mainland China	90.0	10.0	83.1	16.9	77.1	22.9
India	93.0	7.0	92.8	7.2	83.8	16.2
Australia	71.0	29.0	58.4	41.6	55.0	45.0

% of Senior Executives by Nationality	
Chinese	32
European	14
American / Canadian	14
Australian / New Zealander	23
Indian	14
Latin American	3

% of Senior Executives by Gender	
Male	86
Female	14

We are taking a number of initiatives to increase gender diversity:

- We measure and report gender diversity across the Group to increase the visibility of the issue to the Group Executive Committee and the Human Resources & Remuneration Committee.
- In Hong Kong, we have sought the views of female employees, via focus groups, on how to ensure that we remain a female-friendly employer. In 2015, we have enhanced our facilities for female employees, including breastfeeding facilities and guidelines on lactation breaks.
- We successfully completed the female engineer mentoring programme with the Hong Kong Institute of Engineers last year, with the support of a number of our female engineers from across the Group.
- In India, there was a greater focus on gender sensitisation with sessions organised for the Internal Complaints Committee (which investigates and deals with complaints relating to sexual harassment) as well as the senior leadership team and staff in Human Resources on aspects including relevant law, gender sensitivity, and best practices.

We operate across a number of culturally diverse countries and respect the local differences that result from this.

Consequently some diversity related initiatives reflect locally specific considerations. An example is the evolving role of EnergyAustralia's Diversity and Inclusion Council which aims to build an inclusive culture within the company.

Dealing Effectively with Grievances and Complaints

Each of our businesses has an employee grievance procedure in place that reflects our Value Framework and any applicable local legal requirements. The numbers of complaints related to harassment, discrimination, human rights and labour disputes that were found to be substantiated following investigation during 2015 are set out in the table below.

	Substantiated Complaints in 2015
Harassment	1
Discrimination	0
Human Rights grievances	0
Labour practices grievances	0

With respect to complaints of discrimination and harassment, we have clear policies in place, supported by employee training. Our Group-wide harassment policy sets a common framework of principles and our detailed policies in each country are fully compliant with local legislation. Following the introduction of a Hong Kong specific policy to ensure compliance with Hong Kong legislation and codes of practice, a series of refresher training sessions were held last year for Hong Kong staff.

In the case of any employee having concerns, we follow established procedures to address grievances. We investigate all complaints of discrimination and harassment. These procedures ensure fairness and independence in the investigation process, and respect for the confidentiality of the parties involved. In Hong Kong and Australia, complaints may also be made to relevant external bodies such as the Equal Opportunities Commission in Hong Kong and the Human Rights and Equal Opportunity Commission in Australia.

Employee Engagement and Communication

We conduct regular Employee Opinion Surveys to understand our employees' views. These surveys are carried out by independent external consultants to ensure objectivity and to maintain confidentiality of the responses.

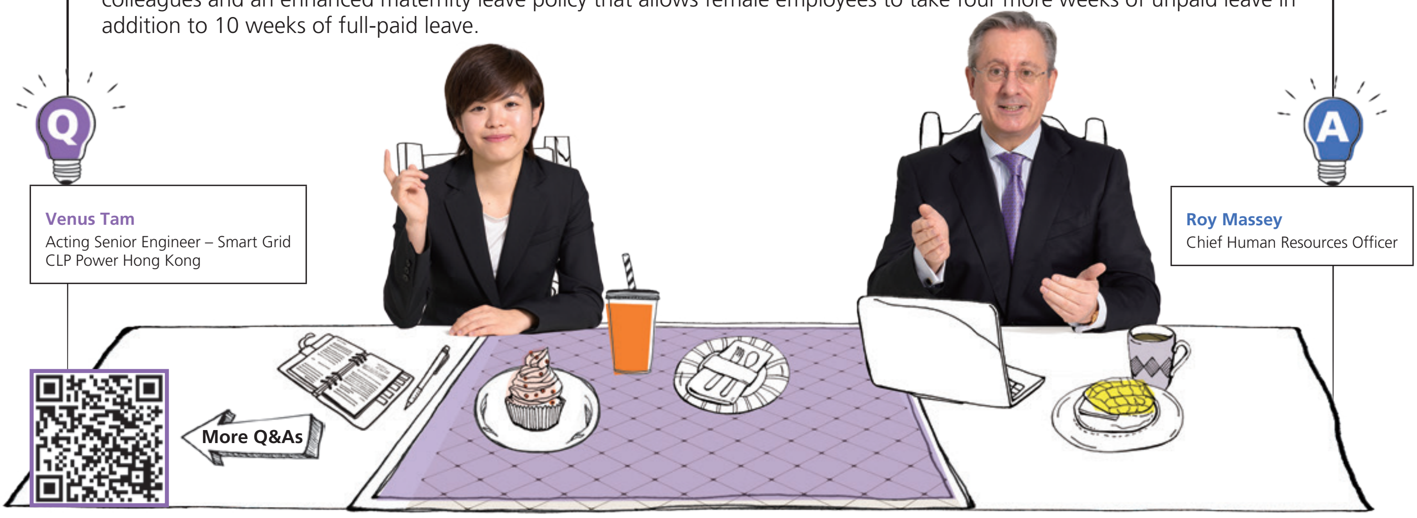
The most important outcome of the survey is the measurement of an overall Employee Engagement Index in relation to the local market norm. The most recent Employee Opinion Survey result for Hong Kong payroll staff was completed in early 2015. Our Employee Engagement Index was significantly above the Hong Kong norm.

For more details on CLP's human capital, please refer to our Sustainability Report online.

The power industry requires a workforce with specialised skills and is generally considered as male-dominated. How does CLP nurture female engineers?

Given demographic trends and our dedication to promote gender diversity, we are keen to increase the number of female engineers we employ and have teamed up with industry partners to attract females to the profession. To help engage female engineering students, we partnered with the Hong Kong Institution of Engineers (HKIE) to run a mentoring programme for female engineering students in 2015, in which 20 of our female engineers volunteered to provide one-on-one mentoring for female HKIE student members, the first of its kind by our staff. Through a series of site visits and sharing sessions, the mentees learned more about the engineering profession and the power industry.

In addition, we have also reviewed and enhanced the facilities for female staff and introduced lactation breaks for our nursing colleagues and an enhanced maternity leave policy that allows female employees to take four more weeks of unpaid leave in addition to 10 weeks of full-paid leave.



Social and Relationship Capital

Our commitment to connect with our stakeholders

People are at the heart of CLP's corporate values, as enshrined in our Value Framework first published in 2003. In our pursuit of sustainable development for the future, we put special emphasis on our relationship with people across a wide spectrum of internal and external stakeholders. They include our customers, shareholders, business partners, suppliers, employees, policy makers and the wider community.

The recent adoption of 17 Sustainable Development Goals (SDGs) aimed at tackling poverty, hunger, climate change and other global problems by 2030 at the United Nations Sustainable Development Summit has provided the international community with a clear direction on the transformative steps that are urgently needed for sustainable development.

As a responsible energy provider, we participated in the United Nations Private Sector Forum in New York in September 2015 to understand more about the roles of businesses in contributing to the SDGs. Based on the adopted goals, we have developed our new Sustainability Principles, which will succeed our Sustainability Framework (for more details, please refer to our Sustainability Report). In line with the SDGs, CLP will continue to develop community initiatives, business solutions and stakeholder engagement strategy to make people's lives – and the world – better.

Climate Action and International Engagement

CLP recognises our role to play in helping the world achieve the SDGs, especially those on combating climate change, and ensuring access to sustainable and affordable electricity. In just over a decade, CLP has developed over 3,000MW of renewable energy in our generation portfolio. At the same time, we invest in the cleanest coal-fired technology to generate electricity in markets such as India and China, where affordable electricity remains a concern.

CLP has been proactively engaging different sectors in the area of climate action and promoting the use of renewables and energy efficiency, both internationally and in the communities where we operate. The highlight last year was the attendance by CEO Richard Lancaster at some of the side events at COP21 in Paris during which he shared our views of a low carbon future and reform of the electricity market in China. He also reiterated the importance of clarity and predictability in the area of energy policy across nations at the World Business Council for Sustainable Development (WBCSD) Paris Council Meeting.

Our other engagement efforts included participating in the Low Carbon Technology Partnership initiative (LCTPi), which is led by WBCSD, the International Energy Agency and the

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Sustainable Development Solutions Network. CLP is one of the 82 global companies that have endorsed the LCTPi, which aims to develop action to accelerate low carbon technology development and scale up deployment with the aim of limiting global warming to below 2°C.

Dialogues with Policy Makers

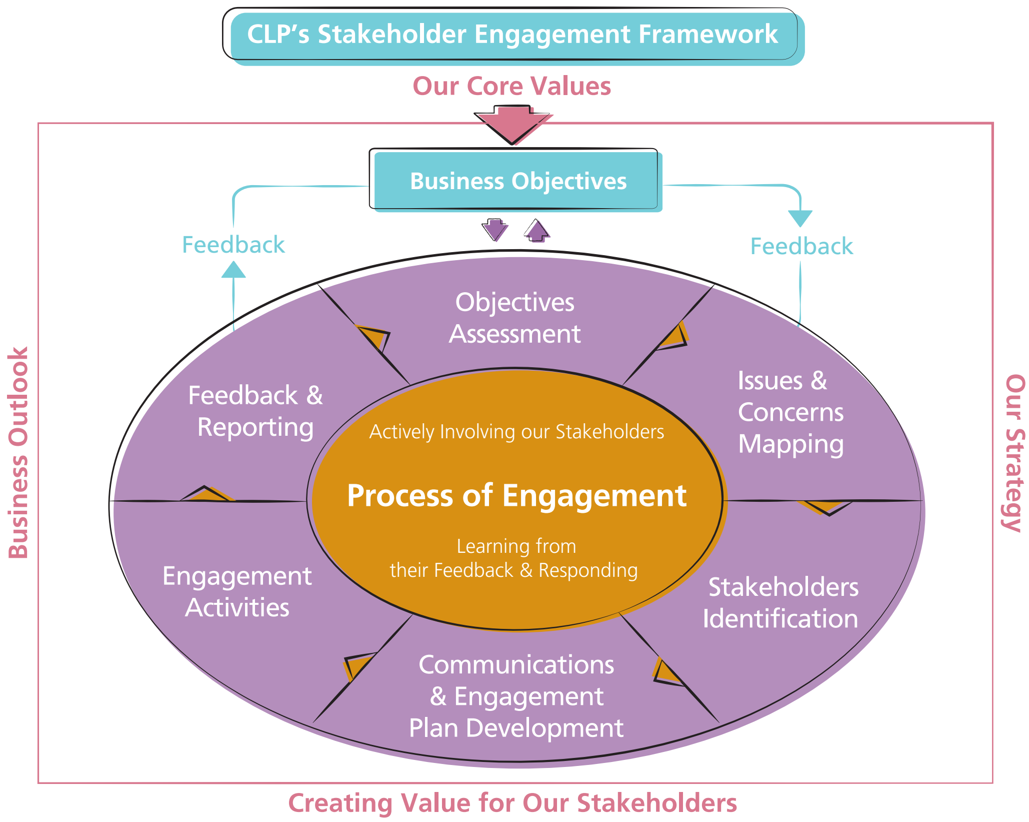
Strengthening dialogues with policy makers is also important to CLP in achieving the SDGs of ensuring the public's access to affordable, reliable, sustainable and modern energy. In our home market in Hong Kong, we actively participated in the consultation on the future development of the electricity market in 2015 and shared our knowledge and expertise with different stakeholders in the discussions.

Since our business spans five different markets, we also make special efforts to engage and communicate with policy makers in all of the markets where we operate. For example, we joined the business roundtable chaired by Indian Prime Minister Narendra Modi in Shanghai during his visit to China in May. Most recently, Mr Lancaster participated in a delegation to India led by Hong Kong Special Administrative Region Chief Executive Leung Chun-ying to promote trade and business. To enhance the Chinese Government's understanding of our efforts in promoting sustainable energy, we invited central and provincial officials to visit our power stations and engaged them in discussions over the prospects of clean energy. In Australia, our government and regulatory advocacy in 2015 concentrated on key focus areas of market sustainability, environmental performance, climate change, consumer affordability and customer experience.

Relationship with Suppliers and Contractors

In our relationship with our suppliers and contractors, we put special emphasis on compliance and adherence to the principles set out in our Responsible Procurement Policy Statement (RePPS), which is included in our Value Framework. We are committed to supply chain sustainability and will progressively consider RePPS in supplier selection and contract monitoring at a pace and depth that suits local business conditions. When designing project specifications and engaging suppliers, we always take environmental impact and resource usage into consideration.

Furthermore, safety of our contractors is a top priority. Across the Group, we organised safety workshops to raise awareness of our contractors. In 2015, CLP Power Hong Kong conducted site visits to seven key suppliers to understand their sustainability practices. Currently, Fangchenggang II in China is the largest and most complex construction project ongoing in CLP. Several behaviour safety workshops were held on site to enhance the safety awareness of both employees and contractors. In Australia, all operational sites were required to conduct back to work safety workshops when employees returned from their break as part of the "Summer of Safety" campaign, launched at the end of 2014.



Relationship with Customers

Engagement with customers and raising their awareness in energy conservation are equally important to responsible energy providers like CLP. In fact, we believe our customers are our biggest asset as we strive to achieve some of the SDGs.

The innovative "Power Your Love" programme launched in 2015 in Hong Kong was an exemplar of how we partner with our customers to support the underprivileged whilst achieving energy conservation (for more details, see page 47). We are also engaging with our commercial and industrial customers by providing them with free energy audit services under the GREEN^PLUS programme in Hong Kong.

In our Customer Service Quality Statement, which is included in our Value Framework, we state our commitment to service excellence. We have made great strides in this area during the past year. In Hong Kong, our simplified application procedures for customers to connect their distributed renewable energy facilities to our power grid was one of the many examples of how we supported our customers on the one hand whilst protecting the environment on the other.

In Australia, our new business strategy is to grow the business by focusing on our customers. EnergyAustralia is currently evaluating alternative energy management systems that will enable customers to identify opportunities for improvements in how they manage their energy requirements, particularly to do with energy efficiency and usage.

In addition, EnergyAustralia is pursuing a number of opportunities to offer customers greater choice. These include working with potential partners on energy-efficient lighting retrofits to improve energy efficiency and evaluating a range of potential battery systems to increase customer energy independence.

Community Engagement

To collect feedback from different sectors, we have set up or joined committees at various levels for continuous service enhancement. In Hong Kong, apart from establishing the Customer Consultative Group, Local Customer Advisory Committee, Green Elites Campus Accreditation Programme Steering Committee and Eco Building Fund Vetting Committee over the past years, we were actively involved in the extensive stakeholder engagement exercise on our plan to add a gas-fired generation unit at the Black Point Power Station. Through their feedback, we can constantly assess our business objectives for creating the greatest possible value for our stakeholders. This approach is summarised in our Stakeholder Engagement Framework, which reflects our stress on the integration of stakeholder engagement into all aspects of our business, from project development to operation, management and decommissioning, and on the transparency in our environmental, social and governance reporting.

CLP India staff and family members deliver nutritional kits to HIV-infected children

Community Initiatives

We consider our interaction with the community we serve a long-term investment. Over the years, CLP has developed and invested in a range of initiatives to serve our communities. One of the keys to the overall success of our business is the public acceptance of CLP as a provider of essential services. We believe we can strengthen our social licence to do business if we engage and empower the communities in which we operate. In 2015, our cash donations alone amounted to HK$14.5 million.

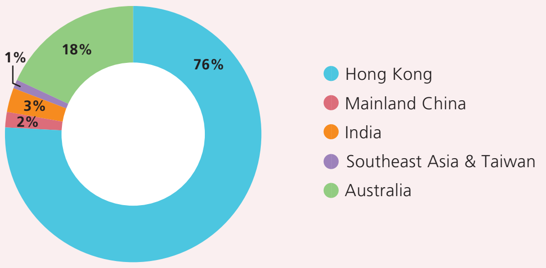
Our approach is to apply our skills and resources strategically to projects, programmes and initiatives that have a positive impact on community development for the short- and long-term, as we have committed under our Value Framework. We strive to create impact through collaboration, capacity-building initiatives, employee volunteerism and strategic giving. Our community initiatives focus on four pillars: (1) Climate Change and the Environment, (2) Youth Education and Development, (3) Community Wellness, and (4) Arts and Culture. This is in tandem with the SDG integrated approach which emphasises the universal need of development and progressive improvement.

Social and Relationship Capital

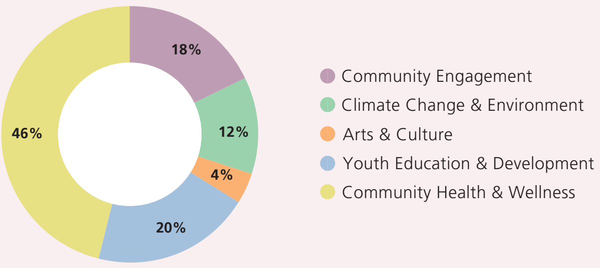
Specifics of our 2015 community initiatives, including CLP-initiated programmes, sponsorship and donations to third parties, are illustrated below:

Our Community Spending

Community Spending by Region[1]



Community Spending by Theme[1]



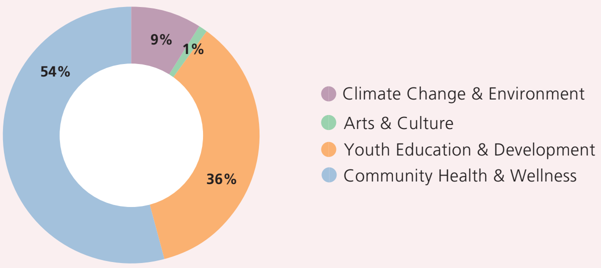
Our Beneficiaries

620 activities implemented

Over **178,000** direct beneficiaries[2]

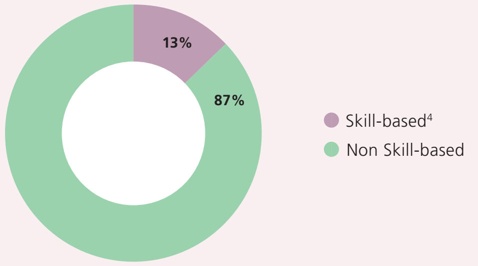
418 organisations benefited[3]
including professional bodies,
academic institutes, NGOs and community groups

Direct Beneficiaries by Theme[1]



Contributing Our Time and Expertise

11,675 volunteer hours from CLP Staff



Highlights on Our Contribution

200,000 customers
took part in Power Your Love Programme in Hong Kong

10,000 meals per month
distributed through 3 Hotmeal Canteens in Hong Kong

58,950 meals
were provided in Goals to End Hunger Campaign in Australia

2 tonnes of food
packaged by EnergyAustralia's volunteers in Foodbank Victoria

Over 400 swimming schools
benefited from the SwimSAFER Week in Australia

Notes:
1 Figures include rounding adjustments.
2 The number of people directly reached by or engaged in a community initiative, such as those who have participated directly in the programme, or benefited from the improvements made to relevant facilities or environment.
3 In some cases, the impact of the initiatives is better reflected by the benefiting organisation as a whole instead of the countable number of people.
4 Volunteering work that requires electrical engineering skills.

Details of our community initiatives and stakeholder engagement efforts in the different countries in which we operate can be found in the Performance and Business Outlook section and our Sustainability Report online.

Measuring Our Impact

To understand the impacts of our community initiatives, we adopt global standards that measure a company's contribution to the community. These standards also support companies in evaluating the outputs and long-term benefits of the community investments.

Since 2009 we have been periodically using the London Benchmarking Group methodology to measure and evaluate the social-economic impact of our community investment initiatives. We are now exploring new impact measurement tools to more comprehensively reflect the value of our wide range of contributions.

Furthermore, as part of our efforts to improve the integrity of our community investment data across the Group, a standardised online reporting system will be launched in the coming months.

CLP's Value Framework

Our school strives to instil lifelong energy conservation habits in the younger generation. How can CLP help us in this respect?

Sustainable development is one of CLP's core values. We have made enormous efforts to raise students' awareness of the importance of energy conservation and greener lifestyles through the GREEN^{PLUS} School Programme and Green Elites Campus Accreditation Programme. Through various education initiatives including an online learning portal, seminars, visits to CLP facilities and energy audits for schools, CLP works closely with participating schools to put energy conservation into practice and help strengthen students' understanding of energy saving and carbon footprint reduction in an interesting manner. We organised the GREEN^{PLUS} Award for four consecutive years to recognise organisations which excel in energy saving and encourage more companies to practise sustainable development and conservation. The Award also provides a platform for winners to share their best practices. Going forward, we will join hands with partners such as S.K.H. Mung Yan Primary School to promote a low carbon future to the younger generation.

Mr Sam Lok Kwok Sum and Law Lok Hin
Principal of S.K.H. Mung Yan Primary School and Primary Six student

Quince Chong
Chief Corporate Development Officer

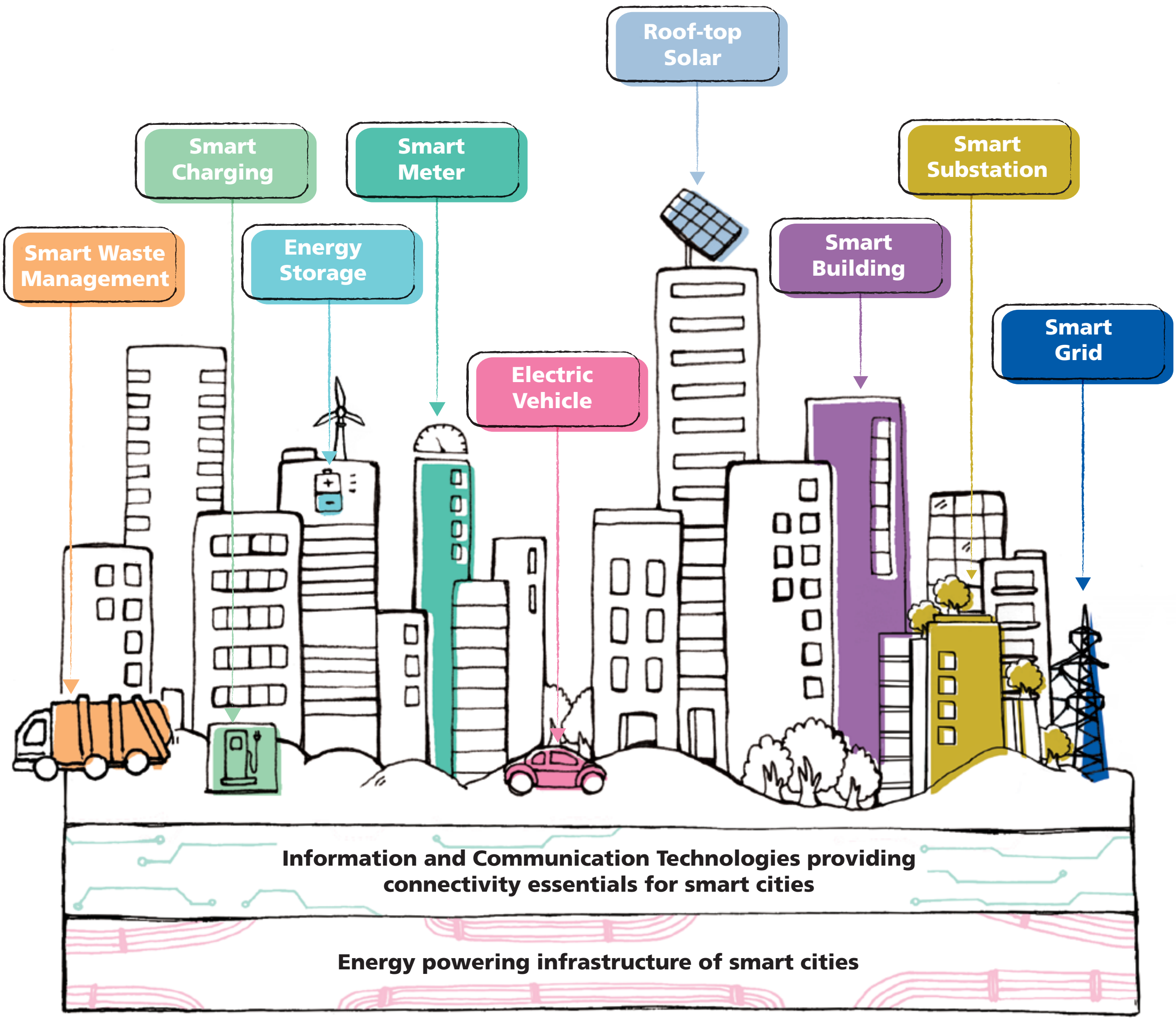
Intellectual Capital

Our expertise and innovation

Smart Cities

During the period of 1990 and 2014, urban population in the Asia-Pacific region has increased by nearly 1 billion people, with almost half of that growth in China. According to a report by the International Migration Organisation, an estimated 120,000 people are expected to flock into cities daily by 2050. Rapid urbanisation is now being considered one of the megatrends that will shape our future. It demands attention from governments, businesses and the public as it requires significant resources to support the new infrastructure that we need.

Along with improved living standards, citizens around the world, in particular those living in urban areas, are demanding sustainable energy, cleaner air and more efficient transport systems. There is a trend towards more customer control, deciding when and how they use energy. They also desire a higher quality living and working environment. The phenomenal growth of Information and Communication Technologies (ICT) being deployed in recent decades has provided ubiquitous connectivity and intelligent automation. Ultimately, the notion of smart cities has emerged and global cities like Barcelona, Stockholm, Seattle, Seoul, Singapore, New Delhi and Hong Kong are embarking on building their own version of a smart city.



Whilst there is no "one-size-fits-all" model for smart cities, they share some common attributes. ICT acts as the neuro system of a smart city connecting its citizens to enable them to work, live and travel more efficiently and comfortably. Smart cities are "smart" only if their governments are committed to supporting them through policies, incentives and investment. Energy represents the most fundamental and critical element as it is required to power every aspect of a smart city.

CLP has been providing safe and reliable energy for over a century. Over the years, we have acquired and applied our expertise to develop and operate a high quality power system to serve our customers. We have been continuously evaluating and exploring different new technologies and related economic benefits through CLP Power Hong Kong, CLP Research Institute, CLP Engineering and EnergyAustralia. One of our strengths is to embrace new technologies and tailor them to meet local needs. Some examples are highlighted in the following sections.

From Reliable Power System to Smart Grid

A city requires a reliable, safe and cost-effective power system that can support the activities of its citizens. Advancement of ICT has led to the popularisation of smart grids around the world. With the application of smart grid technology, operators can now monitor and control their power facilities remotely, intelligently and accurately. These ICT-based systems are backed by thousands of sensors and controllers deployed in our facilities, feeding their real-time data to the control centre. The control engineers can then monitor and control the power system with a high degree of accuracy and efficiency, which in turn, delivers excellent service. The use of these ICT-based systems has greatly improved system reliability and resilience.

CLP Power Hong Kong has achieved world-class performance in areas such as safety, supply reliability and operational efficiency. In order to deliver new and improved services to our customers, we continue to explore new technologies that make the grid 'smarter' to meet energy challenges in an economic, sustainable and socially responsible manner. For instance, we have introduced intelligent substations which use digital technologies to improve the equipment connectivity, making them more reliable and flexible.

Our Smart Grid Experience Centre in Hong Kong, which showcases the many features and benefits of different smart grid technologies, has attracted over 12,700 visitors, including some 5,400 shareholders, since 2011.

From Internet-of-things to Smart X

Internet-of-things (IoT) refers to different sensors, controllers or ICT systems that are linked together via the internet. They offer different products and/or services to individual customers, businesses and governments. They range from a simple switch that is controlled remotely via a smart phone to a complex traffic monitoring system. Through the IoT, citizens can get the latest information they require at or near real time. With the ease and rapid development of IoT, many functions within a smart city can be optimised and enhanced, for instance, controlling traffic dynamically, home security, energy efficiency in buildings and waste management. It enables a level of visibility and control that was not previously possible.

Smart X represents a variety of applications utilising the IoT. With connectivity and intelligent learning algorithms, these devices and systems make our living and work space more comfortable (smart thermostat), efficient (smart lighting), secure (smart home), flexible (smart meter), reliable (smart grid) and adaptable (smart building).

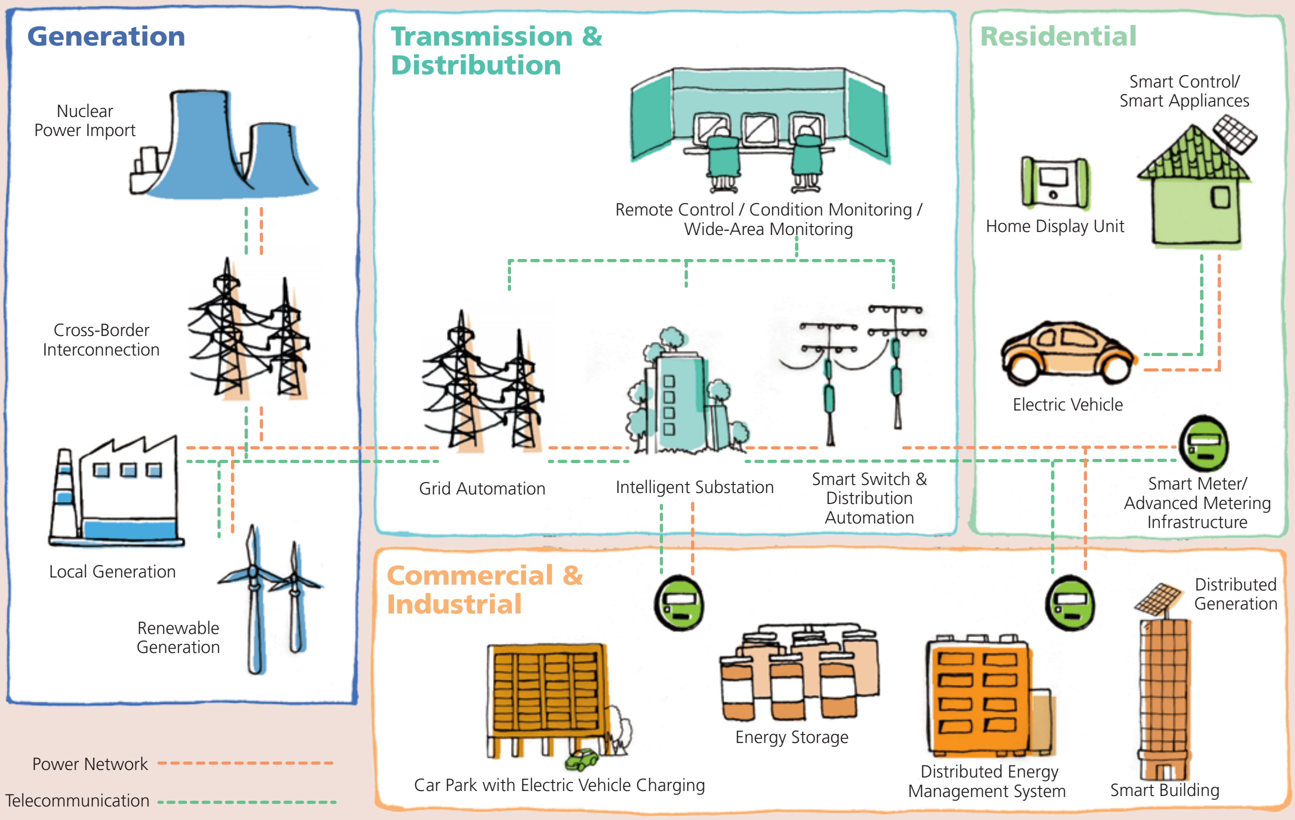
CLP has gained extensive experience and knowledge on the development of smart meters in both Australia and Hong Kong. Smart meters are electronic meters that can provide additional information on energy consumption and enable two-way communication between customers and utilities. By integrating smart meters, CLP is able to provide more energy options and choices for our customers and to help them save energy.

In Australia, our subsidiary EnergyAustralia participated in the Smart Grid, Smart City project in New South Wales, which generated significant smart meter knowledge and experience that will help us better meet our customers' needs in the future. In Hong Kong, we have successfully completed a smart meter pilot programme, "myEnergy", in 2014 for residential and small-to-medium commercial customers. Through the pilot programme, we helped our customers identify energy saving opportunities and better manage their electricity usage. CLP submitted the encouraging findings of myEnergy to the Government and is working with the Government to explore greater use of smart meters in the future.

From Integrated Renewables to Energy Storage

Renewable energy generation will be an integral part of future energy systems. Harnessing unlimited renewable energy, particularly solar energy, is becoming more affordable. It also offers a low carbon solution to our constant need for cleaner and more economic energy in city buildings. However, due to the high cost of land, renewable energy will more likely be developed at a small scale and distributed locally within a city.

Smart Grid



Highlights of a smart grid:

- A power system must be designed and operated in a safe, reliable, efficient and environmentally responsible manner;
- A smart grid enables the integration of renewable energy at all levels;
- The smart meters, a key component of smart grids, are electronic meters that can provide granular usage data, two-way communications, remote meter reading and equipment control capabilities;
- A smart grid allows utilities and customers to interact such that certain load consumptions can be controlled to meet system needs;
- A smart grid enables the integration of different distributed energy resources, including local generation and storage devices, and
- A smart grid leverages telecommunications and advanced technologies to provide better monitoring capabilities such as intelligent substations, outage management systems, equipment health monitoring and distribution automation.

Energy storage, particularly battery technology, has seen rapid growth and cost reduction within the last decade. With energy storage devices, we can overcome the intermittent generation profile of wind and solar resources and accelerate more uptake of renewable energy. In addition, energy storage can also provide emergency backup power and spinning reserve for the grid.

Today, CLP has over 3,000MW of renewable energy projects in our generation portfolio spreading across the Asia-Pacific region. These facilities include utility-scale wind and solar farms, roof-top solar panels and building integrated photovoltaic (BIPV).CLP has worked with different battery systems for various applications for years. The success of the integration and utilisation of storage devices will depend heavily on their overall economic benefits, technology maturity, performance reliability and safety considerations.

From Mass Transit Systems to Electric Vehicles (EVs)

Electrification of mass transit systems is already very common in major cities around the world. Both public and private EVs are increasingly popular and it is largely driven by rapid technology advancement and emission control incentives. The need to equip smart cities with the necessary charging infrastructure, convenient payment model, and parking space information will eventually surface in most smart cities.

CLP has long been a supporter of EVs and public charging station deployment. In 2015, we owned and operated 77 electric vehicles including two electric buses with 142 public charging points in our service areas within Hong Kong. We have extended our free charging service until the end of 2016 and introduced a new service in 2015 to facilitate the installation of private chargers by our customers in residential or commercial buildings.

From Data Management to Data Analytics

Data is an integral part of all smart cities. With IoT and Smart X being increasingly deployed, a large volume of real time data is generated. This voluminous and complex data, also known as Big Data, will require extensive data management, sophisticated analytics and visualisation capabilities to provide insight and enable faster decision making. In Hong Kong, we recently published the location data of our EV charging stations on the Government's open data portal, which could help facilitate the development of mobile apps.

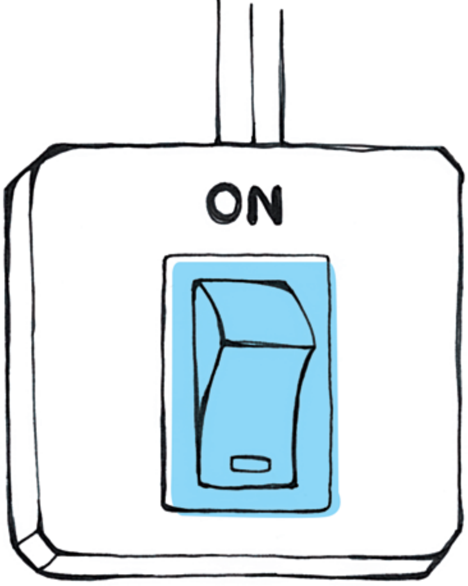
CLP has been managing bulk metering data since the 1980s, when we first implemented interval meters in Hong Kong. The smart meter deployment in Victoria, Australia and the recent pilot programmes in Hong Kong have also enabled us to build extensive capabilities on Big Data management and analytics. As the importance of ensuring personal privacy and public security increases, cyber-security has also become our top priority and newly acquired expertise.

Towards a Low Carbon and Sustainable Future

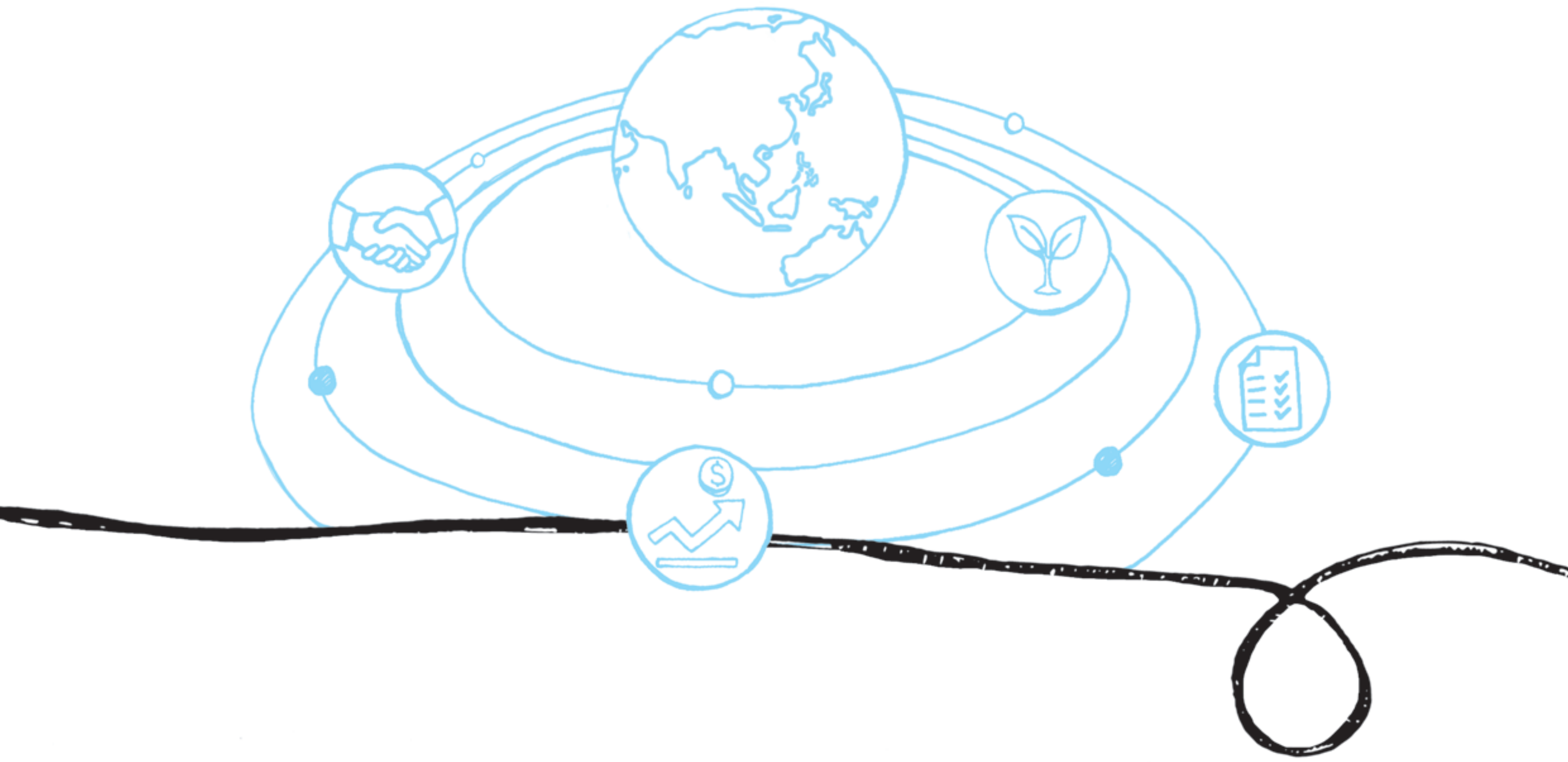
The definition of a smart city is constantly evolving. Each city has its own technological, economical and aspirational drivers that will define its own vision of a smart city. Ultimately, historical, cultural, political and social factors will play a role in the final implementation. However, the role of electricity supply within all smart cities will be common and the trend is towards a low carbon, economical, efficient and intelligent power system.

CLP has been actively working on the development and deployment of smart meters, demand side management, distribution automation, renewable energy, building energy management systems, micro-grid, EV charging network, intelligent substations, condition monitoring, open data and big data management. Such knowledge and experience will enable us to shape and participate in the development of smart cities in Asia Pacific.

GOVERNANCE



What processes support our ability to create value?



We explain how CLP's governance structure supports our strategic objectives and promotes the sustainability of our Company and business model

Board of Directors

Non-executive Directors

The Honourable Sir Michael Kadoorie
GBS, LLD (Hon.), DSc (Hon.), aged 74, Chairman, N (Appointed on 19 January 1967*)

The Hon Sir Michael Kadoorie is a Commandeur de la Légion d'Honneur, Commandeur de l'Ordre des Arts et des Lettres, Commandeur de l'Ordre de la Couronne and Commandeur de l'Ordre de Léopold II. He is the Chairman of The Hongkong and Shanghai Hotels, Ltd. and Heliservices (Hong Kong) Ltd., a Director of Sir Elly Kadoorie & Sons Ltd., an Independent Non-executive Director of CK Hutchison Holdings Limited as well as an Alternate Director of Hong Kong Aircraft Engineering Company Ltd. He is the brother-in-law of a fellow Director, Mr Ronald J. McAulay.

William Elkin Mocatta
FCA, aged 62, Vice Chairman, F&G, H, P (Appointed on 16 January 1993*)

Mr Mocatta is a Fellow of the Institute of Chartered Accountants in England and Wales. He is an Executive Director of Sir Elly Kadoorie & Sons Ltd. He is the Chairman of CLP Power Hong Kong Ltd., CLP Properties Ltd., CLP Property Investment Limited, Castle Peak Power Company Limited and Hong Kong Pumped Storage Development Co., Ltd.; an Alternate Director of CK Hutchison Holdings Limited, as well as a Director of The Hongkong and Shanghai Hotels, Ltd. and other companies in Hong Kong.

Ronald James McAulay
MA, CA, aged 80 (Appointed on 1 January 1968*)

Mr McAulay holds an MA degree from the University of Glasgow and is a Member of the Institute of Chartered Accountants in Scotland. He is the brother-in-law of the Chairman. Mr McAulay is a Director of Sir Elly Kadoorie & Sons Ltd. and a Non-executive Director of The Hongkong and Shanghai Hotels, Ltd. He is also a trustee or council member of a number of commercial, artistic and charitable organisations, in Hong Kong and elsewhere.

John Andrew Harry Leigh
aged 62 (Appointed on 10 February 1997*)

Prior to joining the CLP Group in 1986, Mr Leigh was in private practice as a solicitor in Hong Kong and the UK. He was the Senior Legal Advisor, Company Secretary and General Manager - Corporate Affairs in the CLP Group between 1986 and 1996. Mr Leigh is a Director of The Hongkong and Shanghai Hotels, Ltd. and also a Director of Sir Elly Kadoorie & Sons Ltd.

Andrew Clifford Winawer Brandler
MA, MBA, ACA, aged 59, F&G, S (Appointed on 6 May 2000)

Mr Brandler holds an MA degree from Cambridge University, MBA degree from Harvard Business School, and is a Member of The Institute of Chartered Accountants in England and Wales. He is the Chairman of Sir Elly Kadoorie & Sons Limited. He was the Group Managing Director and Chief Executive Officer (CEO) of CLP Holdings from 6 May 2000 to 30 September 2013. He continued to serve on the Board as an Executive Director until his redesignation as a Non-executive Director on 1 April 2014. Mr Brandler is a Director of EnergyAustralia Holdings Limited (a wholly-owned subsidiary of CLP Holdings). He is also a Non-executive Director and Deputy Chairman of The Hongkong and Shanghai Hotels, Ltd. and a Non-executive Director of Tai Ping Carpets International Limited. He is also the Chairman of the Chinese International School Foundation (CIS) as well as an Alternate Director of Hong Kong Golf Association Limited.

Lee Yui Bor
BSc, MSc, PhD, DIC, C.Eng., MIET, FHKIE, aged 69 (Appointed on 4 August 2003)

Dr Lee holds a BSc degree in Electrical Engineering from the University of Hong Kong, an MSc degree from Imperial College, University of London and a PhD from the University of Bath, UK. He is a Chartered Engineer, a Fellow of the Hong Kong Institution of Engineers and an Honorary Fellow of the Association of the Electricity Supply Industry of East Asia and Western Pacific, of which he was the President in 1992. Dr Lee is the Chairman of Longmen Group Ltd., a Director of Metrojet Ltd. and Heliservices (Hong Kong) Ltd. and an Honorary Professor of the University of Hong Kong. He first joined the CLP Group in 1976 and retired as an Executive Director in 2007.

Independent Non-executive Directors

Vernon Francis Moore
BBS, FCA, FCPA, aged 69, A, F&G, H (Appointed on 7 March 1997*)

Mr Moore is currently personal advisor to the Chairman of CITIC Limited. He was an executive director of CITIC Limited from 1990 to 2014 and chief financial officer from 1990 to 2005 and 2008 to 2014. He is a director of CITIC Pacific and CITIC Mining International and the chairman of the New Hong Kong Tunnel and the Western Harbour Tunnel. Mr Moore was also a non-executive director of Cathay Pacific Airways from 1992 until 2009 (except June to September 1996). He is a deputy chairman of the executive committee of the Community Chest.

Sir Roderick Ian Eddington
AO, aged 66, F&G (Appointed on 1 January 2006)

Sir Rod Eddington was the 1974 Rhodes Scholar at the University of Western Australia. He completed a D Phil in the Department of Engineering Science at Oxford University. He is the Non-executive Chairman (Australia and New Zealand) of JP Morgan Chase Bank N.A. and a Non-executive Director of 21st Century Fox (split from News Corporation) and John Swire & Sons Pty Ltd. He is the Chairman of Lion Pty Ltd since 1 April 2012. Sir Rod Eddington was the Chief Executive of British Airways plc from 2000 until he retired on 30 September 2005. He has close connections with Hong Kong through his previous directorships with Cathay Pacific Airways Limited, Swire Pacific Limited and Hong Kong Aircraft Engineering Company Limited during the period from 1988 to 1996.

Nicholas Charles Allen
aged 60, A, F&G, H, N, S (Appointed on 12 May 2009)

Mr Allen holds a Bachelor of Arts degree in Economics / Social Studies from Manchester University, UK. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He is also an Independent Non-executive Director of Link Asset Management Ltd., Lenovo Group Ltd., Hysan Development Co. Ltd., Vinaland Ltd. and Texon International Group Ltd. Mr Allen joined Coopers & Lybrand (C&L) in London in 1977 and transferred to C&L Hong Kong in 1983. He was admitted to partnership in C&L Hong Kong in 1988, which was subsequently merged with Price Waterhouse into PricewaterhouseCoopers (PwC) in 1998. Mr Allen retired from PwC in 2007.

Cheng Hoi Chuen Vincent
GBS, OBE, JP, aged 67, F&G, H, N
(Appointed on 17 August 2011)

Mr Cheng holds a Bachelor of Social Science degree in Economics from The Chinese University of Hong Kong and a Master of Philosophy degree in Economics from The University of Auckland. Mr Cheng was the Adviser to the Group Chief Executive of HSBC Holdings plc between June 2011 and May 2012. He was Chairman of The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank (China) Company Limited and HSBC Bank (Taiwan) Limited between 2005 and 2011, an Executive Director of HSBC Holdings plc (2008 to 2011), and a Non-executive Director of HSBC Bank (Vietnam) Limited (2008 to 2010). He is currently an Independent Non-executive Director of MTR Corporation Limited, Great Eagle Holdings Limited, China Minsheng Banking Corp., Ltd., Shanghai Industrial Holdings Limited, Wing Tai Properties Limited, CK Hutchison Holdings Limited and Hui Xian Asset Management Limited.

Law Fan Chiu Fun Fanny
GBS, JP, aged 63, A, S
(Appointed on 17 August 2011 and reappointed on 1 August 2012)

Mrs Law graduated from the University of Hong Kong with an Honours degree in Science. She received a Master degree in Public Administration from Harvard University and was named a Littauer Fellow. She also has a Master degree in Education from The Chinese University of Hong Kong. Prior to her retirement from the civil service in 2007, Mrs Law was the Commissioner of the Hong Kong Independent Commission Against Corruption. During her 30 years in the civil service, Mrs Law worked in many fields, including medical and health, economic services, housing, land and planning, home affairs, social welfare, civil service, transport and education. Mrs Fanny Law is currently a Hong Kong SAR Deputy to the 12th National People's Congress of the People's Republic of China, a Member of the Executive Council of the Government of Hong Kong SAR, a Director of the Fan Family Trust Fund, Special Advisor to the China-US Exchange Foundation and Honorary Principal of Ningbo Huizhen Academy. She is also an Independent Non-executive Director of China Unicom (Hong Kong) Limited and DTXS Silk Road Investment Holdings Company Limited (previously known as UDL Holdings Limited), and the Chairperson of the Hong Kong Science and Technology Parks Corporation.

Lee Yun Lien Irene
aged 62, A, F&G, S
(Appointed on 15 October 2012)

Ms Lee holds a Bachelor of Arts Degree from Smith College, USA, and is a Barrister-at-Law in England and Wales and a member of the Honourable Society of Gray's Inn, UK. Ms Lee is currently the Executive Chairman of Hysan Development Company Limited, an Independent Non-executive Director of Cathay Pacific Airways Limited, Hang Seng Bank Limited, HSBC Holdings plc, Noble Group Limited (listed on Singapore Exchange Limited) and The Hongkong and Shanghai Banking Corporation Limited. Ms Lee has wide experience in financial services, including banking, funds management and general insurance.

Zia Mody
LLM, aged 59, H
(Appointed on 2 July 2015)

Mrs Zia Mody obtained her law degree from the University of Cambridge in 1978 and was enrolled as an advocate with the Bar Council of Maharashtra and Goa in 1978. She gained her LLM from Harvard Law School and was then admitted as a member of the New York State Bar by examination in 1980. Mrs Mody worked as a corporate associate at Baker & McKenzie in New York for five years before moving to India to set up practice, establishing the Chambers of Zia Mody in 1984, which then became AZB & Partners (AZB) in 2004. Mrs Mody is the founder and senior partner of AZB which has its offices in Mumbai, Delhi, Bangalore and Pune in India. Mrs Mody is currently the Deputy Chairman, an Independent Non-executive Director and a Member of the Risk Committee of The Hongkong and Shanghai Banking Corporation Ltd. Mrs Mody is also a Director of the London Court of International Arbitration (India) Private Limited. She is also a trustee of J. B. Petit High School for Girls.

Executive Directors

Richard Kendall Lancaster
BE, aged 54, F&G, S
(Appointed on 3 June 2013)

Mr Lancaster holds a bachelor degree in electrical engineering from the University of New South Wales. He is the Chief Executive Officer (CEO) and is responsible for overall group performance of CLP. Prior to his role of CEO in September 2013, he was the Managing Director of CLP Power Hong Kong for three years, responsible for its electricity generation, transmission and distribution business and service to its customers in Hong Kong. Mr Lancaster began his career with the Electricity Commission of New South Wales in Australia and has more than 30 years of experience in the power industry and in other industrial operations in Australia, UK and Hong Kong. Mr Lancaster joined CLP in 1992 and has held a variety of managerial positions in CLP. His experience covers project management, power plant operations, commercial, finance, legal and corporate functions. Mr Lancaster is a Director of The Business Environment Council and a founding member of the Advisory Council of The Australian Chamber of Commerce Hong Kong & Macau. He is also a Fellow of the Hong Kong Management Association.

Geert Herman August Peeters
MSc(Eng.), CEng(Belgium), aged 52, F&G, P
(Appointed on 1 January 2016)

Mr Peeters, a Knight in the Order of King Leopold, has a master of science in electro mechanical engineering (hons. RUG Gent, Belgium), a postgraduate degree in business and IT administration (HEC Brussels, Belgium) and attended executive business training at INSEAD Paris, France. Mr Peeters has been the Group Director & Chief Financial Officer since 1 April 2014, responsible for Group financial control & reporting, Group treasury, Group tax, Group corporate finance, risk management and investor relations of CLP Holdings. He was appointed the Executive Director and Chief Financial Officer of CLP Holdings with effect from 1 January 2016. He has over 25 years of experience in the energy industry. Prior to joining CLP, he was the Deputy Chief Financial Officer of GDF SUEZ (now known as ENGIE) Group based in Paris. Mr Peeters was with GDF SUEZ from 1997 to 2013, gaining extensive experience in senior financial and operational roles in Europe, Latin America, the Middle East and North America. He also served as the Executive Director and Chief Financial Officer of International Power plc, a GDF SUEZ subsidiary listed on the London Stock Exchange and part of the FTSE 100 index until July 2012.

A Audit Committee
N Nomination Committee
F&G Finance & General Committee
P Provident & Retirement Fund Committee
H Human Resources & Remuneration Committee
S Sustainability Committee

* The date given is that of appointment to the Board of China Light & Power Co., Ltd., the holding company of the CLP Group prior to the Group Reorganisation in 1998. All of these Directors were appointed to the Board of CLP Holdings on 31 October 1997.

Full particulars of Directors, including their directorships in the subsidiary companies of CLP Holdings, other directorships held in the last three years in public listed companies and other major appointments are available on our website.

Senior Management

From left to right

Front row: Catherine Leigh Tanna, Geert Herman August Peeters, Richard Kendall Lancaster, Yuen So Siu Mai Betty

Back row: Rajiv Ranjan Mishra, Chan Siu Hung, Poon Wai Yin Paul, Chong Wai Yan Quince, Derek Parkin, David John Simmonds, Roy Anthony Massey

Richard Kendall Lancaster

Chief Executive Officer

Mr Lancaster's biography is on page 105.

Geert Herman August Peeters

Executive Director & Chief Financial Officer

Mr Peeters' biography is on page 105.

Derek Parkin

Chief Operating Officer, BSc(Hons), MPhil, MBA, CEng, Eur Ing, FEI, FIMM, MIoD, aged 56

Mr Parkin joined CLP as the Group's Chief Operating Officer in September 2015. He is responsible for the Group's operations, engineering, construction and fuel procurement. He also leads CLP's occupational health, safety, security and environment function. Mr Parkin has over 30 years of engineering and business management experience across Europe, Russia, Asia and South America. Prior to joining CLP, Mr Parkin was the Chief Operating Officer / Chief Executive Officer of UK Coal and served on the executive board of power and gas giant E.ON UK for more than five years before being appointed as the Managing Director of New Build and Technology of E.ON. As a chartered engineer, Mr Parkin holds an Executive MBA degree from Staffordshire University and a Master of Philosophy degree in Engineering from Nottingham University.

Yuen So Siu Mai Betty

Group Director & Vice Chairman – CLP Power Hong Kong, B.Comm., CPA, aged 58, F&G

Mrs Yuen was appointed as the Vice Chairman of CLP Power Hong Kong Limited in 2010, with a primary focus on the strategic direction of the Group's electricity business in Hong Kong and China. She is also responsible for CLP's investments in Guangdong Daya Bay Nuclear Power Station as well as further development of CLP's nuclear business on the Mainland. She worked for ExxonMobil for 13 years before joining CLP in 1999.

Poon Wai Yin Paul

Managing Director – CLP Power Hong Kong, BSc(Eng.), FIET, FIMechE, FHKIE, FIEAust, FHKEng, CEng, CPEng, aged 63

Mr Poon holds overall responsibility for the operations of the Hong Kong business. Mr Poon has over 38 years' experience in the power industry. He joined CLP Power Hong Kong in 1981 and has held various management positions in different operational departments and in CLP (International). He was the Chief Operating Officer – CLP Power Hong Kong before assuming his current position in September 2013.

Chan Siu Hung

Managing Director – China, JP, BSc(Eng.), MSc, CEng, MIET, MHKIE, aged 57

Mr Chan is responsible for CLP's China business. Mr Chan holds an MSc degree in Electricity Industry Management and Technology from the University of Strathclyde, and a BSc degree in electrical engineering from the University of Hong Kong. He joined CLP Power Hong Kong in 1981 and has held various management positions in different functional areas including operations, maintenance, asset management, corporate strategy and planning. Mr Chan is a member of the 11th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference.

Rajiv Ranjan Mishra

Managing Director – India, MBA, aged 50

Mr Mishra is responsible for asset management and business development of CLP's investments in India. He joined CLP in 2002 and has 21 years' experience in the power industry, both in India and internationally, mostly involved in project financing, investment appraisal, finance and accounting and general management. He holds a bachelor's degree in Chemical Engineering (first class distinction) and an MBA degree from the Indian Institute of Management, Lucknow.

Catherine Leigh Tanna

Managing Director – EnergyAustralia, LLB, aged 54

Appointed as Managing Director of EnergyAustralia on 1 July 2014, Ms Catherine Tanna holds overall responsibility for the asset management and business development of CLP's investments in Australia. Ms Tanna is also a Director on the Board of the Reserve Bank of Australia, a member of the Business Council of Australia and a member of Chief Executive Women. Prior to joining EnergyAustralia, Ms Tanna was the Chairman, BG Australia. Ms Tanna also had a long career with Shell and BHP Billiton. Ms Tanna studied at the University of Queensland and holds a Bachelor of Laws degree.

David John Simmonds

Group General Counsel & Chief Administrative Officer, LLB, BCom, aged 45

Mr Simmonds holds a Bachelor of Laws (Honours) degree and a Bachelor of Commerce degree from the University of Melbourne. Mr Simmonds joined the CLP Group in August 2007 and became the Group General Counsel & Chief Administrative Officer on 30 September 2013 and the Company Secretary of CLP Holdings on 1 January 2016. He is responsible for the provision of legal and insurance services across the CLP Group, the Group's property development and management activities, special projects of the CEO, and a range of commercial and administrative matters of significance to the Group. He is also responsible for the corporate secretarial affairs of CLP Holdings and its subsidiaries. He has extensive infrastructure experience advising on strategic acquisitions and divestments, projects and construction, corporate structuring, regulatory issues and competition laws.

Chong Wai Yan Quince

Chief Corporate Development Officer, JP, BSSc, aged 52, S

Ms Chong joined CLP Power Hong Kong on 1 September 2012 as Chief Corporate Development Officer. At CLP Power Hong Kong, she leads the functions of marketing and customer service, public affairs and community relations to help drive customer service excellence and strengthen ties with customers and the community as a whole. She is also responsible for all public affairs and sustainability development matters of the CLP Group. Before joining CLP, Ms Chong was Director Corporate Affairs of Cathay Pacific Airways. She has over 25 years of experience in corporate communications and customer services after having held various senior management positions in the tourism, hotel and aviation industries, including the Hong Kong Tourism Board (formerly the Hong Kong Tourist Association).

Roy Anthony Massey

Chief Human Resources Officer, MBA, LLB, aged 61

Mr Massey is responsible for all human resource related matters across the Group. Prior to joining CLP in 2000, Mr Massey was a management consultant for 16 years, working on projects in the UK, Russia, Romania and the Middle East. Mr Massey was previously a Human Resources Manager in both the UK and with a US multinational in Saudi Arabia. Mr Massey holds an MBA degree from the Manchester Business School, and a degree in Law from Liverpool University.

F&G Finance & General Committee   S Sustainability Committee

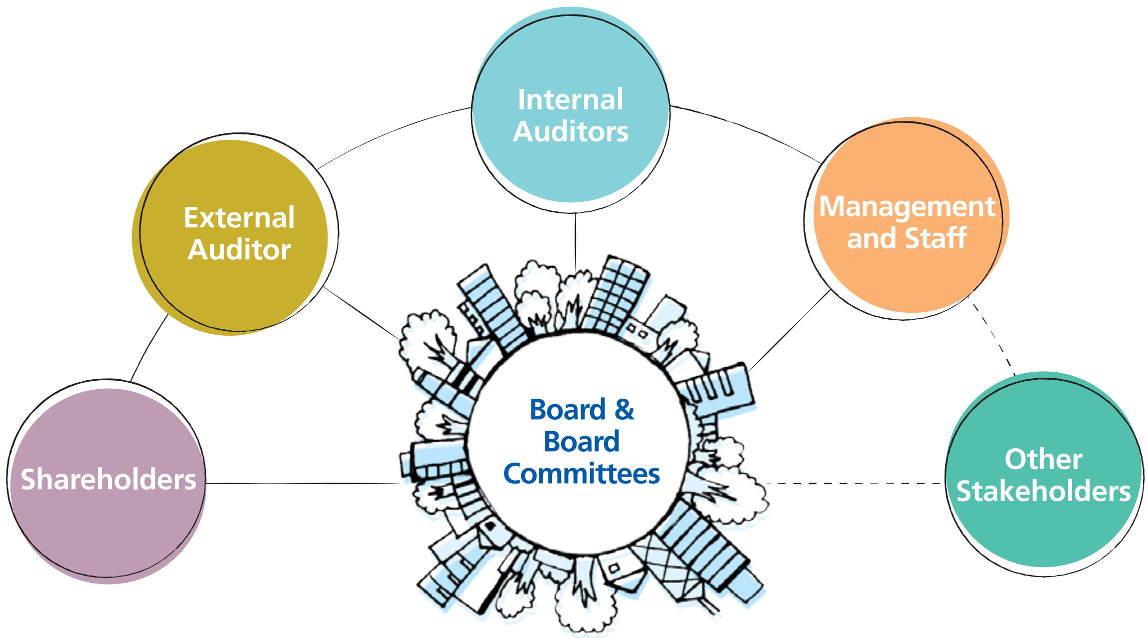
Full particulars of Senior Management, including their directorships in the subsidiary companies of CLP Holdings and other major appointments are available on our website.

Corporate Governance Report

CLP's Corporate Governance Framework

Good corporate governance enhances the credibility and reputation of the Company, as well as promoting and safeguarding the interests of shareholders and other stakeholders. Maintaining a high standard of corporate governance has been and remains one of CLP's top priorities.

We use a Corporate Governance Framework to identify all the key participants in good governance, the ways in which they relate to each other and the contribution each makes to the application of effective governance policies and processes.



Our Corporate Governance Framework rests on two important commitments:

- We disclose our corporate governance principles and practices openly and fully; and
- We continually strive to improve our principles and practices in light of our experience, regulatory requirements, international developments and investor expectations.

Through this Corporate Governance Report, the "CLP Code on Corporate Governance" (the CLP Code) and the Corporate Governance section on our website, we keep shareholders and other stakeholders abreast of all our policies and practices.

The CLP Code on Corporate Governance

The Corporate Governance Code and Corporate Governance Report (the Stock Exchange Code) issued by the Stock Exchange of Hong Kong Limited (the Stock Exchange) and found in Appendix 14 of the Rules Governing the Listing of Securities (the Listing Rules) on the Stock Exchange sets out principles of good corporate governance and two levels of recommendation:

- Code Provisions, with which issuers are expected to comply or to give considered reasons for any deviation; and
- Recommended Best Practices, for guidance only, save that issuers are encouraged to comply or give reasons for deviation.

CLP adopted our own unique CLP Code in February 2005. It is updated from time to time, most recently in February 2015, reflecting the New Companies Ordinance (Cap. 622) (NCO) which took effect from 3 March 2014 and the evolution of CLP's corporate governance practices. Shareholders may download a printable copy of the CLP Code from our website, obtain a hard copy from the Company Secretary on request at any time, or by completing and returning the form enclosed with this Annual Report.

The CLP Code incorporates all of the Code Provisions and Recommended Best Practices in the Stock Exchange Code, save for the single exception explained on the next page. It exceeds the requirements of the Stock Exchange Code in many aspects. CLP has also applied all of the principles in the Stock Exchange Code. The manner in which this has been achieved is set out in the CLP Code and this Corporate Governance Report. The following are the major respects in which the CLP Code exceeds (✓✓) or meets (✓) the Code Provisions and Recommended Best Practices of the Stock Exchange Code.

✓✓	CLP has established a Corporate Governance Framework which covers all of the relationships and responsibilities of the external and internal corporate governance stakeholders in a comprehensive and structured way.
✓✓	CLP published a formal Value Framework in 2003, most recently updated in September 2013, which sets out the business principles and ethics underpinning CLP's activities.
✓✓	CLP acknowledges shareholders' rights as set out in the Organisation for Economic Cooperation and Development's "Principles of Corporate Governance".
✓✓	More than one-third (7 out of 15) of the CLP Holdings Board are Independent Non-executive Directors.
✓✓	CLP has adopted its own Code for Securities Transactions by Directors, which is on terms no less exacting than the required standard as set out in the Model Code under Appendix 10 of the Listing Rules. This Code also applies to other "Specified Individuals" such as members of the CLP Group's Senior Management. A copy of this Code is available on the CLP website.
✓✓	In addition to the disclosure of interests of Directors and their confirmation of compliance with the Model Code and CLP Code for Securities Transactions, we disclose Senior Management's interests in CLP Holdings' securities and their confirmation of compliance with the Model Code and CLP Code for Securities Transactions.
✓✓	We issue a formal letter of appointment for Non-executive Directors, 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". The model letter is on our website and deals with a range of matters regarding a Director's appointment and responsibilities.
✓✓	We publish the terms of reference and membership of all Board Committees on the websites of CLP and the Stock Exchange.
✓✓	We conduct a regular evaluation of the performance of the Board as well as all of its Board Committees and conclusions of these findings are published on the CLP website.
✓✓	The Audit Committee comprises only Independent Non-executive Directors. Two of the four members have appropriate professional qualifications, accounting and related financial management expertise. The other two members have respective experience in public administration and financial services.
✓✓	We issue an Audit Committee Report which sets out the primary responsibilities of the Audit Committee and the work performed by it during the period under review.
✓✓	CLP publishes its annual performance on ESG issues through this Annual Report and our Sustainability Report available online at the same time. These in many respects exceed the terms of the ESG Reporting Guide set out in Appendix 27 to the Listing Rules. SR
✓✓	We announce our financial results within two months after the end of the financial year. We publish our full Annual Report on our website within the following fortnight and send this to shareholders about two weeks after that.
✓✓	We serve more than 20 clear business days notice for our AGMs and more than 14 clear business days notice for all other General Meetings.
✓✓	We provide enhanced disclosure of financial information about the CLP Group's joint ventures and associates.
✓✓	The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) submit an annual "General Representation Letter" to the Audit Committee, in which they give a personal certification of compliance by themselves and their subordinates with a range of key internal control systems, disciplines and procedures, which cover financial and relevant non-financial information.
✓✓	We issue a Sustainability Committee Report which sets out our sustainability framework (constructed around those areas, objectives and goals which we consider most relevant to CLP's business) and a summary of work done by the Sustainability Committee.
✓✓	Our Anti-Fraud Policy states the Company's commitment to preventing, detecting and reporting fraud.
✓✓	We adopt a Fair Disclosure Policy which sets out the principles for the broad and non-exclusionary distribution of information to the public.
✓✓	We publish a set of Continuous Disclosure Obligation Procedures with regular updates, which formalise the current practices in monitoring developments in our businesses for potential inside information and communicating such information to our shareholders, the media and analysts.
✓✓	We issue a Risk Management Report which sets out CLP's risk management framework and how CLP manages the Group's material risks.
✓	All Code Provisions of the Stock Exchange Code.
✓	All Recommended Best Practices of the Stock Exchange Code, except the single one explained on the next page.

CLP deviates from only one Recommended Best Practice in the Stock Exchange Code – that an issuer should announce and publish quarterly financial results. Instead, CLP issues quarterly statements which set out key financial and business information such as electricity sales, dividends and progress in major activities. CLP does not issue quarterly financial results. The reason is a judgment that, as a matter of principle and practice, quarterly reporting does not bring significant benefits to shareholders. Quarterly reporting encourages a short-term view of a company's business performance. CLP's activities do not run and should not fall to be disclosed and judged on a three-month cycle. Preparation of quarterly reports also costs money, including the opportunity cost of board and management time spent on quarterly reporting. CLP's position is set out on our website as an update of the views that we expressed in 2002 and which were accompanied by a standing invitation to shareholders to let us know if their views differed. Up to now, we have received no such feedback from shareholders. We would review our position if there was a clear demand from shareholders for quarterly reporting. CLP's focus remains on enhancing the quality of its reporting to shareholders through existing channels such as the Annual Report, Sustainability Report and its website – all of which far exceed regulatory requirements in the extent of disclosure made.

Our website includes an annotated version of the CLP Code, with cross-references from the CLP Code to the corresponding Code Provisions and Recommended Best Practices of the Stock Exchange Code. Throughout the year, the Company met the Code Provisions as set out in the Stock Exchange Code.

Evolution of CLP's Corporate Governance in 2015

In 2015, CLP made further progress in the evolution of our corporate governance practices, in line with the CLP Code and emerging developments in global corporate governance practices:

a) Cyber security awareness initiatives being extended to our businesses in Mainland China and India through engagement programmes and training and a continuation of activities to maintain and reinforce the awareness culture and behaviour change in Hong Kong.

b) Continued assessment of risk management processes at holdings level. Assessment is to be extended to the business unit level in 2016.

c) Continued to strengthen our reporting on ESG issues against the ESG Reporting Guide and associated Listing Rules issued by the Stock Exchange and the Global Reporting Initiative's G4 Sustainability Reporting Guidelines (GRI G4 Reporting Guidelines).

d) Continued to undertake corporate governance roadshows to exchange views with institutional investors and international experts in corporate governance.

e) Conducted a performance evaluation of the CLP Holdings Board and its Board Committees for 2014 by the Company Secretary in the form of a questionnaire to all Directors individually, with a focus on the review of the implementation of the recommendations of the Board Performance Evaluation Report in 2013. More details are provided on pages 120 and 121 of this Report. For 2015, we have undertaken a competitive tendering process for engagement of an external consultant to evaluate the performance of the Board and Board Committees.

f) Issued and adopted the CLP Project Management Governance System Standard to ensure the application of world-class project management practices across the Group. As preparatory work, the "Project Management Academy" was established and this included curriculum development, training materials, e-learning platform, and initial intake enrolment.

g) Updated the terms of reference of the Audit Committee to reflect the Committee's additional responsibilities arising from the review of the assurance of sustainability data in the Sustainability Report and the amendments of the Stock Exchange Code on risk management and internal control.

h) Held our third ESG webcast on 28 April 2015 to further enhance our communication with institutional investors and their proxy advisors on the ESG aspects of our business. The recording of the webcast is available on the CLP website.

i) Conducted corporate governance briefings to local subsidiaries and joint ventures in Mainland China and Australia.

j) Shared our expertise and views on corporate governance issues by participating in formal and informal focus groups organised by the Stock Exchange, as well as by responding to the Consultation Paper issued by the Securities and Futures Commission with regard to Principles of Responsible Ownership and the Consultation Paper on Review of the ESG Reporting Guide published by the Stock Exchange.

k) Completed the independent three year periodic review of the fees payable to Non-executive Directors and published this on CLP's website (see pages 149 and 150 of the Human Resources & Remuneration Committee Report).

l) Undertook an internal review of the Company Management Authority Manual for EnergyAustralia and the proposed changes from the review aimed to update the governance process for the operational and strategic aspects of the business so as to reflect the focus and strategy of EnergyAustralia.

Shareholders

The Board and Senior Management recognise their responsibilities to represent the interests of all shareholders and to maximise shareholder value. The "Shareholder Value and Engagement" section of this Annual Report details our policies and actions in this respect. In addition, the CLP Code highlights key rights enjoyed by our shareholders.

The Company is incorporated in Hong Kong. We have chosen to be subject to the company law of the jurisdiction in which a major part of our business is based, where our shares are listed and where the vast majority of our shareholders are residents.

Details of the profile of the shareholders in the Company, aggregate shareholding and important shareholders' dates in the coming financial year are set out in the "Shareholder Value and Engagement" section at page 20 of this Annual Report.

From publicly available information and as far as our Directors are aware, CLP Holdings has maintained a sufficient public float of its share capital in the Hong Kong stock market throughout the financial year ended 31 December 2015 and has continued to maintain such a float as at 29 February 2016.

Pursuant to the NCO and our Articles of Association, a General Meeting of shareholders can be convened by the Board or a written request signed by shareholders holding at least 5% of the total voting rights of all the shareholders having a right to vote at that meeting, stating the general nature of the business to be dealt with at the meeting, and deposited at the Company's registered office in Hong Kong at 8 Laguna Verde Avenue, Hung Hom, Kowloon.

The procedures for shareholders to put forward proposals at our AGM or any General Meeting include a written notice of those proposals being submitted by shareholders, addressed to the Company Secretary at the registered office. The detailed procedures vary according to the nature of the meeting and the type of resolution. The relevant procedure to propose a person other than a Director of the Company for election as a Director is set out in the Notice of AGM which accompanies the dispatch of this Annual Report to shareholders and will be included with the notice to shareholders of any future AGM. The procedures for shareholders to convene and put forward proposals at our AGM or any General Meeting are available on our website or on request to the Company Secretary.

The most recent shareholders' meeting was the AGM held on 7 May 2015 at the Hong Kong Polytechnic University, Kowloon, Hong Kong. Major items discussed included the adoption of a new set of Articles of Association to:

a) update various provisions contained in the predecessor Articles of Association in order to bring them in line with the NCO;
b) make a number of procedural changes, mainly relating to the conduct of General Meetings, to reflect the evolution of the current practices of the Company; and
c) make some consequential and housekeeping changes.

The percentage of votes cast in favour of the resolutions relating to the major items are set out below:

- Re-election of Mr William Mocatta, Mr Vernon Moore, Mr Vincent Cheng, The Hon Sir Michael Kadoorie and Mr Andrew Brandler as Directors of the Company (78.5119% to 98.3614% in respect of each individual resolution);
- Adoption of the new Articles of Association of the Company (99.5764%);
- General mandate to Directors to issue and dispose of additional shares in the Company, not exceeding 5% of the total number of shares in issue and such shares shall not be issued at a discount of more than 10% to the Benchmarked Price of such shares (99.4720%); and
- General mandate to Directors to exercise all the powers of the Company to buy back or otherwise acquire shares of the Company in issue, not exceeding 10% of the total number of shares in issue (99.9974%).

All resolutions put to shareholders at the 2015 AGM were passed. The results of the voting by poll of the 2015 AGM have been published on CLP's website and the website of the Stock Exchange. The full proceedings of the 2015 AGM can be viewed in the "Investors Information" section of the Company's website. Minutes of the 2015 AGM were also published on the Company's website.

The Company regards the AGM as an important event in the corporate year and all Directors and Senior Management make an effort to attend. The Chairmen of Board Committees attend the AGM and will take shareholders' questions. A representative (usually the engagement partner) of the external auditor also attends the AGM and will take questions from shareholders relating to their audit of the Company's financial statements.

We have collected and answered the most frequently asked questions by shareholders regarding their rights as CLP shareholders and the ways in which they can best exercise and enjoy those rights in a "Shareholders' Guide". This Guide and its updates are available on the CLP website.

Enquiries may be put to the Board by contacting either the Company Secretary through our shareholders' hotline (852) 2678 8228, e-mail at cosec@clp.com.hk or by questions at a General Meeting.

The Board

The Board is charged with promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated.

The types of decisions which are taken by the Board include those relating to:

- setting the Group's values and standards;
- the strategic direction and objectives of the Group;
- overseeing the management of CLP's relationships with stakeholders, such as Government, customers, the communities and others who have a legitimate interest in the responsible conduct of the Group's business;
- monitoring the performance of management; and
- ensuring that a framework of prudent and effective controls is in place to enable risks to be assessed and managed.

Following the Board's approval of Group Investment Strategy for the CLP Group in October 2014, the Board, in 2015, reviewed and updated the objective, targets and strategy for EnergyAustralia, the China business and the Hong Kong business as a supplement to the Group Investment Strategy. The key components of the investment strategy are set out on page 6 and the "CEO's Strategic Review" beginning on page 11 of the Annual Report discusses the challenges and opportunities.

The Board discharges the following responsibilities through delegation to the Nomination Committee, Audit Committee and Human Resources & Remuneration Committee:

a) to develop and review the Company's policies and practices on corporate governance;
b) to review the contribution required from Directors and whether they are spending sufficient time performing their responsibilities to the Company;
c) to review and monitor the training and continuous professional development of Directors and Senior Management;
d) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
e) to develop, review and monitor the Code of Conduct applicable to employees; and
f) to review the Company's compliance with the CLP Code and disclosure in the Corporate Governance Report.

The Board is regularly kept up-to-date on key events, outlook, safety and environmental matters of the Group through the CLP Group Monthly Management Reports. The Management Report gives a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail and includes year-to-date financials as well.

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group at each period end and of the results and cash flows for that period. In preparing these financial statements for the year ended 31 December 2015, the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

Board Composition

As at the date of this Report, the Board comprises 15 Directors. Three of them are women. All Directors (with the exception of the CEO and the CFO) are non-executive and independent of management, thereby promoting critical review and control of the management process. The Board includes seven influential and active Independent Non-executive Directors to whom shareholders' concerns can be conveyed. The non-executive members of the Board also bring a wide range of business and financial experience to the Board, which contributes to the effective direction of the Group.

Details of all Directors and their biographies are given on pages 104 and 105 of this Annual Report. The relationships (including financial, business, family or other material or relevant relationships) among members of the Board are also disclosed. There is no such relationship as between the Chairman with respect to the CEO and the CFO. All of the Non-executive Directors (see page 104) are not considered as independent, due to their association with the Kadoorie Family, who have a substantial interest (35.01%) in CLP. In common with all Directors, they are aware of their responsibilities to all shareholders.

Directors are requested to declare their and their connected entities' direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at Board meetings and withdraw from the meetings as appropriate. There was no such occasion in 2015.

The Company follows guidelines at each financial reporting period to seek confirmation from Directors in respect of any transactions of the Company or its subsidiaries which are related to Directors or their connected entities.

In addition, identified significant related party transactions are disclosed in Note 30 to the Financial Statements of the Annual Report.

Pursuant to the requirement in the Listing Rules, the Company has received a written confirmation from each Independent Non-executive Director of his / her independence to the Company. The Company considers all of the Independent Non-executive Directors to be independent.

As announced by the Company on 5 June 2015, Mrs Zia Mody has been appointed an Independent Non-executive Director with effect from 2 July 2015. Mrs Mody is the founder and senior partner of AZB. AZB previously advised one of CLP Holdings' subsidiaries in India in relation to a bond issuance. Prior to Mrs Mody's appointment as an Independent Non-executive Director of the Company, the work on this project had been completed and Mrs Mody confirmed that AZB will not act for CLP Holdings or its subsidiaries in future. Furthermore, Mrs Mody was not personally involved in the provision of any services by AZB to CLP Holdings' subsidiaries in India, which were overseen by another partner. Mrs Mody has thus confirmed that the prior professional relationship between AZB and CLP Holdings' Indian subsidiaries will not affect her independence.

Mrs Mody is the Deputy Chairman, an Independent Non-executive Director and a Member of the Risk Committee of The Hongkong and Shanghai Banking Corporation Ltd. CLP, including its wholly-owned subsidiaries in China, Hong Kong, Australia and India, have business relationships with The Hongkong and Shanghai Banking Corporation Ltd. These relationships include the provision of normal banking services, provision of financial advisory services, extension of loans, entering into derivative transactions and placement of deposits, in each case in the normal course of business. These relationships form part of the overall banking activities which CLP and its subsidiaries have with a wide range of banking institutions. They are not material to The Hongkong and Shanghai Banking Corporation Ltd. As a member of the Risk Committee, Mrs Mody assumes non-executive responsibility for oversight of and advice to its board on high-level risk-related matters and risk governance. As such, Mrs Mody has not participated in any decisions related to the business activities of The Hongkong and Shanghai Banking Corporation Ltd. with CLP. Mrs Mody has confirmed that she has no personal involvement in any of these business activities and that they do not affect her independence.

Mrs Mody does not have any interest in CLP Holdings shares within the meaning of Part XV of the Securities and Futures Ordinance. Mrs Mody does not have any relationships with any Directors, Senior Management or substantial or controlling shareholders of CLP Holdings. Apart from being a member of the Human Resources & Remuneration Committee, Mrs Mody does not hold any other position with CLP Holdings or any other member of the group of companies of which CLP Holdings forms part.

Taking into account all of the circumstances described above, the Board considers that Mrs Mody is independent.

Board Diversity Policy

The Board formally adopted a Board Diversity Policy in August 2013 which seeks to record, more formally, CLP's policy on board diversity and to recognise the terms of relevant Code Provisions of the Stock Exchange Code which came into effect on 1 September 2013. The Policy is available on the CLP website. Minor modifications to the Policy to align with relevant updated changes to CLP's Value Framework were made in February this year.

CLP's Value Framework emphasises our respect for people and diversity. The Board Diversity Policy is just one example of the wider applications of our Value Framework. We believe that board diversity enhances decision-making capability and a diverse board is more effective in dealing with organisational changes and less likely to suffer from group thinking. We recognise that board diversity is an essential element contributing to the sustainable development of the Company. The objectives of this Policy are, with the support of our shareholders, to have a Board which:

a) is characterised by a broad range of views arising from different experiences when discussing business;
b) facilitates the making of informed and critical decisions; and
c) has sustainable development as its core value,

and thus promotes the interests of all our stakeholders, particularly the long-term interests of our shareholders, fairly and effectively.

For the purpose of this Policy, CLP considers the concept of diversity incorporates a number of different aspects, such as professional experiences, business perspectives, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service. The achievement of these objectives is measurable on an objective review by shareholders of the overall composition of the Board, the diversity of background and experience of individual Directors and the effectiveness of the Board in promoting shareholders' interests.

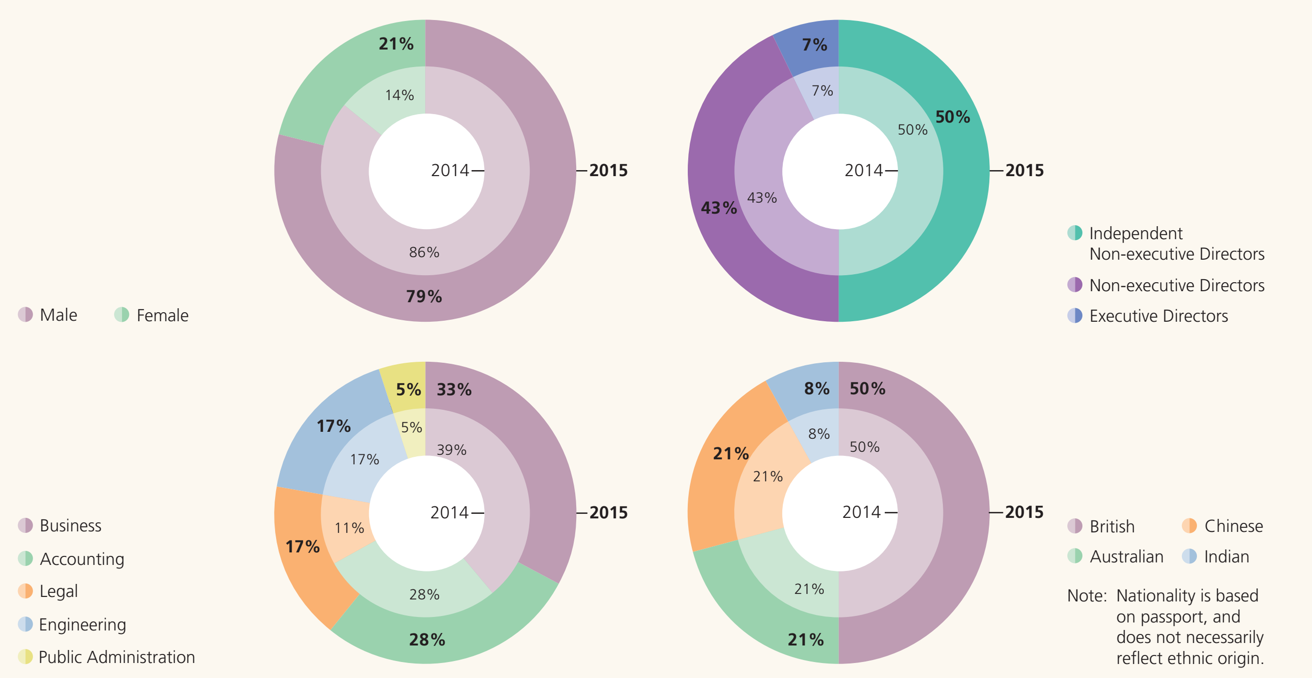
Recognising Directors are appointed by shareholders, not the Board nor the Company, merit and competence to serve the Board and hence shareholders remains the first priority. In order for shareholders to judge for themselves whether the Board as constituted is a reflection of diversity, or a gradual move to increased diversity, on a scale and at a speed which they support, we shall continue to provide sufficient information to shareholders about the qualifications, experience, characteristics etc. of each individual Board member and therefore, the Board as a whole so that shareholders are aware of the composition of their Board, including diversity.

The Nomination Committee has been charged with the review of the Board Diversity Policy on a periodic basis. In 2013, the Nomination Committee endorsed the approach of review of the Policy that it may take the form of an analysis of the Board in the different aspects of diversity having regard to the sustainable development of the Company, supplemented with shareholders' feedback on the diversity of the Board and its overall effectiveness in promoting shareholders' interests.

In 2015, we have measured the diversity of the Board as of 2014 and 2015 based on the aspects of independence, gender, nationality and ethnicity and skills and experience (which are the measurable objectives as set out in Board Diversity Policy).

The analysis on the opposite page has indicated that, in 2015, while maintaining the independence of Directors at the same high level of 50% and the diversity level in nationality, there was both an increase in the gender diversity and in diversity in terms of professional background and experience, which significantly enhanced the overall diversity of the Board. We have also sought shareholders' views on the satisfactory levels of the diversity aspects of the Board during the Shareholders' Visit Programme 2014-2015. The overall results showed that shareholders were satisfied with the diversity aspects of the Board and its effectiveness in promoting shareholders' interests. The satisfaction level has increased from 91% for all diversity aspects in 2013/2014 to 92.5%-95.6% for different aspects in 2014/2015. The 2015 review of the Board Diversity Policy was endorsed by the Nomination Committee.

Diversified Board



Appointment of Directors

CLP follows a formal, considered and transparent procedure for the appointment of new Directors. Appointments are first considered by the Nomination Committee. In assessing potential candidates for the Board, the Nomination Committee considers the diversity perspectives, as set out on page 114. Notwithstanding the diversity perspectives, all appointments to the Board are based on merit, having regard to the ability of candidates to complement and expand the skills, knowledge and experience of the Board as a whole. The recommendations of the Committee are then put to the full Board for decision. Thereafter, all Directors are subject to election by shareholders at the first General Meeting following their appointment.

As approved by shareholders at the AGM in 2005, all Non-executive Directors are appointed for a term of not more than four years. This term is subject to curtailment upon that Director's retirement by rotation and re-election by shareholders. One-third of the Directors, including both Executive and Non-executive Directors, are required to retire from office at the AGM in each year. A retiring Director is eligible for re-election.

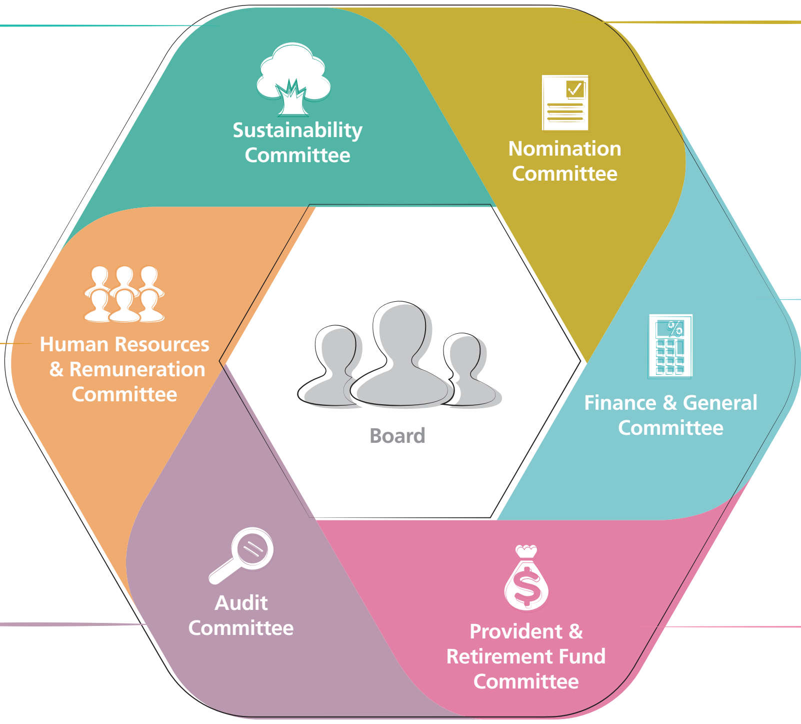
All Non-executive Directors have a formal letter of appointment, modelled on the letter of appointment in the "Higgs Report" in the UK on the "Review of the Role and Effectiveness of Non-Executive Directors". Non-executive Directors are paid fees for their services on Board and Board Committees, based on a formal independent review undertaken no less frequently than every three years. A review was undertaken at the beginning of 2016 with full details included in the Human Resources & Remuneration Committee Report at page 148 of this Annual Report. The remuneration policy and fees paid to each Non-executive Director in 2015 are also set out in the Human Resources & Remuneration Committee Report.

Chairman and Chief Executive Officer

The posts of Chairman and CEO are held separately by The Hon Sir Michael Kadoorie and Mr Richard Lancaster respectively. This segregation ensures a clear distinction between the Chairman's responsibility to manage the Board and the CEO's responsibility to manage the Company's business. The respective responsibilities of the Chairman and CEO are more fully set out in the CLP Code.

Board Committees

The following chart explains the responsibilities and the work that each Board Committee undertook on behalf of the Board during 2015 and in 2016 up to the date of this Report (the Relevant Period). The terms of reference and membership of all Board Committees are disclosed in full on the websites of CLP and the Stock Exchange. They are also available upon request in writing to the Company Secretary.



Audit Committee

Details of the Audit Committee, including its membership, terms of reference and work done during the Relevant Period are set out in the Audit Committee Report at page 140 of this Annual Report.

Human Resources & Remuneration Committee

Details of the Human Resources & Remuneration Committee, including its membership, terms of reference and work done during the Relevant Period are set out in the Human Resources & Remuneration Committee Report at page 148 of this Annual Report.

Sustainability Committee

Details of the Sustainability Committee, including its membership, terms of reference and work done during the Relevant Period are set out in the Sustainability Committee Report at page 143 of this Annual Report.

Membership of Nomination Committee

A majority of the members are Independent Non-executive Directors. This Committee is chaired by the Chairman of the Board, The Hon Sir Michael Kadoorie, with Mr Nicholas C. Allen and Mr Vincent Cheng as members.

Responsibilities and Work Done

This Committee is responsible for the review of Board structure and composition, identification and recommendation to the Board of possible appointees as Directors, making recommendations to the Board on matters relating to appointment or reappointment of Directors, succession planning for Directors, assessing the independence of the Independent Non-executive Directors and, as delegated by the Board, reviewing whether Directors are spending sufficient time performing their responsibilities, reviewing and monitoring the training and continuous professional development of Directors, and reviewing the Board Diversity Policy. The work performed by the Committee during the Relevant Period included:

- reviewing the current Board structure and composition;
- reviewing the Board Diversity Policy and recommending minor updating related modifications;
- assessing the independence of all Independent Non-executive Directors, including Mrs Zia Mody, Mr Nicholas C. Allen, Mrs Fanny Law and Ms Irene Lee who will retire and present themselves for election or re-election by shareholders at the 2016 AGM;
- reviewing the approach of the 2015 performance evaluation of the Board and Board Committees;
- reviewing the training and continuous professional development of Directors;
- reviewing the contribution required from a Director to perform his / her responsibilities and whether he / she has spent sufficient time performing them;
- considering the nomination of a potential candidate for appointment as Independent Non-executive Director of CLP Holdings and three potential candidates for appointment as Independent Non-executive Directors of Jhajjar Power Limited, a wholly-owned subsidiary of CLP Holdings; and
- reviewing the re-election of Directors of CLP Holdings and EnergyAustralia Holdings Limited, a wholly-owned subsidiary of CLP Holdings.

Membership of Finance & General Committee

Mr William Mocatta (Chairman), Mr V. F. Moore, Sir Rod Eddington, Mr Nicholas C. Allen, Mr Vincent Cheng, Ms Irene Lee, Mr Andrew Brandler, Mr Richard Lancaster, Mr Geert Peeters and Mrs Betty Yuen.

Responsibilities and Work Done

This Committee meets as and when required to review the financial operations of the Company. Such reviews include Group-wide financial, accounting, treasury and risk management policies, major financing transactions, corporate plans and budgets and business performance. The Committee also reviews major acquisitions or investments and their funding requirements. The work performed by the Committee during the Relevant Period included the review of:

- the Company's interim and annual results and the amounts of dividends payable to shareholders for the financial years ended 31 December 2014 and 2015;
- 2016 tariff strategy for the Hong Kong electricity business;
- the CLP Group Business Plan and Budget 2016-2020;
- CLP Group cost of capital study;
- CLP's foreign exchange translation risk and counterparty exposures;
- the Company's funding requirements, undertakings, guarantees and indemnities;
- disposal of interests in the Iona Gas Plant;
- investment in Shandong Laiwu Phase II 49.5MW Wind Power Project;
- investment in Yunnan Xicun Phase II 50MW Solar Power Project;
- investment in Guizhou Sandu Phase II 99MW Wind Power Project;
- 2016 Development Plan for Additional Generation Capacity;
- Code of Conduct Update; and
- proposed changes to EnergyAustralia's Company Management Authority Manual.

Membership of Provident & Retirement Fund Committee

Mr William Mocatta (Chairman), Mr Geert Peeters and a Trustee.

Responsibilities and Work Done

This Committee advises the Trustee on investment policy and objectives for the Group's retirement funds, namely the CLP Group Provident Fund Scheme and CLP Group Top-Up Scheme. During the Relevant Period, the Committee monitored the performance of the investment managers and the overall portfolio, arranged education and communication for schemes members; and organised activities relating to retirement planning for members.

Board and Committee Attendance

In 2015, six Board meetings were held which included one meeting where this was held in the absence of management and the Executive Director. Details of Directors' attendance at the AGM, Board and Board Committee meetings held in 2015 are set out in the following table. The overall attendance rate of Directors at Board meetings was 92.86% (2014: 94.19%).

Directors	Meetings **Attended** / Held							
	Board[1]	Audit Committee[2]	Finance & General Committee	Human Resources & Remuneration Committee	Nomination Committee[3]	Provident & Retirement Fund Committee	Sustainability Committee	AGM[2]
Non-executive Directors								
The Hon Sir Michael Kadoorie	**4**/6				**1**/1			**1**
Mr William Mocatta	**6**/6		**7**/7	**3**/3		**3**/3		**1**
Mr Ronald J. McAulay	**5**/6							**1**
Mr J. A. H. Leigh	**6**/6							**1**
Mr Andrew Brandler	**6**/6		**5**/7				**3**/3	**1**
Dr Y. B. Lee	**6**/6							**1**
Independent Non-executive Directors								
Mr V. F. Moore	**6**/6	**6**/6	**6**/7	**3**/3				**1**
Sir Rod Eddington	**6**/6		**4**/7					**1**
Mr Nicholas C. Allen	**5**/6	**6**/6	**5**/7	**3**/3	**1**/1		**3**/3	**1**
Mr Vincent Cheng	**6**/6		**5**/7	**3**/3	**1**/1			**1**
Mrs Fanny Law	**6**/6	**6**/6					**3**/3	**1**
Ms Irene Lee	**5**/6	**6**/6	**5**/7				**3**/3	**1**
Dr Rajiv Lall[4]	**3**/4		**3**/3					**0**
Mrs Zia Mody[5]	**3**/3			**0**/2				N/A
Executive Director								
Mr Richard Lancaster	**5**/5		**7**/7				**3**/3	**1**

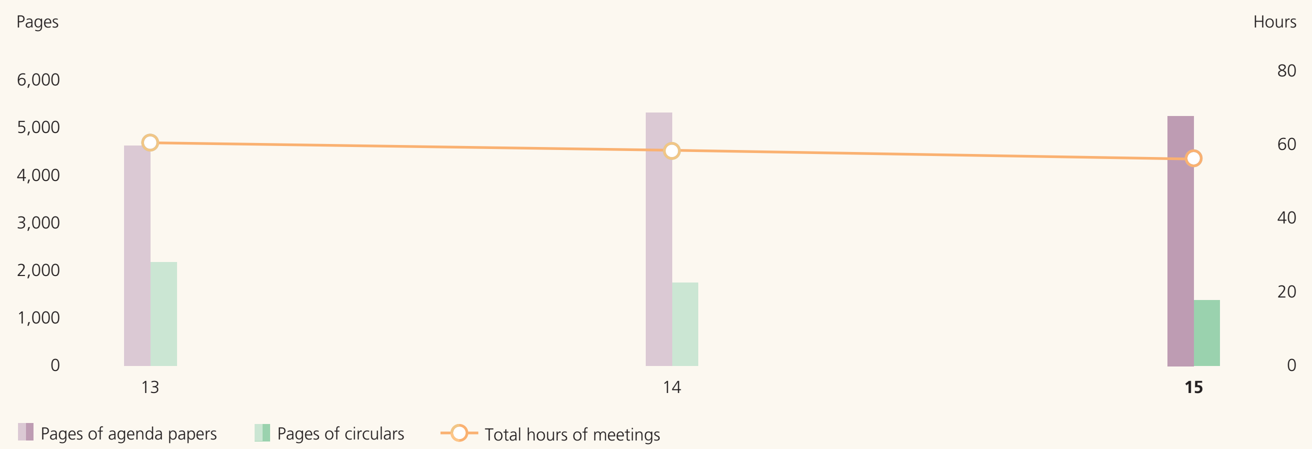
Notes:
1. Included a Board meeting where the Chairman met Independent and other Non-executive Directors without the Executive Director and management present.
2. Representatives of the external auditor participated in every Audit Committee meeting and the AGM.
3. In addition to the annual meeting, review and approval of nomination of Directors' appointment is by circulars to all the members of the Nomination Committee. In 2015, the Committee has also reviewed by circular the independence of Independent Non-executive Directors, Directors' time commitment and Directors' continuous professional development.
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.
5. Mrs Zia Mody was appointed as an Independent Non-executive Director and a member of the Human Resources & Remuneration Committee with effect from 2 July 2015.

Directors' Commitments

The Company has received confirmation from each Director that he / she has given sufficient time and attention to the affairs of the Company for the year. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies or organisations and an indication of the time involved. During the year ended 31 December 2015, no current Director held directorships in more than seven public companies including the Company. No Executive Director holds any directorship in any other public companies, but he is encouraged to participate in professional, public and community organisations. Directors are also reminded to notify the Company Secretary in a timely manner and bi-annually confirm to the Company Secretary any change of such information. In respect of those Directors who stand for election and re-election at the 2016 AGM, all their directorships held in listed public companies in the past three years are set out in the Notice of AGM. Other details of the Directors' biography are set out under "Board of Directors" at page 104 of this Annual Report and on CLP's website.

To indicate the attention given by our Board to the oversight of CLP's affairs, the following chart summarises the duration of those meetings and the volume of papers submitted to Directors for review during 2015 (compared to 2013 and 2014).

Workload of Board and Board Committees



Directors' Interests

The interests in CLP's securities held by Directors as at 31 December 2015 are disclosed in the Directors' Report of this Annual Report at page 162. Particular attention is given to dealings by Directors in shares in CLP. Since 1989, the Company has adopted its own Code for Securities Transactions by Directors, largely based on the Model Code set out in Appendix 10 of the Listing Rules. Our Code is periodically updated to reflect new statutory and regulatory requirements, as well as our strengthened regime of disclosure of interests in our securities. This 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 throughout the year ended 31 December 2015 they complied with the required standard set out in the Model Code and our own Code for Securities Transactions.

Chairman Sir Michael Kadoorie (second right) and Independent Non-executive Director Vernon Moore (first right) visit the submarine Tuen Mun – Chek Lap Kok Link Terminal and meet its engineers

As part of the continuous professional development programme, Directors participated in the Shareholders' Visit Programme, various briefings and visits to local management, CLP's facilities and special projects with CLP's involvement, as arranged and funded by the Company with appropriate emphasis on the roles, functions and duties of the Directors. This is in addition to Directors' attendance at meetings and review of papers and circulars sent by management.

Participation in Directors' Continuous Professional Development Programme in 2015

	Reading regulatory updates	Paying visits to local management, CLP's facilities and special projects with CLP's involvement	Hosting Shareholders' Visits (2014–2015 Shareholders' Visit Programme)	Attending expert briefings / seminars / conferences relevant to the business or directors' duties
Non-executive Directors				
The Hon Sir Michael Kadoorie	✓	✓	✓	✓
Mr William Mocatta	✓	✓	✓	✓
Mr Ronald J. McAulay	✓	✓		✓
Mr J. A. H. Leigh	✓			✓
Mr Andrew Brandler	✓		✓	✓
Dr Y. B. Lee	✓	✓	✓	✓
Independent Non-executive Directors				
Mr V. F. Moore	✓	✓	✓	✓
Sir Rod Eddington	✓			✓
Mr Nicholas C. Allen	✓	✓	✓	✓
Mr Vincent Cheng	✓	✓		✓
Mrs Fanny Law	✓	✓	✓	✓
Ms Irene Lee	✓		✓	✓
Mrs Zia Mody[1]	✓			✓
Executive Director				
Mr Richard Lancaster	✓	✓	✓	✓
Company Secretary				
Mrs April Chan[2]	✓	✓	✓	✓

Notes:
1 An induction was conducted for Mrs Zia Mody who was newly appointed to the Board in July 2015.
2 During 2015, Mrs April Chan served as the Past President on the Council of Corporate Secretaries International Association and the Chairman of the Technical Consultation Panel of the Hong Kong Institute of Chartered Secretaries. She was a frequent speaker at seminars and has exceeded the 15 hours of professional training requirement of the Listing Rules.

Board Evaluation

A performance evaluation of the CLP Holdings Board and its Board Committees for 2014 was conducted by the Company Secretary in the form of a questionnaire to all Directors individually, with a focus on the implementation of the recommendations of the previous years board performance evaluation. It covered similar areas as those in the 2013 Board Performance Evaluation: dynamics and overall impression of the Board; organisation of the Board; Committee organisation; Board composition; Board involvement and engagement; communication with shareholders and stakeholders; and overall Board effectiveness.

The findings of the 2014 Board Performance Evaluation were that the recommendations of the 2013 Board Performance Evaluation were, in general, effectively implemented as appropriate. CLP's corporate governance policies and processes continue to be strong. They satisfy and / or exceed the Stock Exchange Code and Listing Rules requirements. Any exceptions to the Stock Exchange Code are relatively minor, are recognised by the Company and are capable of being suitably explained. A copy of the conclusion of the 2014 Board and Board Committees Performance Evaluation has been published on the CLP website. The Board considered the findings and recommendations of the Company Secretary on the 2014 Board and Board Committees Performance Evaluation at its meeting on 8 May 2015 and approved the recommendations for implementation with a view to making further improvements in Board effectiveness.

Board performance is evaluated on an ongoing basis with an independent evaluation every three years. In line with this interval, the performance evaluation of the Board as a whole and its Board Committees for 2015 will be undertaken by an independent external consultant during 2016 and management had undertaken a competitive tendering process for engagement of the consultant. The evaluation of the Board for 2015 is expected to be completed in 2016 with the summary of findings to be disclosed in our 2016 annual report.

Company Secretary

The Company Secretary supports the Chairman, Board and Board Committees by ensuring good information flow and that Board policy and procedures are followed. The Company Secretary advises the Board on governance matters and facilitates the induction and professional development of Directors. The Company Secretary is an employee of the Company and is appointed by the Board. Although the Company Secretary reports to the Chairman and the CEO, all Directors may call upon the Company Secretary for advice and assistance at any time in respect to their duties and the effective operation of the Board and Board Committees. The Company Secretary also plays an essential role in the relationship between the Company and its shareholders, including assisting the Board in discharging its obligations to shareholders pursuant to the Listing Rules.

After having served the CLP Group for 27 years and as the Company Secretary of the Company for over 10 years, Mrs April Chan retired from the Company on 31 December 2015. The position of Company Secretary was succeeded by Mr David Simmonds, the Group General Counsel & Chief Administrative Officer of the Company.

Management and Staff

The task of CLP's management and staff is the successful implementation of strategy and direction as determined by the Board. In doing so, they must apply business principles and ethics which are consistent with those expected by the Board and CLP's shareholders and other stakeholders.

The division of responsibilities as between the Board, Board Committees, CEO and management is aligned with the provisions of the CLP Code. The written procedures documenting the delegation by the Board of specific authorities, including those to management, are expressed in the form of a "Company Management Authority Manual" (CMAM). Revisions to the CMAM which amend the approved authority delegated from the Board to Board Committees and the CEO require the approval of the Board. Revisions to delegation to management and staff below the level of the CEO can be approved by the CEO.

To facilitate the sharing of information, coordination of resources and activities at Group level and serve as a consultation point for decisions which are material for the CLP Group, a Group Executive Committee comprising all the Senior Management members (as listed on page 107) is in place under the chairmanship of the CEO.

All management and staff are subject to a formal Code of Conduct which places them under specific obligations as to the ethics and principles by which our business is conducted. This Code of Conduct, which has been aligned across the CLP Group, is set out in full on our website. Management and staff receive training on the Code and its implications periodically. Management and staff above a designated level or in certain functions are required to sign annual statements confirming compliance with the Code.

We have a Whistleblowing Policy to encourage employees and related third parties (such as customers and suppliers) who deal with CLP to raise concerns in confidence about misconducts, malpractices or irregularities in any matters related to CLP. A whistleblowing policy specific for EnergyAustralia and a whistleblowing policy specific for CLP India to reflect the local legislative requirements were also adopted. During 2015, there were 15 cases of whistleblowing (2014: eight).

Non-compliance with the Code of Conduct results in disciplinary action. Disciplinary measures are decided by the relevant line management. These measures are then subject to review and endorsement by a Group Code of Conduct Committee, which comprises the CFO, Group General Counsel & Chief Administrative Officer and Chief Human Resources Officer, in order to ensure the consistency and fairness of treatment. In 2015, a separate Code of Conduct Committee was established for EnergyAustralia to provide quicker turnaround on Australian Code of Conduct violations. The EnergyAustralia Code of Conduct Committee acts only for non-senior EnergyAustralia's employees and cases involving senior EnergyAustralia's employees will continue to be brought to the Group Code of Conduct Committee. During 2015, there were six breaches (2014: seven) of the Code. Sanctions applied ranged from reprimands to dismissal. No breaches of the Code were material to the Group's Financial Statements or overall operations and none involved Senior Management. Non-compliance with the Code of Conduct cannot be waived.

We have voluntarily extended the CLP Code for Securities Transactions to cover Senior Management and other "Specified Individuals" such as senior managers in the CLP Group. All members of the Senior Management have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2015 they complied with the required standard set out in the Model Code and CLP Code for Securities Transactions.

Save for the interest disclosed by Mr Richard Lancaster in the Directors' Report on page 173 of this Annual Report, the interest in 600 shares each respectively disclosed by the Managing Director – CLP Power Hong Kong, the Managing Director – China and the Chief Human Resources Officer, the other members of the Senior Management did not have any interests in CLP Holdings' securities as at 31 December 2015.

Members of Senior Management are paid in line with market practice and with regard to their performance. The principles and details of the remuneration of individual members of Senior Management are set out in the Human Resources & Remuneration Committee Report at page 148 of this Annual Report.

We have a formal procedure in place for reporting the training and continuous professional development of Senior Management. Whilst we recognise that the majority of personal development comes from on-the-job experience, we also encourage members of Senior Management to supplement this through a variety of training activities. These include selective nominations to formal executive development programmes at leading business schools, attendance at executive briefings on matters of topical interest, and access to on-line learning and information sources. We also make selective use of systematic and independent executive assessment processes to assist with identifying individual development needs and provide inputs to our succession planning decisions.

Participation in Training and Continuous Professional Development of Senior Management in 2015

	Attending formal executive development/training programme	Attending expert briefings/seminars/workshops/conferences relevant to the business or their duties	Participating as speakers at events	Access to web based learning resources
Senior Management				
Mr Richard Lancaster	✓	✓	✓	✓
Mr Geert Peeters		✓		✓
Mr Derek Parkin[1]		✓		✓
Mrs Betty Yuen		✓	✓	✓
Mr Paul Poon		✓	✓	✓
Mr S. H. Chan		✓	✓	✓
Mr Rajiv Mishra		✓	✓	✓
Ms Catherine Tanna		✓		✓
Mr David Simmonds	✓	✓	✓	✓
Ms Quince Chong		✓	✓	✓
Mr Roy Massey		✓	✓	✓

Note:

1 Mr Derek Parkin was appointed as a member of Senior Management on 22 September 2015.

Internal Auditors

CLP's Group Internal Audit (GIA) department plays a major role in monitoring the internal governance of the CLP Group. The department is led by the Director – Group Internal Audit and includes 26 other staff with professional qualifications (including for example, from the Hong Kong Institute of Certified Public Accountants (HKICPA)). The tasks of the department are set out in the CLP Code and 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; and
- special reviews of areas of concern identified by management or the Audit Committee.

The Director – Group Internal Audit reports directly to the Audit Committee and the CEO and has direct access to the Board through the Chairman of the Audit Committee. The Director – Group Internal Audit has the right to consult the Committee without reference to management.

During 2015, GIA issued reports to Senior Management covering various operational and financial units of the Group, including joint venture activities outside Hong Kong. GIA also conducted reviews of major projects and contracts as well as areas of concern identified by management. 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 annual audit plan, which is approved by the Audit Committee, is based on a risk assessment methodology, which assists in determining business risks and establishing audit frequencies. Concerns which have been reported by GIA are monitored regularly by management and by the Audit Committee until corrective measures have been implemented.

External Auditor

The Group's external auditor is PwC. PwC has written to the Audit Committee confirming that they are independent with respect to the Company and that there is no relationship between PwC and the Company which may reasonably be thought to bear on their independence. In order to maintain their independence, PwC will not be employed for non-audit work unless the non-audit work meets the criteria suggested in the Listing Rules and has been pre-approved by the Audit Committee. In addition, there must be clear efficiencies and value-added benefits to CLP from that work being undertaken by the external auditor, with no adverse effect on the independence of their audit work, or the perception of such independence.

During the year, the external auditor (which for these purposes includes any entity under common control, ownership or management with the external auditor or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) provided the following audit and permissible audit related and non-audit services to the Group:

	2015 HK$M	2014 HK$M
Audit	39	37
Permissible audit related and non-audit services		
Accounting / tax advisory services relating to business development	2	1
Other services	6	6
Total	47	44

Other Stakeholders

Good governance requires due regard to the impact of business decisions (including environmental impact), both on shareholders and on other key stakeholders. This Annual Report and our Sustainability Report available online explain how we discharge our responsibilities to employees, customers, lenders, the environment and the communities in which we operate.

Internal Control

The Company has had in place for many years an integrated framework of internal controls which continues to be consistent with the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework which comprises 17 principles on effective internal controls as illustrated below:

Control Environment

- Demonstrates a commitment to integrity and ethical values
- The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control
- Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives
- Demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives
- Holds individuals accountable for their internal control responsibilities in the pursuit of objectives

Risk Assessment

- Specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives
- Identifies risks to the achievement of its objectives across the entity and analyses risks as a basis for determining how the risks should be managed
- Considers the potential for fraud in assessing risks to the achievement of objectives
- Identifies and assesses changes that could significantly impact the system of internal control

Control Activities

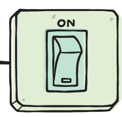
- Selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels
- Selects and develops general control activities over technology to support the achievement of objectives
- Deploys control activities through policies that establish what is expected and procedures that put policies into action

Information and Communication

- Obtains or generates and uses relevant, quality information to support the functioning of internal control
- Internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control
- Communicates with external parties regarding matters affecting the functioning of internal control

Monitoring Activities

- Selects, develops, and performs ongoing and / or separate evaluations to ascertain whether the components of internal control are present and functioning
- Evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate



Under our framework, management (which includes qualified accountants) is primarily responsible for the design, implementation, and maintenance of internal controls, while the Board of Directors and its Audit Committee oversee the actions of management and monitor the effectiveness of the controls that have been put in place.

Control Standards, Checks and Balances

The Company's expectations regarding duty and integrity are clearly spelt out in formal policy manuals, which include the Company's Code of Conduct and Management Control Standards Manual. Similar controls are implemented at our subsidiaries.

Our Management Control Standards form the backbone of all our major policies and procedures. They set out the basic control standards required for the formulation and administration of Group policies and for the planning, organising, and functioning of business entities. The standards cover those required for administrative and operating activities such as delegation of authority, personnel administration, planning, budgeting, performance monitoring, contracting, computer systems and facilities, safeguarding information and derivative instruments. They also cover those standards established to ensure the integrity and objectivity of accounting and financial records and that the objectives of authorisation, accounting and safeguarding of assets are met.

In CLP, our internal control system covers every activity and transaction of our Group. Our system is based on clear stewardship responsibilities, authorities and accountability. We emphasise to our employees that everyone, no matter where he or she stands in the corporate hierarchy, is an important part of our internal control system and we expect them to contribute to that system.

Built into our system are checks and balances such that no one party can "monopolise" a transaction, activity or process to conceal irregularities. As an integral part of our internal control system, well defined policies and procedures are properly documented and communicated.

In addition to setting out guidelines, principles and values, we recognise that an environment where employees feel free to bring problems to management is also necessary to make our internal control system effective. Our Code of Conduct and Whistleblowing Policy make it clear that all reports to management will be handled confidentially to the fullest extent possible under the circumstances and, most importantly, that members of the Senior Management will fully support those who in good faith report potential or actual breaches of the Code of Conduct and any possible improprieties in any matters related to the Company.

No matter how well an internal control system is designed and maintained, it can only provide reasonable, but not absolute, assurance. No system of control can totally eliminate the possibility of human error and deliberate attempts to defraud the Company. Recognising this, we maintain an effective GIA function, whose main features include:

- independence from operational management;
- fully empowered auditors with access to all data and every operation of the Group;
- adequate resources and well qualified and capable staff; and
- risk-based auditing, concentrating on areas with significant risks or where significant changes have been made.

Control Processes

Upon the redemption of its "Yankee" bonds on 17 April 2006, CLP Power Hong Kong was no longer required to comply with the US Sarbanes-Oxley Act. As a foreign private issuer, CLP Holdings remained subject to the Sarbanes-Oxley Act until 29 January 2008, whereupon CLP's deregistration from the US Securities and Exchange Act reporting system took effect.

CLP's action to deregister and to no longer be subject to the Sarbanes-Oxley Act does not imply any weakening in our internal control disciplines or in our commitment to timely, honest and accurate financial reporting to our shareholders. Our aim is to maintain compliance with the substance of the Sarbanes-Oxley Act's requirements without being bound by the form. Whenever internal control disciplines fall short of those envisaged by Sarbanes-Oxley Act they will be remedied.

Management and employees, assisted by external consultants with particular experience in the design and implementation of internal control systems, have evaluated our control environment and conducted risk assessments of businesses and processes, both at the entity level and the various processes/transactions levels. We have documented those processes which are critical to the Group's performance.

Within this exercise, key risks have been identified, along with the controls required to mitigate those risks, after which, such key risks and controls are continually reviewed and updated on an annual basis. High-risk key controls are tested annually by our management and GIA. Based on the results of those tests, process owners are able to represent to Senior Management that their internal controls are working as intended or that necessary corrections have been made where control weaknesses have been found. Internal auditors report to Senior Management that controls have been working properly or that changes have been made to ensure the integrity of financial statements. The external auditor also tests the key controls to the extent that they will be relied on for the audit.

The CEO and CFO have a personal obligation to maintain the effectiveness of the disclosure controls and internal controls over financial reporting, and to report to the Audit Committee and the Group's external auditor any significant changes, deficiencies and material weaknesses in, and fraud related to, such controls.

The CEO and CFO submit an annual "General Representation Letter" to the Audit Committee, in which they give a personal certification of compliance by themselves and their subordinates with a range of key internal control systems, disciplines and procedures, which cover financial and relevant non-financial information. These letters rest on similar letters of representation issued by individual managers across the CLP Group, which certify compliance with internal controls as to their particular businesses, departments and activities. These General Representation Letters reinforce personal responsibility for good governance and controls at all levels within the Group.

The digital Group Internal Control System, which was introduced in 2012 for managers to complete their representation letters, has enhanced the promptness and thoroughness in completion of the General Representation Letter process with a view to bringing material issues, if any, to the attention of the CEO and CFO in a timely manner.

In keeping with best practices, CLP Holdings has an anti-fraud policy that states the Company's commitment to preventing, detecting and reporting fraud. The policy clearly defines the roles and responsibilities of Directors, officers, employees and auditors in developing and carrying out specific programmes to eliminate fraud.

Individual managers are required to make annual representations related to the prevention, identification and detection of fraud in their respective areas. A checklist providing examples of fraud schemes and potential fraud risks has been developed to assist each business unit to conduct a fraud risk assessment and to identify appropriate anti-fraud controls.

To further strengthen the monitoring of the Group's overall risk management approach and strategy, a Group Risk Management Framework is in place to improve communication of identified risks within management, measure the impact of the identified risks and facilitate implementation of coordinated mitigating measures. The way we manage risk is set out in the Risk Management Report at page 130. The Audit Committee oversees the development and implementation of the Group Risk Management Framework.

Control Effectiveness

The Board is responsible for the Company's internal control system and for reviewing its effectiveness. GIA and management conduct reviews of the effectiveness of the Company's internal control system, including those of its subsidiaries. The Audit Committee reviews the findings and opinion of GIA and management on the effectiveness of the Company's internal control system five times a year, and reports regularly to the Board on such reviews.

In respect of the year ended 31 December 2015, the Board considered the internal control system effective and adequate. No significant areas of concern that might affect shareholders were identified during the Relevant Period.

The effectiveness of the Audit Committee itself is reviewed annually through a formal process which involves the Company Secretary preparing an evaluation of its effectiveness. This is examined by the internal and external auditors before endorsement by the Board.

Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is aware of its obligations under the Securities and Futures Ordinance and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to our attention and/or it is the subject of a decision unless it falls within the Securities and Futures Ordinance safe harbours;
- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" and "Recent Economic Developments and the Disclosure Obligations of Listed Issuers" issued by the Securities and Futures Commission in June 2012 and the Stock Exchange in 2008 respectively;
- has implemented and disclosed its own policy on fair disclosure (set out in Section V of the CLP Code);
- has included in its Code of Conduct a strict prohibition on the unauthorised use of confidential or inside information; and
- has established and implemented procedures for responding to external enquiries about the Group's affairs. Senior managers of the Group are identified and authorised to act as the Company's spokespersons and respond to enquiries in allocated areas of issues.

The Company has also published Continuous Disclosure Obligation Procedures which formalised the current practices for monitoring developments in our businesses for inside information and communicating such information to our shareholders, the media and analysts. These Procedures are on the CLP website. Training on the implementation of the Procedures has been provided to CLP's management, subsidiaries and joint ventures.

Communication with Shareholders

CLP aims to present a clear and balanced assessment of its financial position and prospects. Financial results are announced as early as possible, and audited financial statements are published within three months after the end of the financial year. Quarterly statements are issued to keep shareholders informed of the performance and operations of the Group.

CLP's 2015 Sustainability Report, published online at the same time as this Annual Report, describes in detail our delivery of social and environmental value in 2015 and contributes to integrated reporting about all aspects of our activities. The Report discloses our achievements and shortcomings in managing the social and environmental aspects of our business in a comprehensive, honest and accessible way. It also includes an independent assurance report from PwC. We welcome feedback on both the Annual and Sustainability Reports.

A detailed account of CLP's different channels of communication with our Shareholders is set out in the "Shareholder Value and Engagement" section at page 20 of our Annual Report. Pursuant to the authority delegated from the Board, the Audit Committee has reviewed the implementation of the Shareholders' Communication Policy in 2015 and considered the communication with Shareholders effective.

CLP Power Hong Kong Chairman William Mocatta exchanges views with shareholders at a shareholder visit

Reporting via Internet

The CLP website is a major channel for providing our shareholders and other stakeholders with information on the Company's corporate governance structure, policies and systems. The "About CLP" and "Investors Information" sections of our website include:

- CLP Code on Corporate Governance;
- CLP Fair Disclosure Policy;
- Announcements made during the preceding five years;
- Whistleblowing Policy;
- CLP Value Framework including Code of Conduct and Responsible Procurement Policy Statement;
- CLP Anti-Fraud Policy;
- CLP Procurement Values and Principles;
- Continuous Disclosure Obligation Procedures;
- Board and Board Committees Performance Evaluation Conclusion;
- Actual Remuneration Awarded to Executive Directors and Senior Management;
- Review of Fees payable to Non-executive Directors;
- Induction and Professional Development for Directors;
- Participation in Directors' Continuous Professional Development Programme;
- Board Diversity Policy;
- General Representation Letter;
- Guidelines on Disclosure of Related Party Transactions of the CLP Group;
- Code for Securities Transactions by CLP Holdings Directors and Specified Individuals;
- Policy on Making Political Contributions;
- Articles of Association;
- Procedures for Shareholders to Convene General Meetings / Put Forward Proposals;
- Shareholders' Communication Policy;
- Shareholders' Guide;
- Biographical data on Directors and Senior Management;
- Model Letter of Appointment for Non-executive Directors;
- Terms of Reference of Board Committees;
- Frequency and length of meeting, volume of briefing papers considered and Members' attendance of the Board and Board Committees;
- General Meetings proceedings;
- Interest in shares of Top 10 shareholders of the Company, Substantial Shareholders and Directors & CEO;
- Summary shareholdings identified pursuant to Section 329 of the Securities and Futures Ordinance;
- Analyst briefings and ESG webcast;
- Responses to Consultations; and
- Frequently asked questions (regularly updated).

We recognise that not all shareholders and stakeholders have ready access to the internet. For those who do not, hard copies of the CLP website information listed above are available free of charge upon request to the Company Secretary.

Corporate Governance

Corporate Governance – Continuing Evolution and Disclosure

We make a constructive and informed contribution to the ongoing debate about corporate governance in Hong Kong through frequent and active participation in seminars and workshops. We also make a point of responding to every public consultation by the regulatory authorities on proposed governance and regulatory reforms. For example in 2015 we submitted our views on issues relating to principles of responsible ownership and review of the ESG Reporting Guide. We always post our submissions on our website so that shareholders can judge whether we have properly reflected their views and their interests.

Our own corporate governance practices evolve, not only in line with local requirements, but through our own experience and by reference to international developments. Through this Corporate Governance Report, the CLP Code and the Corporate Governance section of our website, we offer a full view of our practices and policies and how these are evolving. Our objective is that, at all times, our corporate governance meets our shareholders' expectations and serves their interests. We will continue to review and, where appropriate, improve on our corporate governance practices in light of evolving experience, regulatory requirements and international developments.

By Order of the Board

David Simmonds
Company Secretary
Hong Kong, 29 February 2016

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

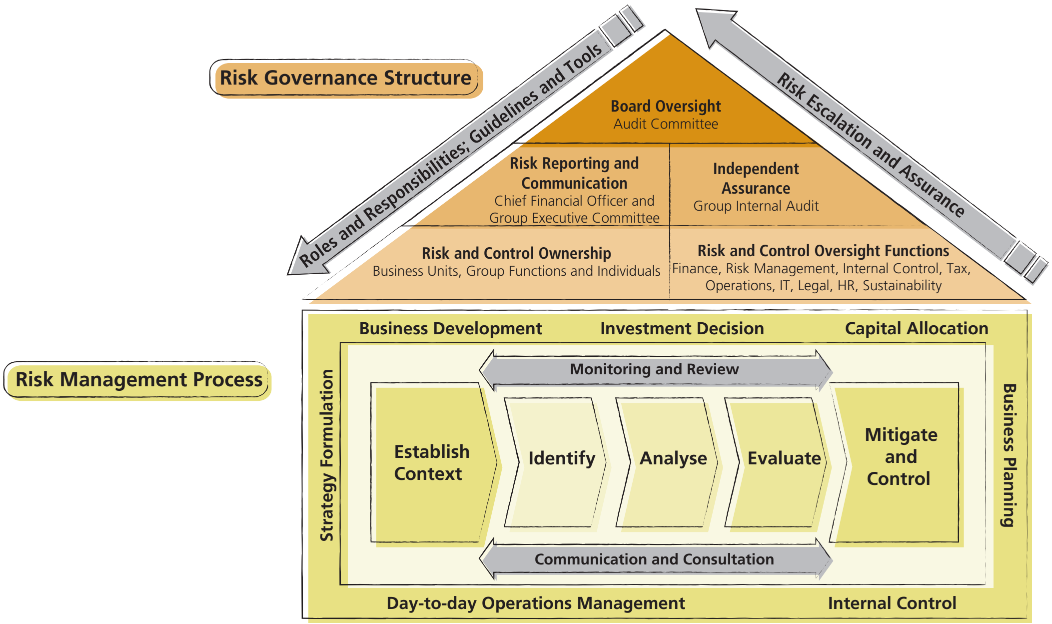
CLP's risk appetite represents the amount of risk the Group is willing to undertake in pursuit of its strategic and business objectives. In line with CLP's Value Framework and expectations of its stakeholders, CLP will only take reasonable risks that (a) fit its strategy and capability, (b) can be understood 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.	Risk level decreased *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.	Risk level decreased *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.	Risk level remains broadly the same *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.	Risk level remains broadly the same *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

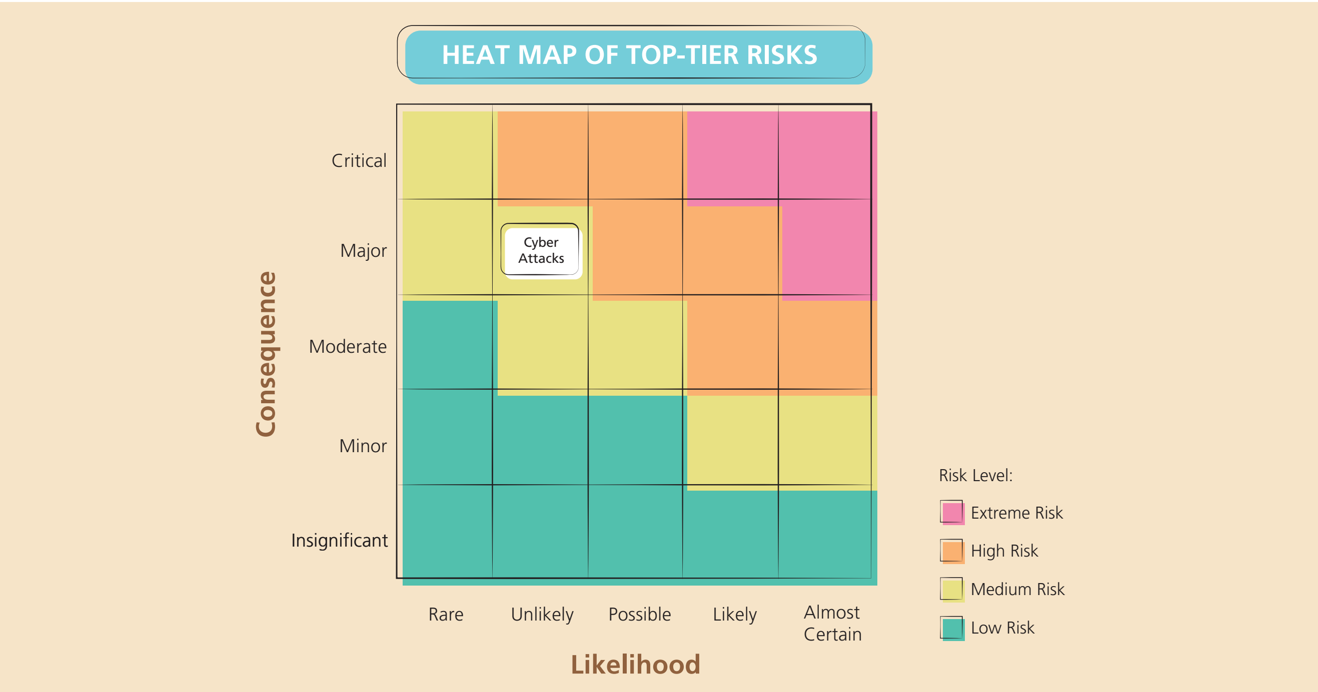
Risk level decreased

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

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.

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. SR

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.

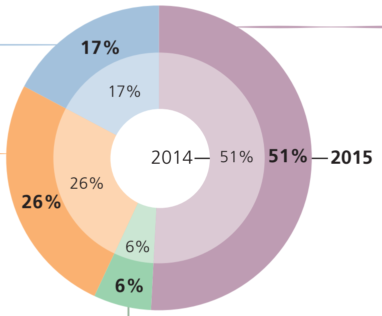
In determining incentive payments and Total Remuneration, the HR&RC takes into account a broad range of performance indicators including financial (e.g. long-term growth in the share price and dividends), operational, safety, environmental, social, governance and compliance related factors. The determination 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

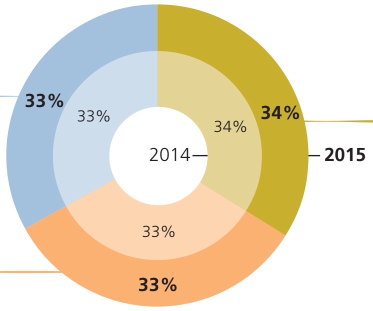
→

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.

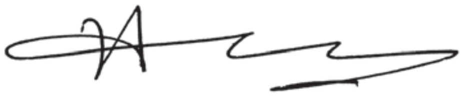
2 Refer to Note 2 on Performance Bonus on page 153.

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

	Number of Individuals **2015**	2014		Number of Individuals **2015**	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.

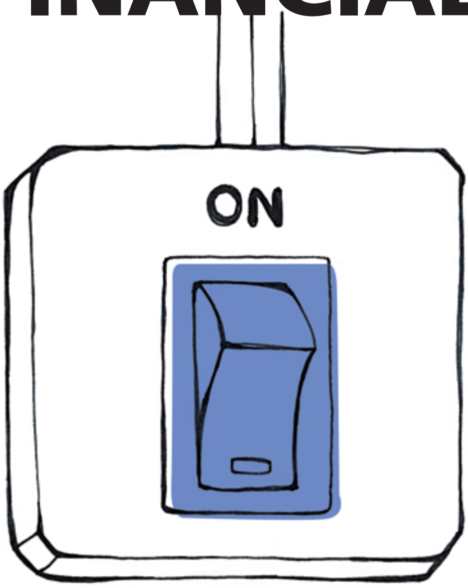
Auditor

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.

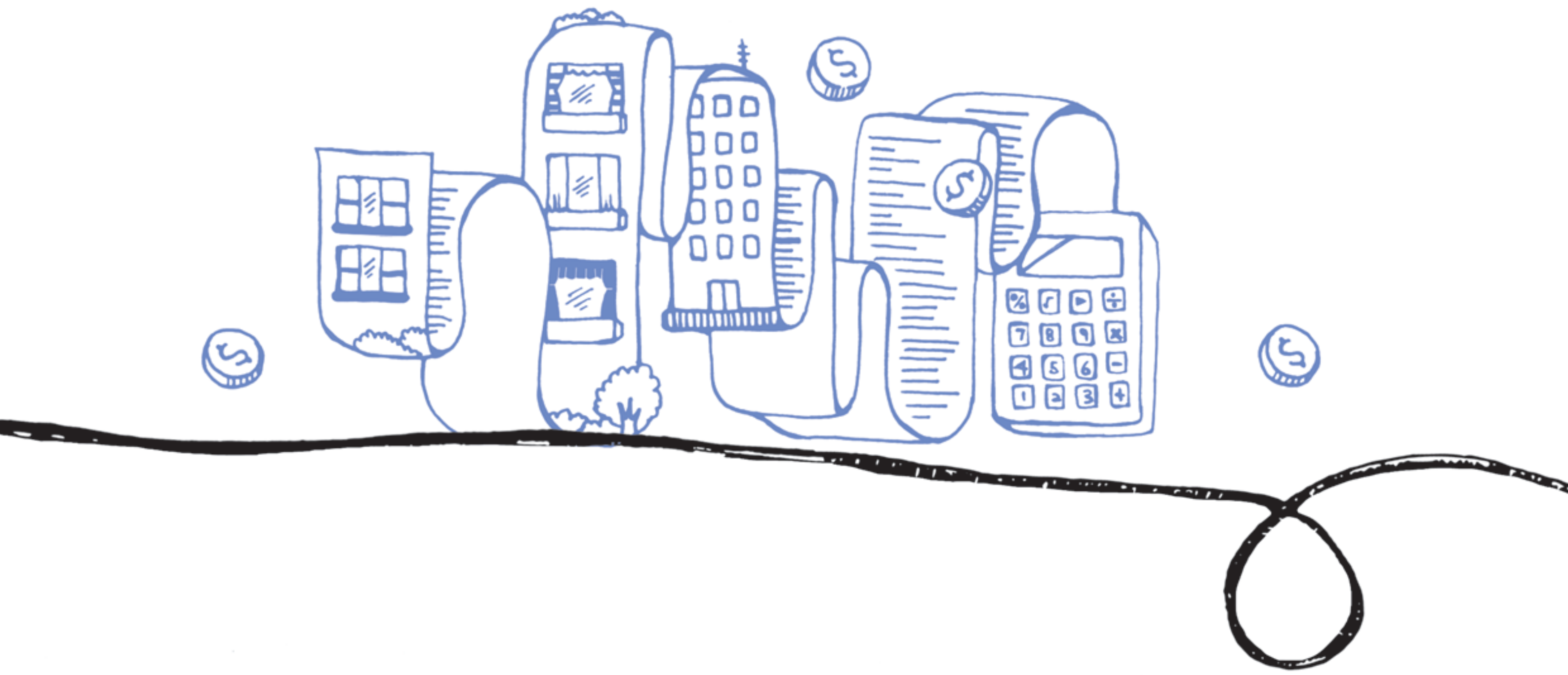
On behalf of the Board

William Mocatta
Vice Chairman
Hong Kong, 29 February 2016

FINANCIALS



What was an accounting view of
our financial performance in 2015 and
how we stood at the end of the year?



Approaching Our Financial Statements

Financial Statements Decoded

The purpose of financial statements is to communicate the Group's financial information to its stakeholders, especially shareholders, investors and lenders. In this section we try to help readers who are not familiar with accounting rules and financial expressions to understand our financial information, by explaining the functions and relationships between the essential financial statements: the statement of profit or loss and other comprehensive income, the statement of financial position and the statement of cash flows. For comprehensive and authoritative definitions and explanations, readers should turn to the relevant accounting standards, but we hope this section offers useful guidance.

Statement of profit or loss and other comprehensive income

"Financial performance measured by recording the flow of resources over a period of time"

This statement comprises (a) profit or loss and (b) other comprehensive income (OCI). The objective of this statement is to present all income or expenses (transactions with non-owners) in a performance statement. OCI represents certain income and expenses which are not recognised in profit or loss as required or permitted by the relevant accounting standards.

An example of OCI in CLP is the exchange losses arising from the translation of our Australia and India businesses in 2015 which decreased our net assets in these two regions. Transactions with owners such as dividends are presented in the statement of changes in equity.

Statement of financial position

"A snapshot, taken at a point in time, of all the assets the company owns and all the claims against those assets"

This statement sums up the Group's economic resources (non-current assets and working capital), obligations (debts and other non-current liabilities) and owners' equity at a particular point of time, in this case, our year end at 31 December 2015. It also shows how the economic resources contributed by lenders and shareholders are used in the business. In the past, we used to call this statement a "balance sheet" because at any given time, assets must equal liabilities plus owners' equity (in other words, be in balance). The current name reflects its function more accurately.

Statement of cash flows

"Where the company gets its cash and how it spends it"

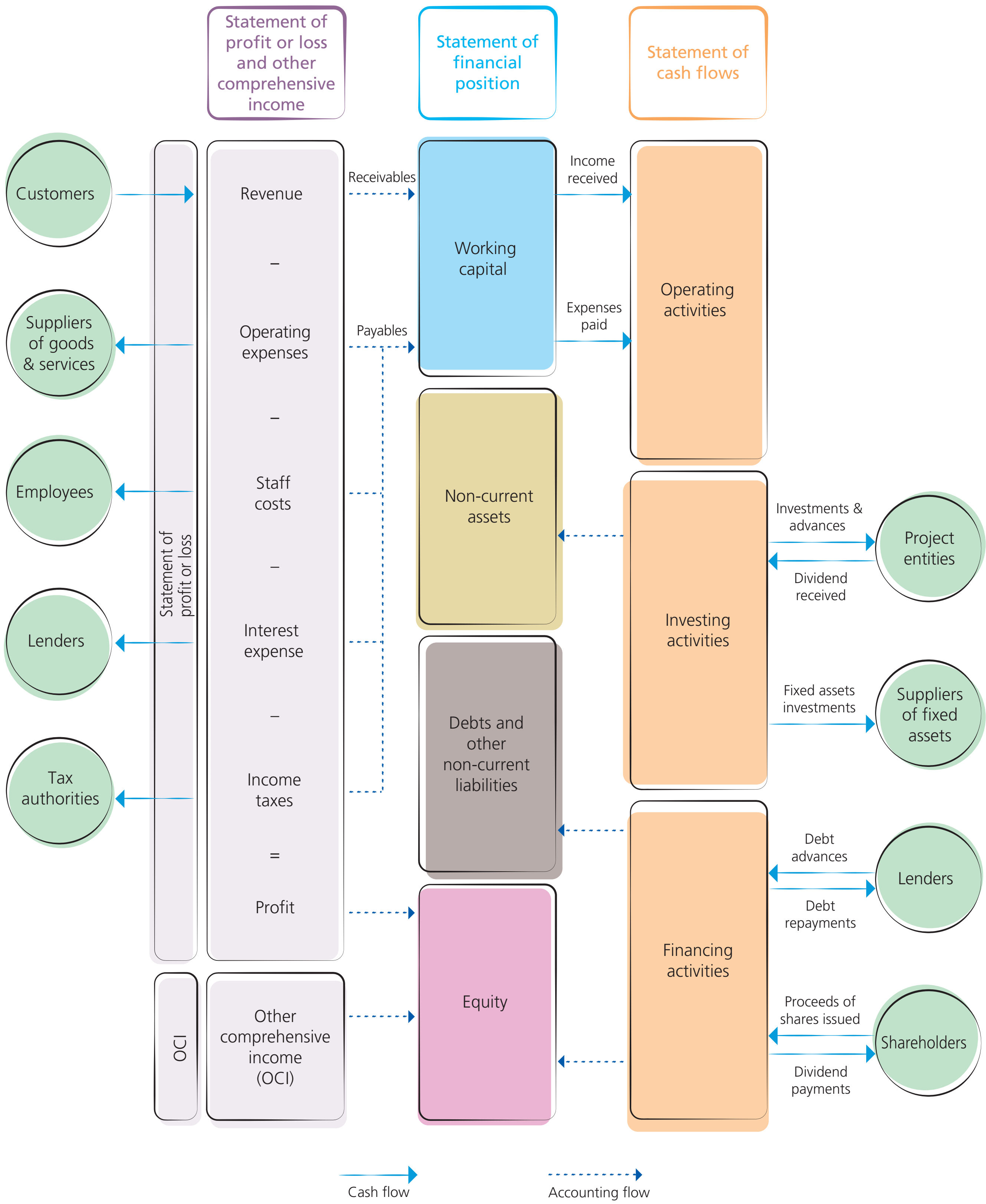
This statement divides the cash flows into operating, investing and financing cash flows. While the operating profit underlies the operating cash flows, certain non-cash charges or credits, such as depreciation, amortisation and fair value changes on derivatives, mean the operating cash flows and the operating profit are different. Investing cash flows are the cash flows arising from the purchase or disposal of non-current assets. Financing cash flows represent the cash flows between the Group, its shareholders and lenders.

Financial Statements Illustrated

The diagram opposite illustrates the relationships between the statement of profit or loss and other comprehensive income, the statement of financial position and the statement of cash flows, as well as their links with the Group's stakeholders.

On the one hand, the Group earns revenue from customers through the deployment of non-current assets and working capital. On the other hand, it pays operating expenses to suppliers of goods and services, incurs staff and interest costs and also invests in additional non-current assets. The net balance of revenue, operating expenses and staff and interest costs is the operating profit. After deducting income taxes charged by tax authorities, this profit is available for payment to lenders and for distribution to shareholders (dividends) in return for their contribution of funds to the Group in the form of debt and equity. The Group also makes investments and advances to its project entities and receives dividend income from them in return.

Financial Statements – An Illustration



ACCOUNTING MINI-SERIES

Foreign Currency Transaction and Translation

The global currency market was very volatile in 2015. The reporting currencies of our major subsidiaries such as Australian dollar and Indian rupee fell by 10.8% and 4.6% respectively against Hong Kong dollar by the end of the year. Their average rates even fell by 16.9% and 5.1% respectively during the year. The fluctuations in exchange rates have affected CLP's earnings, assets and liabilities which are denominated in these currencies. When you read our financial statements and assess our financial performance and position, you should be cautious about the impact of these foreign currency movements on the financial statements. To help you read our financial statements, this year's accounting mini-series will tell you how foreign exchange fluctuation affects both the balance sheet and income statement, and how foreign exchange risk may be mitigated.

Functional currency and presentation currency

Functional currency

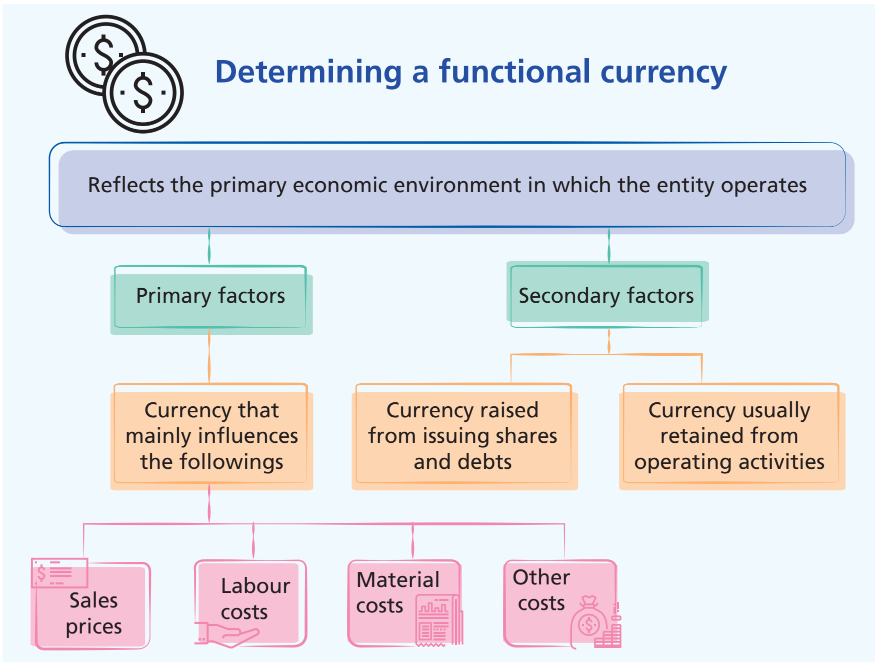
An entity doing business with overseas suppliers or customers, or having foreign operations will have to deal with foreign currency transactions. Foreign currency is defined in the accounting standard as the currency other than the functional currency of that entity.

" The determination of a functional currency is not a free choice to an entity."

This is based on the concept of primary economic environment in which an entity operates. This is governed by the accounting standard, HKAS 21 "The Effects of Changes in Foreign Exchange Rates".

Presentation currency

The presentation currency is the currency in which the financial statements are presented. Unlike functional currency, management is free to choose a presentation currency which may differ from its functional currency. For a group with foreign investments such as subsidiaries, joint ventures and associates, which are reported in different currencies, their financial statements have to be translated in one single currency, i.e. the presentation currency. This is usually the functional currency of the parent company.



Entity level

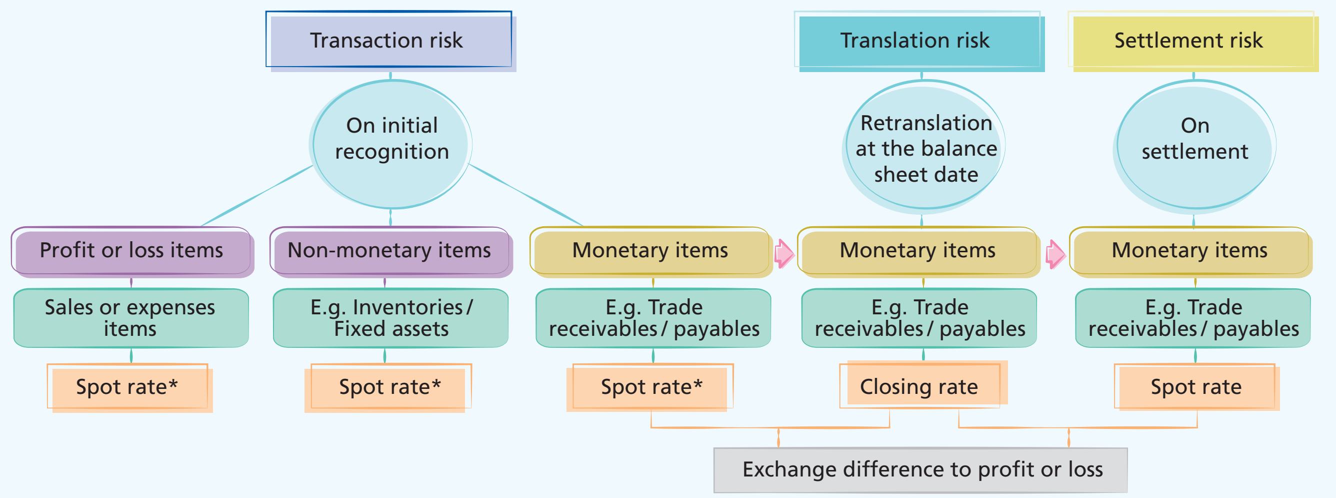
Transactions in foreign currencies are expressed in an entity's functional currency for financial reporting purposes. These transactions expose the entity to the various kinds of foreign exchange risk.

Currency transaction risk

Currency transaction risk occurs when an entity enters into a foreign currency transaction because the value of this transaction may be affected by the unanticipated movement in exchange rate. Foreign currency transaction needs to be converted into a functional currency on initial recognition using the spot rate at the date of the transaction. HKAS 21 permits the use of an average exchange rate if it is a reasonable approximation of the actual rate.

Currency translation and settlement risks

If the day that an entity enters into a transaction differs from the day that it is settled or translated at the reporting date, monetary items like cash, trade receivables, trade payables and loans are converted at the settlement rates or at the closing rates. Gains or losses arising from these foreign currency conversions are recognised in profit or loss.



* HKAS 21 permits the use of an average exchange rate if it is a reasonable approximation of the actual rate.

How to mitigate foreign currency risk?

To mitigate the exposure to variability in cash flows associated with foreign currency transactions, an entity can formulate its hedging strategies such as arranging foreign exchange forward contracts, currency swaps or currency options to hedge the anticipated foreign currency transactions. In the accounting terminology, this is referred to as cash flow hedges. For the financial instrument that is qualified as cash flow hedges, the effective portion of the change in fair value of the financial instrument is recorded in other comprehensive income and accumulated in equity. It is realised to profit or loss when the hedged cash flows / items affect profit or loss to offset the effect; or included in the cost of the non-financial assets when they are initially recognised.

Group level

When preparing consolidated financial statements, results and financial position of foreign operations such as overseas subsidiaries, joint ventures and associates are translated into the presentation currency which the consolidated financial statements are reported.

Currency translation risk

In consolidation, assets and liabilities of foreign operations are translated at the exchange rates at the reporting date. Incomes, expenses and cash flows are translated at the exchange rates at the dates of the relevant transactions, albeit average rates may be used where appropriate. Although this kind of currency translation does not affect the underlying cash flows of foreign operations, exchange differences arose will have two main impacts on the group's financial statements:

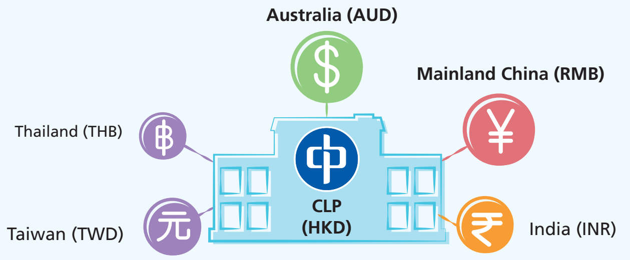
(1) Reported earnings of foreign operations are affected by the translation of their incomes and expenses into the presentation currency of the group.

(2) Exchange differences arising from (a) and (b) below are recognised in the group's translation reserve within equity. There are differences due to (a) incomes and expenses of foreign operations being translated at average rates while the corresponding assets or liabilities generated are translated at closing rates; and (b) change in closing rates of the net assets of foreign operations from its previous closing rates. These exchange differences are reclassified to profit or loss on disposal or partial disposal of foreign operations.

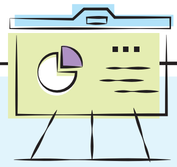
How to mitigate currency translation risk?

Translation of the financial statements of foreign operations into the group's presentation currency is an accounting exercise which does not create an exposure to foreign currency risk. Therefore, hedge accounting is not necessary or permitted. Only when the functional currency of a foreign operation is different from the functional currency of its parent company, a foreign exchange risk is created at the group level. In such situation, a hedge of a net investment in a foreign operation, i.e. a hedge of the parent company's interest in the net assets of that foreign operation, is allowed in the accounting perspective.

Functional currencies of CLP foreign operations



Net investment hedge is performed at the consolidation level. It is in effect the hedge of the foreign currency translation risk of a foreign operation. The hedged item can be the full or partial amount of the net assets of the foreign operation in the consolidated financial statements. The hedging instrument is accounted for in the same way as a cash flow hedge, i.e. translated at the closing rate with the gain or loss on the effective hedge being recognised in equity. This is perfectly matched by the gain or loss on translation of the net investment which is recognised in the translation reserve, resulting in a perfect hedge effect. Gains or losses in the reserves will only be realised when the foreign operation is disposed of.



Unveil the mist of foreign currency translation impact on CLP's 2015 financial statements

CLP has investments in the energy sector of Mainland China, India, Southeast Asia and Taiwan, and Australia. Unavoidably, their 2015 financial performances are blurred by the currency translation as a result of volatile currency movements in 2015. What would our results look like if the impact of currency translation is unveiled? Let us review our Australia and India performances from a different angle.

Segment Information (Australia)	2015 A$M	2015 HK$M	2014 A$M	2014 HK$M	Increase / (Decrease) %(A$)	Increase / (Decrease) %(HK$)	Translation impact %(HK$) – %(A$)
Fixed assets	**1,612**	**9,139**	2,201	13,982	(27%)	(35%)	-8%
Goodwill and other intangible assets	**3,083**	**17,476**	3,161	20,084	(2%)	(13%)	-11%
Total assets	**6,447**	**36,551**	7,917	50,302	(19%)	(27%)	-8%
Total liabilities	**1,415**	**8,021**	3,864	24,555	(63%)	(67%)	-4%
Revenue	**6,165**	**35,707**	7,298	50,895	(16%)	(30%)	-14%
Operating earnings	**143**	**836**	108	756	32%	11%	-21%

Segment Information (India)	2015 Rs.M	2015 HK$M	2014 Rs.M	2014 HK$M	Increase / (Decrease) %(Rs.)	Increase / (Decrease) %(HK$)	Translation impact %(HK$) – %(Rs.)
Fixed assets	**98,565**	**11,542**	91,760	11,259	7%	3%	-4%
Bank loans and other borrowings	**75,448**	**8,835**	70,546	8,656	7%	2%	-5%
Total assets	**143,271**	**16,777**	135,575	16,635	6%	1%	-5%
Total liabilities	**81,896**	**9,590**	79,731	9,783	3%	(2%)	-5%
Revenue	**42,311**	**5,104**	37,910	4,821	12%	6%	-6%
Operating earnings	**5,073**	**612**	2,123	270	139%	127%	-12%

Decreases in exchange rates of Australian dollar and Indian rupee at year end reduced the assets as well as the liabilities of EnergyAustralia and CLP India in the Group's consolidated financial position. The growths in their operating earnings were also undermined by the decline in the average exchange rates during the year. However, as CLP takes a long-term view on its investments in these regions, short-term fluctuations in exchange rates will not change the Company's development strategy.

Independent Auditor's Report

To the Members of CLP Holdings Limited

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of CLP Holdings Limited (the "Company") and its subsidiaries set out on pages 184 to 254 which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 29 February 2016

Consolidated Statement of Profit or Loss

for the year ended 31 December 2015

	Note	2015 HK$M	2014 HK$M
Revenue	2	80,700	92,259
Expenses			
Purchases of electricity, gas and distribution services		(31,280)	(40,234)
Operating lease and lease service payments		-	(3,607)
Staff expenses		(3,649)	(3,980)
Fuel and other operating expenses		(25,886)	(24,777)
Depreciation and amortisation		(6,765)	(6,791)
		(67,580)	(79,389)
Other gain	4	8,900	2,025
Operating profit	5	22,020	14,895
Finance costs	6	(4,090)	(4,180)
Finance income	6	170	131
Share of results, net of income tax			
Joint ventures	12	1,357	1,562
An associate	13	888	796
Profit before income tax		20,345	13,204
Income tax expense	7	(3,582)	(1,268)
Profit for the year		16,763	11,936
Earnings attributable to:			
Shareholders		15,670	11,221
Perpetual capital securities holders		247	152
Other non-controlling interests		846	563
		16,763	11,936
Earnings per share, basic and diluted	9	HK$6.20	HK$4.44

The notes and disclosures on pages 190 to 254 are an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2015

	2015 HK$M	2014 HK$M
Profit for the year	16,763	11,936
Other comprehensive income		
Items that can be reclassified to profit or loss		
Exchange differences on translation	(3,728)	(2,972)
Cash flow hedges	(178)	(638)
Fair value changes on available-for-sale investments	(63)	80
Reclassification adjustment upon sale / loss of joint control of joint ventures	17	(422)
Share of other comprehensive income of joint ventures	(1)	24
	(3,953)	(3,928)
Items that cannot be reclassified to profit or loss		
Share of other comprehensive income of joint ventures	79	(74)
Other comprehensive income for the year, net of tax	(3,874)	(4,002)
Total comprehensive income for the year	12,889	7,934
Total comprehensive income attributable to:		
Shareholders	11,800	7,221
Perpetual capital securities holders	247	152
Other non-controlling interests	842	561
	12,889	7,934

This statement of profit or loss and other comprehensive income includes not only conventional profit for the year, but also "other comprehensive income". The concept of other comprehensive income is explained on page 178. Further details of other comprehensive income attributable to shareholders are presented in Note 25.

The notes and disclosures on pages 190 to 254 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December 2015

	Note	2015 HK$M	2014 HK$M
Non-current assets			
Fixed assets	*10(A)*	127,801	128,133
Leasehold land and land use rights under operating leases	*10(B)*	5,542	5,696
Investment property	*10(C)*	2,669	2,554
Goodwill and other intangible assets	*11*	28,257	31,129
Interests in joint ventures	*12*	11,250	11,176
Interest in an associate	*13*	785	786
Finance lease receivables	*14*	799	898
Deferred tax assets	*21*	1,690	3,828
Derivative financial instruments	*15*	1,078	3,120
Available-for-sale investments	*16*	1,644	1,707
Other non-current assets		174	111
		181,689	189,138
Current assets			
Inventories – stores and fuel		3,110	3,618
Renewable energy certificates		902	1,086
Trade and other receivables	*17*	13,812	15,719
Finance lease receivables	*14*	52	50
Derivative financial instruments	*15*	600	659
Bank balances, cash and other liquid funds	*18*	3,799	4,393
		22,275	25,525
Current liabilities			
Customers' deposits	*17(a)*	(4,829)	(4,653)
Trade and other payables	*19*	(19,023)	(21,620)
Income tax payable		(651)	(790)
Bank loans and other borrowings	*20*	(13,189)	(9,636)
Derivative financial instruments	*15*	(595)	(709)
		(38,287)	(37,408)
Net current liabilities		(16,012)	(11,883)
Total assets less current liabilities		165,677	177,255

	Note	2015 HK$M	2014 HK$M
Financed by:			
Equity			
Share capital	*24*	23,243	23,243
Reserves	*25*	69,875	64,770
Shareholders' funds		93,118	88,013
Perpetual capital securities	*26*	5,791	5,791
Other non-controlling interests		2,023	2,155
		100,932	95,959
Non-current liabilities			
Bank loans and other borrowings	*20*	42,294	57,799
Deferred tax liabilities	*21*	13,476	13,418
Derivative financial instruments	*15*	2,802	3,062
Fuel clause account	*22*	2,226	2,966
Scheme of Control (SoC) reserve accounts	*23*	1,009	1,131
Asset decommissioning liabilities	*23(A)*	1,025	1,082
Other non-current liabilities		1,913	1,838
		64,745	81,296
Equity and non-current liabilities		165,677	177,255

The more familiar name for the Statement of Financial Position is "Balance Sheet".

Under new Companies Ordinance (Cap. 622) requirements, the Company's statement of financial position is presented in Note 32.

William Mocatta
Vice Chairman
Hong Kong, 29 February 2016

Richard Lancaster
Chief Executive Officer

Geert Peeters
Chief Financial Officer

The notes and disclosures on pages 190 to 254 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

	Attributable to Shareholders						
	Share Capital HK$M	Share Premium HK$M	Reserves HK$M	Total HK$M	Perpetual Capital Securities HK$M	Other Non-controlling Interests HK$M	Total Equity HK$M
Balance at 1 January 2014	12,632	8,119	66,610	87,361	–	120	87,481
Profit for the year	–	–	11,221	11,221	152	563	11,936
Other comprehensive income for the year	–	–	(4,000)	(4,000)	–	(2)	(4,002)
Transition to no-par value of shares under new Companies Ordinance (Cap. 622)	10,611	(8,119)	(2,492)	–	–	–	–
Issue of perpetual capital securities	–	–	–	–	5,791	–	5,791
Acquisitions of subsidiaries	–	–	–	–	–	2,170	2,170
Dividends paid							
2013 fourth interim	–	–	(2,476)	(2,476)	–	–	(2,476)
2014 first to third interim	–	–	(4,093)	(4,093)	–	–	(4,093)
Distributions to perpetual capital securities holders	–	–	–	–	(152)	–	(152)
Dividends paid to other non-controlling interests of subsidiaries	–	–	–	–	–	(696)	(696)
Balance at 31 December 2014	23,243	–	64,770	88,013	5,791	2,155	95,959
Balance at 1 January 2015	23,243	–	64,770	88,013	5,791	2,155	95,959
Profit for the year	–	–	15,670	15,670	247	846	16,763
Other comprehensive income for the year	–	–	(3,870)	(3,870)	–	(4)	(3,874)
Dividends paid							
2014 fourth interim	–	–	(2,526)	(2,526)	–	–	(2,526)
2015 first to third interim	–	–	(4,169)	(4,169)	–	–	(4,169)
Distributions to perpetual capital securities holders	–	–	–	–	(247)	–	(247)
Dividends paid to other non-controlling interests of subsidiaries	–	–	–	–	–	(974)	(974)
Balance at 31 December 2015	**23,243**	**–**	**69,875**	**93,118**	**5,791**	**2,023**	**100,932**

The share premium account and the capital redemption reserve became part of the Company's share capital under the Hong Kong Companies Ordinance (Cap. 622) from March 2014.

The notes and disclosures on pages 190 to 254 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

		2015		2014	
	Note	HK$M	HK$M	HK$M	HK$M
Operating activities					
Net cash inflow from operations	*27(A)*	20,994		23,431	
Interest received		161		130	
Income tax paid		(1,987)		(1,595)	
Net cash inflow from operating activities			19,168		21,966
Investing activities					
Capital expenditure		(10,871)		(9,192)	
Capitalised interest paid		(278)		(294)	
Proceeds from disposal of fixed assets		46		105	
Additions of other intangible assets		(166)		(1,287)	
Proceeds from sale of subsidiaries	*4(a)*	9,991		–	
Proceeds from sale of a joint venture	*5(d)*	202		–	
Acquisitions of subsidiaries		–		(8,172)	
Deposits for sale of subsidiaries (refunded) / received		(283)		283	
Increase in available-for-sale investments		(1)		(358)	
Investments in and advances to joint ventures		(930)		(1,835)	
Dividends received from					
Joint ventures		2,440		1,105	
An associate		796		900	
Available-for-sale investments		120		64	
Increase in bank deposits with maturities of more than three months		–		(2)	
Net cash inflow / (outflow) from investing activities			1,066		(18,683)
Net cash inflow before financing activities			20,234		3,283
Financing activities					
Proceeds from long-term borrowings		41,405		30,305	
Repayment of long-term borrowings		(50,384)		(23,572)	
Repayment of obligations under finance leases		–		(811)	
Settlement of obligation under finance lease		–		(5,338)	
Increase in short-term borrowings		210		1,160	
Interest and other finance costs paid		(3,841)		(3,723)	
Advances from / (repayment to) other non-controlling interests		21		(336)	
Issue of perpetual capital securities		–		5,791	
Distributions paid to perpetual capital securities holders		(247)		(115)	
Dividends paid to shareholders		(6,695)		(6,569)	
Dividends paid to other non-controlling interests of subsidiaries		(974)		(696)	
Net cash outflow from financing activities			(20,505)		(3,904)
Net decrease in cash and cash equivalents			(271)		(621)
Cash and cash equivalents at beginning of year			4,036		4,784
Effect of exchange rate changes			(200)		(127)
Cash and cash equivalents at end of year	*27(B)*		3,565		4,036

The notes and disclosures on pages 190 to 254 are an integral part of these consolidated financial statements.

Significant Accounting Policies

Apart from the accounting policies presented within the corresponding notes to the financial statements, other significant accounting policies are set out below.

1. Basis of Preparation

The Company, CLP Holdings Limited, and its subsidiaries are collectively referred to as the Group in the consolidated financial statements.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). They have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative financial instruments) and investment property which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are especially significant to the consolidated financial statements, are disclosed in Critical Accounting Estimates and Judgments on pages 198 and 199.

2. Changes in Accounting Policies

(A) Adoption of amendments to standards effective 1 January 2015

The Group has adopted the following amendments to standards effective 1 January 2015 for the first time for the financial year beginning on 1 January 2015:

- Annual Improvements to HKFRS 2010-2012 Cycle (Amendments to HKFRS 8 – Disclosures on the aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets)
- Annual Improvements to HKFRS 2011-2013 Cycle (Amendment to HKFRS 3 – Scope exclusion for the formation of joint arrangements and Amendment to HKAS 40 – Interrelationship of HKFRS 3 and HKAS 40)

The adoption of these revised HKFRS has had no significant impact on the results and financial position of the Group.

(B) New standards and amendments to standards that have been issued but are not yet effective

The following new standards and amendments to standards have been issued and are effective for accounting periods beginning on or after 1 January 2016. The Group has not early adopted them for the year ended 31 December 2015:

- Amendments to HKAS 1 Disclosure Initiative
- Amendments to HKAS 28 and HKFRS 10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- HKFRS 9 (2014) Financial Instruments
- HKFRS 15 Revenue from Contracts with Customers
- Annual Improvements to HKFRS 2012-2014 Cycle

HKFRS 9 (2014) introduces new requirements for classification and measurement of financial instruments, a new expected credit loss model that replaces the incurred loss impairment model used in HKAS 39, and a new hedge accounting model which represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. The Group has early adopted HKFRS 9 (2014) from 1 January 2016 which has an effect on the Group's available-for-sale investments, impairment of financial assets and the application of hedge accounting.

2. Changes in Accounting Policies (continued)

(B) New standards and amendments to standards that have been issued but are not yet effective (continued)

HKFRS 15 Revenue from Contracts with Customers replaces HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations. It establishes that revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The Group is assessing the impact of HKFRS 15.

Apart from the aforementioned, the adoption of these new standards and amendments to standards is not expected to have any significant impact on the results and financial position of the Group.

(C) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

3. Consolidation

(A) Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and its subsidiaries made up to 31 December and include the Group's interests in joint ventures and associates on the basis set out in (C) below.

The financial statements of subsidiaries acquired during the year are included in the consolidated financial statements from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary to ensure consistency with the policies adopted by the Group, adjustments are made to the financial statements of subsidiaries, joint ventures and associates.

(B) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Investments in subsidiaries together with advances from the Company which are neither planned nor likely to be settled in the foreseeable future, are carried on the statement of financial position of the Company at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments within the measurement period. Provision for impairment in a subsidiary is made when the recoverable amount of the subsidiary is lower than the Company's respective cost of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(C) Joint ventures and associates

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligation for its liabilities. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence but not control nor joint control over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights.

3. Consolidation (continued)

(C) Joint ventures and associates (continued)

Investments in joint ventures / associates are accounted for using the equity method. They are initially recognised at cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of post-acquisition profit or loss and other comprehensive income, until the date on which joint control or significant influence ceases. Distributions received from an investee reduce the carrying amounts of the investments.

In the consolidated statement of financial position, interests in joint ventures / associates comprise the carrying amounts of the investments and its net advances made to the joint ventures / associates (where the advances are neither planned nor likely to be settled in the foreseeable future).

When the Group's share of losses of a joint venture / associate equals or exceeds its interest therein, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures / associates.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture or associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the joint venture / associate and its carrying value.

Unrealised gains on transactions between the Group and its joint ventures / associates are eliminated to the extent of the Group's interest in the joint ventures / associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Dilution gains or losses arising in investments in joint ventures / associates are recognised in profit or loss.

(D) Change in ownership interests

Transactions with non-controlling interests are treated as transactions with equity owners of the Group. For purchases of ownership interests from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of a subsidiary acquired is recorded in equity. For disposal of ownership interests to non-controlling interests that do not result in loss of control, gains or losses on disposals to non-controlling interests are also recorded in equity.

If the ownership interest in a joint venture or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

For changes in ownership interests that result in loss of control of subsidiaries, loss of joint control in joint ventures or loss of significant influence in associates, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as a joint venture, associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are reclassified to profit or loss.

A quick guide to the classification of different entities:

Control → Subsidiary
Joint Control → Joint Venture
Significant Influence → Associate
Less than Significant Influence → Available-for-sale Investment

4. Impairment of Non-Financial Assets

Non-financial assets that have indefinite useful lives are not subject to amortisation. They are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and, in any case, at least annually. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is tested annually for impairment.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Goodwill arising from a business combination is allocated to cash generating units that are expected to benefit from the synergies of the combination. An impairment loss is recognised for the amount by which the carrying amount of an asset or a cash generating unit exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset or a cash generating unit less costs of disposal and its value in use.

An impairment loss recognised in prior years for an asset other than goodwill is reversed when there is a favourable change in the estimates used to determine the recoverable amount of an asset. A reversal of the impairment loss is limited to the asset's carrying amount (net of accumulated amortisation or depreciation) that would have been determined had no impairment loss been recognised in prior years.

Indefinite useful life ≠ Infinite useful life

An indefinite useful life only means that there is no foreseeable limit to the period over which an asset is expected to generate cash flows to the Group. It does not necessarily mean that it will generate such cash flows forever.

5. Derivative Financial Instruments and Hedging Activities

A derivative is initially recognised at fair value on the date a derivative contract is entered into and is subsequently remeasured at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either fair value hedges, which are hedges of the fair value of recognised financial assets or financial liabilities or firm commitments (e.g. fixed interest rate loans and foreign currency trade receivables) or cash flow hedges, which are hedges of the cash flows of recognised financial assets or financial liabilities or highly probable forecast transactions (e.g. floating interest rate loans, future purchases of fuels denominated in US dollar).

The Group documents at the inception of the transaction the intended relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(A) Fair value hedges

Changes in the fair values of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss, which offset any changes in the fair values recognised in profit or loss of the corresponding hedged asset or liability that are attributable to the hedged risk and achieve the overall hedging result.

(B) Cash flow hedges

The effective portion of changes in the fair values of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

5. Derivative Financial Instruments and Hedging Activities (continued)

(B) Cash flow hedges (continued)

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged items affect profit or loss. Such reclassification from equity will offset the effect on profit or loss of the corresponding hedged item to achieve the overall hedging result. However, when the highly probable forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset at the time of acquisition. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively, any cumulative gain or loss existing in equity at that time remains in equity and is reclassified from equity to profit or loss in the same period as the hedged forecast cash flows ultimately affect profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that has been deferred in equity is reclassified to profit or loss immediately.

(C) Derivatives not qualifying for hedge accounting or held for trading purposes

Certain derivative financial instruments do not qualify for hedge accounting or held for trading purposes. Changes in the fair values of these derivative financial instruments are recognised immediately in profit or loss.

The Group enters into sale and purchase transactions for commodities within the ordinary course of business. Transactions that take the form of contracts that are within the scope of HKAS 39 are fair valued at the end of each reporting period. Contracts that were entered into and continue to be held for the purpose of receipt or delivery of commodities in accordance with the Group's expected sale, purchase or usage requirements are not within the scope of HKAS 39 but need to be assessed at inception to determine if they contain embedded derivatives.

An embedded derivative is one or more implicit or explicit terms in a contract that affect the cash flows of the contract in a manner similar to a stand-alone derivative instrument. Any embedded derivative that meets the separation criterion shall be separated from its host contract and measured as if it were a stand-alone derivative if its economic characteristics are not closely related to those of the host contract.

6. Inventory

Inventory comprises stores and fuel and is stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis for stores, coal and gas. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

7. Renewable Energy Products

Renewable energy and energy efficiency schemes operate through the creation, trade and surrender of energy products. Renewable energy certificates are recognised upon the risks and rewards transferring to the Group and are measured at the lower of cost or net realisable value. Cost is calculated on the weighted average basis. The Group's forward obligations under the contracts are classified as future operating commitments.

8. Current and Deferred Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised either in other comprehensive income or directly in equity. In this case, the tax is also recognised in either other comprehensive income or equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is also provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

9. Employee Benefits

(A) Retirement benefits

The Group operates and / or participates in a number of defined contribution plans in Hong Kong, including the CLP Group Provident Fund Scheme (GPFS) administered by Bank Consortium Trust Company Limited and the Mandatory Provident Fund (MPF) scheme administered by HSBC Life (International) Limited. These schemes are set up as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The assets of these schemes are held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the participating companies of the Group, and provide benefits linked to contributions and investment returns on the plans. The Group has no further legal or constructive payment obligations if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods, once the contributions have been paid.

The Group's employees outside Hong Kong are primarily covered by the respective defined contribution schemes in accordance with local legislation and practices.

Contributions to the defined contribution plans are recognised as expenses in the year to which the contributions relate, except to the extent that they are capitalised as part of the cost of qualifying assets.

(B) Incentive bonus and employee leave entitlement

Provisions are made for the estimated liability for incentive bonus and employee leave entitlement as a result of services rendered by employees up to the end of the reporting period, where there is a contractual obligation or past practice has created a constructive obligation.

10. Foreign Currency Translation

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Hong Kong dollar, which is the Group's presentation currency.

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies by using the exchange rates at the end of the reporting period are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

For subsidiaries, joint ventures and associates that have a functional currency different from the Group's presentation currency for the purpose of consolidation, assets and liabilities for each statement of financial position presented are translated using the closing rate at the end of the reporting period; whilst income and expenses for each statement of profit or loss presented are translated at the average exchange rate for the reporting period (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions). All resulting exchange differences are recognised in other comprehensive income and as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated using the closing rate at the end of the reporting period.

Upon disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary / loss of joint control over a joint venture / loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in a joint venture or associate that do not result in the Group losing joint control or significant influence) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Monetary assets and liabilities are assets to be received and liabilities to be paid in fixed money amounts. For example, a trade receivable is a monetary asset (the amount to be received is fixed) but a fixed asset is not a monetary asset because it is uncertain how much you will receive if the fixed asset is to be sold.

A company entity can have both functional currency and presentation currency; however, a consolidation group can only have presentation currency but not functional currency. This is because presentation currency is a matter of choice but functional currency is based on the different primary economic environment in which each group entity is operating.

The following exchange rates have been used in the preparation of Group financial statements:

	2015		2014	
	Average	**Closing**	Average	Closing
Australian dollar / Hong Kong dollar	**5.7916**	**5.6691**	6.9735	6.3540
Indian rupee / Hong Kong dollar	**0.1206**	**0.1171**	0.1272	0.1227
Renminbi / Hong Kong dollar	**1.2321**	**1.1935**	1.2573	1.2496

11. Leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under an operating lease is amortised on a straight-line basis over the term of the lease to profit or loss.

Leases of assets where the lessee has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at their commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. A fixed asset held under a finance lease is depreciated over the shorter of its useful life or the lease term. The corresponding rental obligations, net of finance charges, are included as obligations under finance leases in current and non-current liabilities. Where assets are leased out under a finance lease, the present value of the lease receipts is recognised as a receivable.

For a finance lease, each lease receipt / payment is allocated between the receivable / liability and finance income / charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the lease receipt / payment is recognised in profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the receivable / liability for each period.

CLP believes that understanding financial statements is a right, not a privilege. To help those unfamiliar with accounting terms read our financial statements, we have developed an accounting "mini-series" to explain various accounting concepts which are applicable to the operations of the Group over the years. Readers who are interested in our expanded discussions on the following topics are encouraged to visit our website:

- Lease accounting
- Fair value, derivatives, hedging and CLP
- Impairment
- Provision and contingent liability
- Business combinations
- Deferred tax
- Revenue recognition
- Liability or equity
- Foreign currency transaction and translation

Critical Accounting Estimates and Judgments

In preparing the consolidated financial statements, management are required to exercise significant judgments in the selection and application of accounting principles, as well as in making key estimates and assumptions. The following is a review of the more significant judgments and uncertainties made, in respect of which different amounts may be reported under a different set of conditions or using different assumptions.

1. Asset Impairment

The Group has made substantial investments in fixed assets, joint ventures and an associate. The Group conducts impairment reviews of these assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. The Group also tests annually whether goodwill has suffered any impairment in accordance with the relevant accounting standards.

Determining whether an asset or a cash generating unit is impaired requires an estimation of the value in use, which requires the Group to estimate the future cash flows, a growth rate (that reflects the economic environments in which the Group operates) and a pre-tax discount rate (that reflects the current market assessments of the time value of money and the risks specific to the asset) in order to calculate the present value. Where the expected cash flows are less than the asset's carrying amount, an impairment loss may arise. During 2015, after reviewing the business environment as well as the Group's strategies and past performance of the investments, management concluded that there were impairment for EnergyAustralia Holdings Limited (EnergyAustralia)'s generation assets of HK$1,984 million (Note 5(c)) and Beijing Yire Power Station of CSEC Guohua International Power Company Limited (CSEC Guohua) of HK$243 million (Note 12) (2014: Narrabri Coal Seam Gas Project in Australia of HK$2,254 million, fixed assets and goodwill of Dali Yang_er Hydropower Development Co., Ltd. totalled HK$197 million and investment in a joint venture in Australia of HK$59 million).

Apart from the assets impaired, the latest annual impairment models for other relevant assets indicated that sufficient headroom (meaning the excess of the recoverable amount over carrying value) existed. Management believe that any reasonably possible changes in the assumptions used in the models would not affect management's view on impairment at 2015 year end.

2. Assessment of the Carrying Value of Generation Assets in Australia

Given the continued structural changes in the National Energy Market (NEM) in Australia and an imbalance in the supply and demand equilibrium, risk is introduced in market modelling which heightens the criticality of this judgment area. As part of making these critical judgments, risk do exist in the assumptions made around supply and demand in regards to the Group's generation assets in Australia. In certain circumstances, where contraction of demand and supply side response vary substantially from the assumptions made, significant changes in the value of the assets could eventuate.

3. Asset Retirement Obligations

CLP Power Hong Kong and CAPCO have been investing in the transmission and distribution network and power stations respectively to supply electricity to the customers in its supply area in Hong Kong. CLP Power Hong Kong and CAPCO expect that the land currently used for its transmission and distribution network and generation facilities will continue to be used for generation and distribution of electricity supply in order to maintain the electricity supply to customers for the foreseeable future. It is considered remote that the transmission and distribution network and the power stations would be removed from the existing land sites. As such, an asset retirement obligation has not been recognised upfront in the respective accounts of CLP Power Hong Kong and CAPCO in accordance with the requirements of accounting standards.

4. SoC-related Accounts

As stipulated in the SoC, the balances in the Tariff Stabilisation Fund and the Rate Reduction Reserve shall represent liabilities in the financial statements of CLP Power Hong Kong and shall not accrue to the benefit of its shareholders save as provided for by the SoC. CLP Power Hong Kong also has the obligation to maintain the Fuel Clause Account, which represents the difference between an agreed standard cost of fuel and the actual fuel costs. The Group considers that CLP Power Hong Kong is required under the SoC to discharge its obligations arising from the SoC upon the expiry of the SoC Agreement to customers such that these account balances meet the definition of a financial liability.

5. Lease Accounting

The application of HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" has resulted in finance lease accounting being applied to CLP India Private Limited (CLP India) as lessor for the Power Purchase Agreement (PPA) with its offtaker. In determining whether an arrangement contains a lease, the Group considers the right to use an asset is conveyed if the purchaser has the ability or right to operate the asset or to control physical access to the underlying assets while obtaining or controlling more than an insignificant amount of the output of the asset, or that it is remote that parties other than the purchaser will take more than an insignificant amount of the output and the price paid is neither contractually fixed per unit of output nor equal to the current market price per unit of output as of the time of delivery. In addition, to apply finance lease accounting, a number of assumptions in the lease models have been made, such as the determination of minimum lease payments, implicit interest rates and residual values of the power plants at the end of contract periods. Any future changes to these assumptions will affect the value of the lease assets and liabilities recognised and the corresponding lease income and expenses.

6. Revenue Recognition

The Group records revenue for retail and wholesale energy sales under the accrual method. Retail electricity and gas revenues are recognised when the commodity is provided to customers on the basis of periodic cycle meter readings and include an estimated accrual for the value of the commodity consumed from the meter reading date to the end of the reporting period. The unbilled revenue is calculated at the end of the reporting period based on estimated daily consumption after the meter reading date to the end of the reporting period. Estimated daily consumption is derived using historical customer profiles adjusted for weather, long unbilled customers and other measurable factors affecting consumption. Unbilled revenue of the Group (included in trade and other receivables) totalled HK$4,376 million at 31 December 2015 (2014: HK$5,118 million).

7. Contingent Liabilities

Please refer to Note 31 for the Group's contingent liabilities and the judgments made.

8. Fair Value Estimation of Derivative Financial Instruments and Investment Property

Please refer to "Financial Risk Management" No. 2 Fair Value Estimation and Hierarchy of Financial Instruments on pages 250 to 252 for derivative financial instruments. For fair value estimation of investment property, please refer to Note 10(C).

Notes to the Financial Statements

1. General Information

The Company is a limited liability company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong. The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are the generation and supply of electricity in Hong Kong, India and Australia, and investment holding of power projects in Mainland China, Southeast Asia and Taiwan.

The financial operations of the Company's major subsidiaries, CLP Power Hong Kong and CAPCO, (collectively referred as SoC Companies) are governed by a SoC entered with the Hong Kong Government. Our electricity business in Hong Kong is therefore also referred to as the SoC business. The main features of the SoC Agreement are summarised on pages 255 and 256, which are unaudited by PricewaterhouseCoopers.

These financial statements have been approved for issue by the Board of Directors on 29 February 2016.

2. Revenue

Accounting Policy

Revenue primarily represents sales of electricity and gas, engineering and maintenance service fees, other electricity-related revenue such as temporary electricity supply works and reconnection fees and adjustments stipulated under the SoC. It is measured at the fair value of the consideration received or receivable, net of applicable tax, discounts and rebates.

Sales of electricity and gas are based on actual and accrued consumption or the amount billed in accordance with the terms of the contractual agreements where applicable during the year. Other revenue is recognised when services are rendered or sales are completed.

Lease service income comprises servicing income and fuel costs received from lessees with respect to the leased assets. Finance lease income represents the interest element of the lease receipts on lease receivables and is recognised over the lease period using the effective interest method. Operating lease income is recognised on a straight-line basis over the term of the lease. Interest income is recognised on a time proportion basis using the effective interest method.

An analysis of the Group's revenue is as follows:

	2015 HK$M	2014 HK$M
Sales of electricity	68,566	79,034
Sales of gas	6,490	7,976
Operating lease income under PPA	3,409	3,334
Finance lease income under PPA	134	151
Lease service income under PPA	631	456
Other revenue	1,289	2,328
	80,519	93,279
Transfer for SoC to/(from) revenue (Note 23)	181	(1,020)
	80,700	92,259

2. Revenue (continued)

The operating lease income under PPA relates to Jhajjar, whose PPA has been accounted for as an operating lease.

The finance lease income and lease service income under PPA relate to Paguthan. In accordance with HK(IFRIC)-Int 4 and HKAS 17, servicing income and fuel costs received by Paguthan from the lessee with respect to the leased assets are not part of the minimum lease payments and are recognised as lease service income.

3. Segment Information

Accounting Policy

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer, who is the chief operating decision-maker of the Group. In accordance with the Group's internal organisation and reporting structure, the operating segments are based on geographical regions.

Segment revenue is based on the geographical region in which the electricity is generated and / or services are rendered. Segment capital additions represent the total costs incurred during the year to acquire fixed assets and other segment assets that are expected to be used for more than one year. Unallocated items comprise mainly corporate expenses, corporate assets, and the Company's liquid funds and borrowings.

The Group operates, through its subsidiaries, joint ventures and an associate, in five major geographical regions – Hong Kong, Mainland China, India, Southeast Asia and Taiwan, and Australia. In accordance with the Group's internal organisation and reporting structure, the operating segments are based on geographical regions. Substantially all the principal activities of the Group in each region are for the generation and supply of electricity which are managed and operated on an integrated basis.

EBITDAF = Earnings before interest, taxes, depreciation and amortisation, and fair value adjustments. For this purpose, fair value adjustments include fair value gains or losses on derivative financial instruments relating to transactions not qualifying as hedges and ineffectiveness of cash flow hedges.

Items affecting comparability refer to significant unusual and infrequent events such as acquisition / disposal, impairment of non-current assets, property valuation gain / loss, change in law or natural catastrophe. They are considered irrelevant for assessing the underlying performance of the Group and are separately disclosed to allow a better understanding and comparison of the financial results. Details of the items affecting comparability can be found on page 32.

3. Segment Information (continued)

Information about the Group's operations by geographical region is as follows:

	Hong Kong HK$M	Mainland China HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Australia HK$M	Unallocated Items HK$M	Total HK$M
For year ended 31 December 2015							
Revenue	38,937	937	5,104	9	35,707	6	80,700
EBITDAF of subsidiaries	16,548	786	1,985	(12)	10,315	(600)	29,022
Share of results, net of income tax							
Joint ventures	1	1,031	–	322	3	–	1,357
An associate	–	888	–	–	–	–	888
EBITDAF of the Group	16,549	2,705	1,985	310	10,318	(600)	31,267
Depreciation and amortisation	(4,201)	(517)	(556)	–	(1,448)	(43)	(6,765)
Fair value adjustments	4	–	–	–	(241)	–	(237)
Finance costs	(1,091)	(206)	(830)	–	(1,928)	(35)	(4,090)
Finance income	2	59	35	2	20	52	170
Profit/(loss) before income tax	11,263	2,041	634	312	6,721	(626)	20,345
Income tax expense	(1,809)	(147)	(22)	–	(1,604)	–	(3,582)
Profit/(loss) for the year	9,454	1,894	612	312	5,117	(626)	16,763
Earnings attributable to							
Perpetual capital securities holders	(247)	–	–	–	–	–	(247)
Other non-controlling interests	(837)	(9)	–	–	–	–	(846)
Earnings/(loss) attributable to shareholders	8,370	1,885	612	312	5,117	(626)	15,670
Excluding: Items affecting comparability	(99)	243	–	–	(4,281)	–	(4,137)
Operating earnings	8,271	2,128	612	312	836	(626)	11,533
Capital additions	7,588	1,648	1,396	–	825	26	11,483
Impairment provisions							
Fixed assets and leasehold land and land use rights under operating leases	–	–	–	–	1,865	–	1,865
Goodwill and other intangible assets	–	–	–	–	138	–	138
Receivables and others	4	–	37	–	418	–	459
At 31 December 2015							
Fixed assets	100,508	6,473	11,542	–	9,139	139	127,801
Goodwill and other intangible assets	5,545	5,208	28	–	17,476	–	28,257
Interests in joint ventures	18	9,498	–	1,709	25	–	11,250
Interest in an associate	–	785	–	–	–	–	785
Deferred tax assets	–	90	–	–	1,600	–	1,690
Other assets	14,016	4,599	5,207	71	8,311	1,977	34,181
Total assets	120,087	26,653	16,777	1,780	36,551	2,116	203,964
Bank loans and other borrowings	40,976	4,402	8,835	–	964	306	55,483
Current and deferred tax liabilities	12,408	1,452	215	–	52	–	14,127
Other liabilities	24,232	1,411	540	3	7,005	231	33,422
Total liabilities	77,616	7,265	9,590	3	8,021	537	103,032

The difference between total assets and total liabilities represents shareholders' financing.

3. Segment Information (continued)

	Hong Kong HK$M	Mainland China HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Australia HK$M	Unallocated Items HK$M	Total HK$M
For year ended 31 December 2014							
Revenue	35,623	909	4,821	8	50,895	3	92,259
EBITDAF of subsidiaries	17,926	501	1,934	(27)	1,292	(542)	21,084
Share of results, net of income tax							
Joint ventures	411	891	–	321	(61)	–	1,562
An associate	–	796	–	–	–	–	796
EBITDAF of the Group	18,337	2,188	1,934	294	1,231	(542)	23,442
Depreciation and amortisation	(3,923)	(412)	(567)	–	(1,845)	(44)	(6,791)
Fair value adjustments	(18)	–	–	–	620	–	602
Finance costs	(1,954)	(211)	(920)	–	(1,019)	(76)	(4,180)
Finance income	9	9	42	3	28	40	131
Profit/(loss) before income tax	12,451	1,574	489	297	(985)	(622)	13,204
Income tax (expense)/credit	(1,807)	(102)	(219)	–	860	–	(1,268)
Profit/(loss) for the year	10,644	1,472	270	297	(125)	(622)	11,936
Earnings attributable to							
Perpetual capital securities holders	(152)	–	–	–	–	–	(152)
Other non-controlling interests	(549)	(14)	–	–	–	–	(563)
Earnings/(loss) attributable to shareholders	9,943	1,458	270	297	(125)	(622)	11,221
Excluding: Items affecting comparability	(2,198)	158	–	–	881	–	(1,159)
Operating earnings	7,745	1,616	270	297	756	(622)	10,062
Capital additions	7,940	537	461	–	1,777	18	10,733
Impairment provisions							
Fixed assets and leasehold land and land use rights under operating leases	–	195	–	–	67	–	262
Goodwill and other intangible assets	–	2	–	–	2,223	–	2,225
Interests in joint ventures	–	–	–	–	59	–	59
Receivables and others	30	–	27	–	720	–	777
At 31 December 2014							
Fixed assets	97,372	5,364	11,259	–	13,982	156	128,133
Goodwill and other intangible assets	5,545	5,471	29	–	20,084	–	31,129
Interests in joint ventures	18	9,177	–	1,723	258	–	11,176
Interest in an associate	–	786	–	–	–	–	786
Deferred tax assets	–	95	6	–	3,727	–	3,828
Other assets	15,819	5,024	5,341	70	12,251	1,106	39,611
Total assets	118,754	25,917	16,635	1,793	50,302	1,262	214,663
Bank loans and other borrowings	40,644	3,516	8,656	–	14,619	–	67,435
Current and deferred tax liabilities	12,322	1,483	403	–	–	–	14,208
Other liabilities	24,571	1,611	724	3	9,936	216	37,061
Total liabilities	77,537	6,610	9,783	3	24,555	216	118,704

4. Other Gain

	2015 HK$M	2014 HK$M
Gain on sale of subsidiaries [a]	8,900	–
Net gain on CAPCO and PSDC acquisitions [b]		
Gain on deemed disposal of previously owned interests in joint ventures	–	7,363
Loss on settlement of a pre-existing finance lease payable	–	(5,338)
	8,900	2,025

Notes:

(a) On 1 December 2015, the Group completed the sale of its interests in EnergyAustralia Gas Storage Holdings Pty Ltd and EnergyAustralia Gas Storage Pty Ltd, which own the Iona Gas Plant, a 23.5 petajoule gas storage site located in southwest Victoria, Australia for a consideration of A$1,780 million (HK$9,991 million). Details of the calculation of the gain are as follows:

	A$M	HK$M
Consideration received	1,780	9,991
Less: Assets sold	(194)	(1,091)
Gain on sale	1,586	8,900
Transaction costs	(22)	(125)
Tax	(384)	(2,156)
Gain on sale after tax and transaction costs	1,180	6,619

(b) On 12 May 2014, the Group completed the acquisition of a further 30% interest in CAPCO and the remaining 51% interest in Hong Kong Pumped Storage Development Company, Limited (PSDC) and recorded a net gain of HK$2,025 million.

5. Operating Profit

Operating profit is stated after charging / (crediting) the following:

	2015 HK$M	2014 HK$M
Charging		
Staff costs		
Salaries and other costs	3,354	3,684
Retirement benefits costs [a]	295	296
Auditor's remuneration		
Audit services	39	37
Permissible audit related and non-audit services [b]	8	7
Operating lease expenditure on the agreement with Ecogen	230	276
Net loss on disposal of fixed assets	343	282
Impairment of		
Fixed assets and leasehold land and land use rights under operating leases [c]	1,865	262
Goodwill and other intangible asset [c]	138	2,225
Inventories – stores and fuel	7	41
Provision for onerous contract [c]	74	–
Net fair value (gain) / loss on non-financing related derivative financial instruments		
Cash flow hedges, reclassified from equity to		
Purchases of electricity, gas and distribution services	(261)	(331)
Fuel and other operating expenses	(176)	(167)
Transactions not qualifying as hedges	237	(602)
Loss on sale of a joint venture [d]	42	–
Net exchange loss	101	126

5. Operating Profit (continued)

Operating profit is stated after charging / (crediting) the following (continued):

	2015 HK$M	2014 HK$M
Crediting		
Revaluation gain on investment property	(99)	(245)

Notes:

(a) The retirement benefit plans for staff employed by the Group entities in Hong Kong are regarded as defined contribution schemes. The current scheme, GPFS, provides benefits linked to contributions and investment returns on the scheme. Contributions paid to defined contribution schemes, including GPFS and MPF as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, totalled HK$231 million (2014: HK$222 million), of which HK$65 million (2014: HK$64 million) was capitalised.

Staff employed by the Group entities outside Hong Kong are primarily covered by defined contribution schemes in accordance with local legislation and practices. Total contributions amounted to HK$153 million (2014: HK$161 million).

(b) Permissible audit-related and non-audit services comprise Sustainability Report assurance, internal audit peer review, audits of CLP's provident funds, auditor's attestation and accounting / tax advisory services for business development.

(c) Despite signs of short-term improvement, the wholesale electricity market in Australia remains significantly oversupplied with prices well below the level required to provide adequate long-term returns on generation investments. The carrying value of certain assets identified cannot be supported by the discounted cash flows representing their value in use. Therefore, the Group recognised impairments across three of its generating cash generating units (CGUs) in Australia (Yallourn Power Station, Mount Piper Power Station and Tallawarra Power Station) and a provision for onerous contract with respect to Ecogen Master Hedge Agreement (Ecogen), totalling A$363 million (HK$2,058 million) (after tax: A$261 million (HK$1,480 million)).

	HK$M
Impairment provision	
Yallourn Power Station	969
Mount Piper Power Station	658
Tallawarra Power Station	357
	1,984
Provision for onerous contract – Ecogen	74
	2,058

The recoverable amount assessment for the generating CGUs in Australia is based on value in use calculations, applying a discounted cash flow methodology. The value in use calculations use cash flow projections as at 31 December 2015 based on the EnergyAustralia's Business Plan, a discounted terminal value and an option value, where relevant. The recoverable amounts of the generating CGUs as at 31 December 2015 were as follows:

	HK$M
Yallourn Power Station	3,822
Mount Piper Power Station	3,432
Tallawarra Power Station	1,274

Key estimates and assumptions relating to generating CGUs testing are:

- Critical judgment exists in estimating forward electricity pool prices (the forward curve), generation volumes, retail volumes and gas prices. The forward curve has a significant impact on the accounting for certain items including value in use calculations for impairment purposes.
- Operating costs are escalated by relevant cost drivers using activity-based costing principles. Non-contracted fuel costs are based on management's estimate of the future fuel prices.
- The pre-tax discount rates used range from 10.3% to 10.5% (2014: 10.9% to 13.0%).

(d) In April 2015, the Group sold its entire interest in Waterloo Investment Holdings Pty Ltd, a joint venture in Australia, for a consideration of HK$202 million (A$33 million) with a loss of HK$42 million (2014: nil).

6. Finance Costs and Income

Accounting Policy

Borrowing costs are recognised as an expense in the year in which they are incurred, except to the extent that they are capitalised when they are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use.

	2015 HK$M	2014 HK$M
Finance costs		
Interest expenses on		
Bank loans and overdrafts	1,196	1,430
Other borrowings	1,096	1,137
Tariff Stabilisation Fund (a)	2	1
Customers' deposits and fuel clause over-recovery	116	110
Finance charges under finance leases (b)	2	922
Costs associated with the early termination of debt in Australia (c)	1,226	–
Other finance charges	259	372
Net fair value loss / (gain) on financing related derivative financial instruments		
Cash flow hedges, reclassified from equity	(256)	677
Fair value hedges	(106)	(666)
Not designated as hedges	45	(1)
Ineffectiveness of cash flow hedges	(8)	33
Loss on hedged items in fair value hedges	110	658
Other net exchange loss / (gain) on financing activities	710	(197)
	4,392	4,476
Less: amount capitalised (d)	(302)	(296)
	4,090	4,180
Finance income		
Interest income on short-term investments, bank deposits and loan to a joint venture	170	131

Notes:

(a) In accordance with the provisions of the SoC Agreement, CLP Power Hong Kong is required to credit, to a Rate Reduction Reserve in its financial statements, a charge of the average of one-month Hong Kong interbank offered rate on the average balance of the Tariff Stabilisation Fund under the SoC (Note 23).

(b) In 2014, finance charges under finance leases primarily related to contingent rent in respect of the power purchase arrangement between CLP Power Hong Kong and CAPCO accounted for as finance lease in accordance with HK(IFRIC)-Int 4 and HKAS 17 prior to acquisition of CAPCO as a subsidiary.

(c) Following receipt of the sale proceeds of Iona Gas Plant (Note 4(a)), EnergyAustralia reduced its debt. The termination costs of debt together with the costs required to close out associated hedging derivatives (including fair value loss on cash flow hedges reclassified from equity of A$84 million (HK$462 million)) totalled A$222 million (HK$1,226 million) (after tax: A$155 million (HK$858 million)) (2014: nil).

(d) Finance costs have been capitalised at average interest rates of 1.13% – 3.22% (2014: 1.33% – 5.90%) per annum.

7. Income Tax Expense

Accounting Policy No. 8

Income tax in the consolidated statement of profit or loss represents the income tax of the Company and subsidiaries and is analysed below:

	2015 HK$M	2014 HK$M
Current income tax	1,818	1,571
Deferred tax	1,764	(303)
	3,582	1,268

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year. Income tax on profits assessable outside Hong Kong has been provided at the rates prevailing in the respective jurisdictions.

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2015 HK$M	2014 HK$M
Profit before income tax	20,345	13,204
Less: Share of results of joint ventures and an associate, net of income tax	(2,245)	(2,358)
	18,100	10,846
Calculated at an income tax rate of 16.5% (2014: 16.5%)	2,987	1,790
Effect of different income tax rates in other countries	717	(217)
Income not subject to tax	(70)	(393)
Expenses not deductible for tax purposes	264	204
Revenue adjustment for SoC not subject to tax (Note 23)	(30)	168
Over-provision in prior years	(12)	(645)
Utilisation of previously unrecognised tax losses	(276)	–
Tax losses not recognised	2	1
Derecognition of deferred tax assets	–	360
Income tax expense	3,582	1,268

8. Dividends

	2015 HK$ per share	2015 HK$M	2014 HK$ per share	2014 HK$M
First to third interim dividends paid	1.65	4,169	1.62	4,093
Fourth interim dividend declared	1.05	2,653	1.00	2,526
	2.70	6,822	2.62	6,619

At the Board meeting held on 29 February 2016, the Directors declared the fourth interim dividend of HK$1.05 per share (2014: HK$1.00 per share). The fourth interim dividend is not reflected as dividends payable in the financial statements.

9. Earnings per Share

The earnings per share are computed as follows:

	2015	2014
Earnings attributable to shareholders (HK$M)	15,670	11,221
Weighted average number of shares in issue (thousand shares)	2,526,451	2,526,451
Earnings per share (HK$)	6.20	4.44

Basic and fully diluted earnings per share are the same as the Company did not have any dilutive equity instruments throughout the year ended 31 December 2015 (2014: nil).

10. Fixed Assets, Leasehold Land and Land Use Rights under Operating Leases and Investment Property

Accounting Policy

(A) Fixed assets and leasehold land and land use rights under operating leases

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the fixed asset. Cost may also include transfer from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of fixed assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. For any asset replacement, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in the period in which they are incurred.

Fixed assets employed for the electricity business in Hong Kong, also referred to as SoC fixed assets, represent a major portion of the assets of the Group. Depreciation of fixed assets and amortisation of leasehold land is on a straight-line basis using the rates authorised under the SoC which reflect the pattern in which the assets' economic benefits are consumed.

Leasehold land	unexpired term of the lease
Cable tunnels	100 years
Buildings and civil structures at power stations	35 years
Ash lagoon	35 years
Other buildings and civil structures	60 years
Overhead lines (33 kV and above)	60 years
Overhead lines (below 33 kV)	45 years
Cables	60 years
Switchgear and transformers	50 years
Generating plant	25 years
Substation miscellaneous	25 years
Meters	15 years
System control equipment, furniture, tools, communication and office equipment	10 years
Computers and office automation equipment other than those forming part of the generating plant	5 years
Motor vehicles and marine craft	5 years
Refurbished or improved assets	remaining original life plus any life extension

10. Fixed Assets, Leasehold Land and Land Use Rights under Operating Leases and Investment Property (continued)

Accounting Policy

(A) Fixed assets and leasehold land and land use rights under operating leases (continued)

Fixed assets used for the non-SoC business primarily relate to the electricity businesses located outside Hong Kong. Amortisation of leasehold land and depreciation of fixed assets are calculated, using the straight-line method, to allocate their costs to their estimated residual values over the unexpired term of the lease or their estimated useful lives, as appropriate. Their estimated useful lives are similar to those of the SoC fixed assets and are set out below:

Leasehold land	unexpired term of the lease
Buildings	10 – 60 years
Generating plant	15 – 35 years
Switchgear and transformers	17 – 45 years
Gas storage plant	25 years
Other equipment	10 – 30 years
Computers, furniture and fittings and office equipment	3 – 15 years
Motor vehicles	3 – 10 years
Freehold land	not depreciable

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. For plant under construction, no depreciation is provided until the construction is completed and the assets are ready for their intended use. Leasehold land commences amortisation from the time when the land interest becomes available for its intended use. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(B) Investment Properties

Investment properties include properties that are being constructed or developed for future use as investment properties. Land held under operating leases is accounted for as an investment property when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment properties are measured initially at cost, including related transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Any gains and losses arising from changes in the fair value or from the retirement or disposal of an investment property are recognised in profit or loss in the period in which they arise.

If an item of owner occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised directly in revaluation reserve within equity.

10. Fixed Assets, Leasehold Land and Land Use Rights under Operating Leases and Investment Property (continued)

Fixed assets, leasehold land and land use rights under operating leases and investment property totalled HK$136,012 million (2014: HK$136,383 million), which included assets under construction with book value of HK$14,364 million (2014: HK$13,776 million). Movements in the accounts are as follows:

(A) Fixed Assets

	Land		Buildings		Plant, Machinery and Equipment		
	Freehold HK$M	Leased HK$M	Owned HK$M	Leased HK$M	Owned HK$M	Leased HK$M	Total HK$M
Net book value at 1 January 2014	826	506	13,473	5,615	84,063	22,393	126,876
Acquisition of subsidiaries	–	–	5,544	(5,477)	22,333	(22,206)	194
Additions	–	–	1,178	18	7,379	569	9,144
Transfers and disposals	(79)	(6)	251	(41)	(527)	(65)	(467)
Depreciation	–	(14)	(482)	(115)	(4,432)	(678)	(5,721)
Impairment charge	(1)	–	(180)	–	(80)	–	(261)
Exchange differences	(34)	–	(132)	–	(1,465)	(1)	(1,632)
Net book value at 31 December 2014	712	486	19,652	–	107,271	12	128,133
Cost	727	592	30,932	–	186,235	30	218,516
Accumulated depreciation and impairment	(15)	(106)	(11,280)	–	(78,964)	(18)	(90,383)
Net book value at 31 December 2014	712	486	19,652	–	107,271	12	128,133
Net book value at 1 January 2015	712	486	19,652	–	107,271	12	128,133
Additions	–	–	955	–	10,324	–	11,279
Transfers and disposals	10	–	(107)	–	(328)	–	(425)
Sale of subsidiaries	(10)	–	(15)	–	(1,109)	–	(1,134)
Depreciation	–	(13)	(612)	–	(5,229)	(1)	(5,855)
Impairment charge (Note 5(c))	(19)	–	(60)	–	(1,784)	(2)	(1,865)
Exchange differences	(51)	–	(207)	–	(2,073)	(1)	(2,332)
Net book value at 31 December 2015	**642**	**473**	**19,606**	**–**	**107,072**	**8**	**127,801**
Cost	741	592	31,258	–	189,085	27	221,703
Accumulated depreciation and impairment	(99)	(119)	(11,652)	–	(82,013)	(19)	(93,902)
Net book value at 31 December 2015	**642**	**473**	**19,606**	**–**	**107,072**	**8**	**127,801**

10. Fixed Assets, Leasehold Land and Land Use Rights under Operating Leases and Investment Property (continued)

(B) Leasehold Land and Land Use Rights under Operating Leases

	2015 HK$M	2014 HK$M
Net book value at 1 January	5,696	1,806
Acquisition of subsidiaries	–	3,811
Additions	22	214
Amortisation	(170)	(131)
Impairment charge	–	(1)
Exchange differences	(6)	(3)
Net book value at 31 December	5,542	5,696
Cost	6,272	6,258
Accumulated amortisation and impairment	(730)	(562)
Net book value at 31 December	5,542	5,696

(C) Investment Property

	2015 HK$M	2014 HK$M
At 1 January	2,554	2,221
Additions	16	88
Revaluation surplus	99	245
At 31 December	2,669	2,554

The Group's investment property is located at Argyle Street, Kowloon. It was revalued at 31 December 2015 by DTZ Debenham Tie Leung Limited (DTZ) based on the highest and best use approach. In formulating the optimal development of the property, DTZ has taken into account the development constraints stipulated on the covenants of the Government Leases and subsequent modifications. DTZ has adopted the residual valuation method, which is a modification of income approach based on discounted cash flows, by making reference to the development potential of the subject property after deduction of costs for completion of the development. The valuation relies upon a series of assumptions which produce an estimation of the expected current market value of the property held for development or redevelopment. These assumptions include the statutory and non-statutory restrictions associated with development that may be imposed by the Government. Comparable transactions of similar development in the locality were gathered for gross development value assessment. The valuations are performed and reported twice a year, in line with the Group's reporting dates, to management.

The recurring fair value measurement of the Group's investment property is categorised within Level 3 of the fair value hierarchy at 31 December 2015 and 2014. The significant unobservable inputs used other than assumptions made in relation to development potential of the property are discount rate, cost of development and estimated return in the future for the property. The discount rate used is 5% (2014: 5%) and the higher the rate, the lower the fair value of the property.

11. Goodwill and Other Intangible Assets

Accounting Policy

(A) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units, or groups of cash generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken at least annually or if events or changes in circumstances indicate a potential impairment. The carrying value of the cash generating unit containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(B) Other intangible assets

Intangible assets other than goodwill are measured initially at cost or, if acquired in a business combination, fair value at the acquisition date. An intangible asset with a finite useful life is amortised on a straight-line basis over its useful life of 6 – 34 years and carried at cost less accumulated amortisation and accumulated impairment losses.

11. Goodwill and Other Intangible Assets (continued)

	Goodwill[(a)] HK$M	Licences HK$M	Capacity Right[(b)] HK$M	Others[(c)] HK$M	Total HK$M
Net carrying value at 1 January 2014	19,109	2,280	–	2,458	23,847
Acquisition of subsidiaries	5,545	–	5,607	–	11,152
Additions	–	198	8	1,081	1,287
Write-off	–	–	–	(16)	(16)
Amortisation	–	(3)	(181)	(755)	(939)
Impairment charge	(2)	(2,223)	–	–	(2,225)
Exchange differences	(1,548)	(252)	–	(177)	(1,977)
Net carrying value at 31 December 2014	23,104	–	5,434	2,591	31,129
Cost	23,106	2,223	5,615	6,090	37,034
Accumulated amortisation and impairment	(2)	(2,223)	(181)	(3,499)	(5,905)
Net carrying value at 31 December 2014	23,104	–	5,434	2,591	31,129
Net carrying value at 1 January 2015	23,104	–	5,434	2,591	31,129
Additions	–	–	11	155	166
Amortisation	–	–	(272)	(468)	(740)
Impairment charge (Note 5(c))	(129)	–	–	(9)	(138)
Exchange differences	(1,888)	–	–	(272)	(2,160)
Net carrying value at 31 December 2015	**21,087**	**–**	**5,173**	**1,997**	**28,257**
Cost	21,218	1,984	5,626	5,585	34,413
Accumulated amortisation and impairment	(131)	(1,984)	(453)	(3,588)	(6,156)
Net carrying value at 31 December 2015	**21,087**	**–**	**5,173**	**1,997**	**28,257**

11. Goodwill and Other Intangible Assets (continued)

Notes:

(a) Goodwill mostly arose from the previous acquisitions of energy retail business in Australia of HK$15,480 million (2014: HK$17,350 million) and the acquisition of CAPCO under Hong Kong electricity business of HK$5,545 million (2014: HK$5,545 million) in 2014. In accordance with the Group's accounting policies, the Group has assessed the recoverable amount of goodwill for the corresponding cash generating units and determined that such goodwill has not been impaired. The recoverable amount of the cash generating units tested for impairment has been determined based on value in use calculations. The value in use calculations use cash flow projections as at 31 December 2015 based on an approved Business Plan which has a forecast covering a period of ten years and necessary updates. Projections for a period of greater than five years have been used on the basis that a longer projection period represents the long dated nature of our generation and electricity supply assets and a more appropriate reflection of future cash flows from anticipated legislative, regulatory and structural changes in the industry.

The key assumptions used in the value in use calculations are as follows:

Energy retail business in Australia

- Retail prices are sensitive to regulatory changes including regulation and deregulation of retail tariffs. In the absence of any known or expected changes to the current pricing structure, the Group's retail price path assumptions are based on management estimates and expectations on current market conditions and the Group's expectation of regulatory outcomes.
- The electricity and gas volumes for purchases and sales represent the forecast projections in the EnergyAustralia Business Plan. External information was used to verify and align internal estimates.
- The number of customer accounts for electricity and gas aligns with the EnergyAustralia Business Plan.
- Electricity and gas network (distribution) cost assumptions are based on published regulated price paths. When no estimates are available, network costs are assumed to escalate by the relevant consumer price index.
- Electricity pool prices, generation volumes, dispatch levels and gas prices were derived using modelling of the electricity wholesales market. NEM modelling is prepared internally, where possible, using observable inputs. NEM modelling used for the electricity wholesale and gas markets is based on past experience and observable market activity.
- The cash flow projections are discounted using a pre-tax discount rate of 12.6% (2014: 12.1%). The discount rates reflect the current market assessments of the time value of money and are based on the estimated cost of capital.
- Terminal value growth rate has been used in estimating cash flows beyond a period of ten years. A norminal rate of 2.7% (2014: 3.0%) was used for the current period.

Hong Kong electricity business

- Goodwill arising from the CAPCO acquisition has been allocated to the CLP Power Hong Kong and CAPCO combined cash generating unit as the acquisition is considered to benefit the whole SoC business.
- The electricity tariff for the supply of electricity in meeting the demand of customers in Hong Kong over the forecast periods is determined with reference to the rate-setting mechanism under the SoC.
- The forecast for electricity demand is based on the load forecast to support local infrastructure development and meeting customer load requirements, maintaining safety and supply reliability, and meeting environmental requirements.
- Expenditure for the supply of electricity in meeting the forecast demand are based on committed purchase contracts where applicable, and inputs on costs trend as specific to the electricity business in Hong Kong. Such forecast aligns with the projection in the Business Plan for our Hong Kong electricity business, with capital expenditures for the periods to 2018 aligned with those forecasted in the approved development plan.
- Terminal value of the cash generating unit is adopted to estimate the cash flows to be generated for the periods beyond ten years. This is expressed as a multiple of net asset values which corresponds to our return model based on fixed assets investment. The terminal value is a multiple of 1.2 times of the net asset values forecasted as at the end of 2025.
- The cash flow projections are discounted using a pre-tax discount rate of 11.92% (2014: 12.05%), or a post-tax discount rate of 9.99% (2014: 9.99%) which reflects the SoC return rate applicable to the electricity business in Hong Kong.

(b) Capacity right represents the right to use 50% of the pumped storage capacity of Phase 1 of the Guangzhou Pumped Storage Power Station in Conghua, Guangzhou and the corresponding right to use the associated transmission facilities until 2034.

(c) The balance includes contracted customers and other identifiable intangible assets from EnergyAustralia.

12. Interests in Joint Ventures

Accounting Policy No. 3(C)

	2015 HK$M	2014 HK$M
Share of net assets	10,463	10,121
Goodwill	44	47
Carrying amounts	10,507	10,168
Advances [(a)]	–	103
Loan [(b)]	743	905
	11,250	11,176

Notes:

(a) Advances to joint ventures are unsecured, interest free and have no fixed repayment terms. These advances are considered equity in nature.

(b) Loan to a joint venture is unsecured, carries interest rate fixed at 90% (2014: 90%) of the over five years Renminbi benchmark lending rate of the People's Bank of China and with final maturity in September 2022. The current portion of the loan of HK$122 million (2014: HK$94 million) was included in other receivables.

Details of the joint ventures are summarised below:

(A) CSEC Guohua, a joint stock company with 70% of its registered capital owned by China Shenhua Energy Company Limited and 30% owned by the Group, is incorporated in Mainland China. It holds interests in five coal-fired power stations, namely Beijing Yire Power Station in Beijing (ceased operation in March 2015), Panshan Power Station in Tianjin, Sanhe Power Station in Hebei, Zhungeer Power Station in Inner Mongolia and Suizhong Power Station in Liaoning, with a combined capacity of 7,440MW.

(B) CLP Guangxi Fangchenggang Power Company Limited (Fangchenggang) is incorporated in Mainland China and 70% of its registered capital is owned by the Group. This company owns and operates a 1,260MW coal-fired power station and two 660MW ultra-supercritical coal-fired units under construction in Guangxi. All power generated is for supply to the Guangxi power grid.

Under the joint venture agreement, none of the joint venture partners has unilateral control over the economic activities of Fangchenggang and hence, the Group's interest is accounted for as a joint venture.

(C) ShenGang Natural Gas Pipeline Company Limited (SNGPC) is incorporated in Mainland China and 40% of its registered capital is owned by the Group. This company owns and operates a 20 km pipeline and the associated gas launching and end stations (the Hong Kong Branch Line) which transports natural gas from PetroChina's Second West-East Gas Pipeline in Shenzhen Dachan Island to Black Point Power Station in Hong Kong.

(D) OneEnergy Taiwan Ltd (OneEnergy Taiwan) is incorporated in the British Virgin Islands and 50% of its ordinary share capital is owned by each of Mitsubishi Corporation of Japan and the Group. This company owns a 40% interest in Ho-Ping Power Company.

(E) Shandong Zhonghua Power Company, Ltd. (SZPC) is incorporated in Mainland China and 29.4% of its registered capital is owned by the Group. This company owns four coal-fired power stations, namely Shiheng I, Shiheng II, Heze II and Liaocheng I, with a combined installed capacity of 3,060MW. All power generated is for supply to the Shandong power grid.

12. Interests in Joint Ventures (continued)

(F) The Group's other investments include the following key projects:

- 33.3% interest in the ordinary share capital of Natural Energy Development Co., Ltd., which is incorporated in Thailand and owns a solar farm in Lopburi Province in Central Thailand, with an installed capacity of 63MW;
- 51% interest in the registered capital of Jinchang Zhenxin PV Power Company Limited, which is incorporated in Mainland China and owns Jinchang Solar Power Station, with an installed capacity of 85MW in Gansu; and
- 49% interests in the registered capital of various Chinese joint ventures at a carrying amount of HK$1,300 million (2014: HK$1,342 million) in aggregate. These joint ventures are incorporated in Mainland China and hold interests in various wind power stations in Shandong and Jilin, with a total installed capacity of 543MW.

Summarised financial information of significant joint ventures and the Group's share of results and net assets are as follows:

	For year ended 31 December 2015						
	CSEC Guohua [a] HK$M	Fangcheng-gang HK$M	SNGPC HK$M	OneEnergy Taiwan HK$M	SZPC HK$M	Others HK$M	Total HK$M
Revenue	13,115	1,396	947	–	7,931	1,937	25,326
Depreciation and amortisation	(2,045)	(183)	(137)	–	(964)	(604)	(3,933)
Interest income	1	2	4	–	4	14	25
Interest expense	(499)	(154)	(124)	–	(257)	(312)	(1,346)
Other expenses	(9,320)	(880)	(206)	(2)	(4,024)	(486)	(14,918)
Share of results of joint ventures	–	–	–	549	–	(7)	542
Profit before income tax	1,252	181	484	547	2,690	542	5,696
Income tax expense	(384)	(49)	(122)	–	(710)	(60)	(1,325)
Profit for the year	868	132	362	547	1,980	482	4,371
Non-controlling interests	(627)	–	–	–	–	–	(627)
Profit for the year attributable to shareholders	241	132	362	547	1,980	482	3,744
Profit for the year	868	132	362	547	1,980	482	4,371
Other comprehensive income	–	–	–	(1)	–	159	158
Total comprehensive income	868	132	362	546	1,980	641	4,529
Group's share							
Profit for the year attributable to shareholders	73	93	144	273	582	192	1,357
Other comprehensive income	–	–	–	(1)	–	79	78
Total comprehensive income	73	93	144	272	582	271	1,435
Dividends from joint ventures	144	316	–	200	579	154	1,393

12. Interests in Joint Ventures (continued)

	For year ended 31 December 2014						
	CAPCO[b] HK$M	Fangcheng-gang HK$M	SNGPC HK$M	OneEnergy Taiwan HK$M	SZPC HK$M	Others HK$M	Total HK$M
Revenue	4,539	2,288	51	–	8,403	2,198	17,479
Depreciation and amortisation	(28)	(185)	(23)	–	(947)	(779)	(1,962)
Interest income	–	16	13	–	6	9	44
Interest expense	(5)	(180)	(9)	(2)	(326)	(493)	(1,015)
Other expenses	(3,268)	(1,333)	(40)	(1)	(5,062)	(493)	(10,197)
Share of results of joint ventures	–	–	–	530	–	–	530
Profit/(loss) before income tax	1,238	606	(8)	527	2,074	442	4,879
Income tax (expense)/credit	(211)	(143)	2	–	(564)	(69)	(985)
Profit/(loss) for the year attributable to shareholders	1,027	463	(6)	527	1,510	373	3,894
Other comprehensive income	(2)	–	–	2	–	(67)	(67)
Total comprehensive income	1,025	463	(6)	529	1,510	306	3,827
Group's share							
Profit/(loss) for the year attributable to shareholders	411	324	(2)	264	444	121	1,562
Other comprehensive income	(1)	–	–	1	–	(50)	(50)
Total comprehensive income	410	324	(2)	265	444	71	1,512
Dividends from joint ventures	145	607	–	45	406	293	1,496

Notes:

(a) The Group's share of results of CSEC Guohua included its share of impairment provision for Beijing Yire Power Station of HK$243 million (2014: nil). The Group did not share the results of CSEC Guohua in 2014 under a share transfer agreement which lapsed at 31 December 2014.

(b) The share of results of CAPCO related to the period from 1 January 2014 to 12 May 2014 (prior to acquisition as a subsidiary).

12. Interests in Joint Ventures (continued)

	At 31 December 2015						
	CSEC Guohua HK$M	Fangcheng-gang HK$M	SNGPC HK$M	OneEnergy Taiwan HK$M	SZPC HK$M	Others HK$M	Total HK$M
Non-current assets	25,509	7,361	3,704	2,978	7,964	11,257	58,773
Current assets							
Cash and cash equivalents	72	153	254	3	406	688	1,576
Other current assets	4,207	302	56	1	893	806	6,265
	4,279	455	310	4	1,299	1,494	7,841
Current liabilities							
Financial liabilities *	(8,919)	(419)	(305)	–	(1,855)	(1,265)	(12,763)
Other current liabilities	(2,067)	(718)	(39)	–	(1,139)	(728)	(4,691)
	(10,986)	(1,137)	(344)	–	(2,994)	(1,993)	(17,454)
Non-current liabilities							
Financial liabilities *	(2,523)	(3,599)	–	–	(2,914)	(4,631)	(13,667)
Shareholders' loans	–	–	(1,857)	–	–	(59)	(1,916)
Other non-current liabilities	(1,421)	(37)	(5)	(1)	(44)	(59)	(1,567)
	(3,944)	(3,636)	(1,862)	(1)	(2,958)	(4,749)	(17,150)
Non-controlling interests	(6,356)	–	–	–	–	–	(6,356)
Net assets	8,502	3,043	1,808	2,981	3,311	6,009	25,654
Group's share of net assets	2,551	2,131	723	1,491	973	2,594	10,463
Goodwill	–	–	–	–	–	44	44
Carrying amounts	2,551	2,131	723	1,491	973	2,638	10,507
Loan	–	–	743	–	–	–	743
	2,551	2,131	1,466	1,491	973	2,638	11,250

* Excluding trade and other payables and provisions.

In accordance with HKFRS12 "Disclosure of Interests in Other Entities" requirements, trade and other payables and provisions are excluded from financial liabilities and included under other current / non-current liabilities for disclosure purposes.

12. Interests in Joint Ventures (continued)

	CSEC Guohua HK$M	Fangcheng-gang HK$M	SNGPC HK$M	OneEnergy Taiwan HK$M	SZPC HK$M	Others HK$M	Total HK$M
	At 31 December 2014						
Non-current assets	28,427	5,706	4,016	2,942	9,219	13,956	64,266
Current assets							
Cash and cash equivalents	17	444	325	4	481	739	2,010
Other current assets	3,791	561	33	–	890	1,022	6,297
	3,808	1,005	358	4	1,371	1,761	8,307
Current liabilities							
Financial liabilities *	(7,913)	(261)	(235)	–	(2,309)	(1,424)	(12,142)
Other current liabilities	(4,224)	(1,687)	(347)	(1)	(923)	(756)	(7,938)
	(12,137)	(1,948)	(582)	(1)	(3,232)	(2,180)	(20,080)
Non-current liabilities							
Financial liabilities *	(3,116)	(2,668)	–	–	(3,796)	(6,101)	(15,681)
Shareholders' loans	–	–	(2,264)	–	–	(408)	(2,672)
Other non-current liabilities	(1,378)	(33)	(1)	–	(37)	(256)	(1,705)
	(4,494)	(2,701)	(2,265)	–	(3,833)	(6,765)	(20,058)
Non-controlling interests	(6,469)	–	–	–	–	–	(6,469)
Net assets	9,135	2,062	1,527	2,945	3,525	6,772	25,966
Group's share of net assets	2,741	1,443	611	1,473	1,036	2,817	10,121
Goodwill	–	–	–	–	–	47	47
Carrying amounts	2,741	1,443	611	1,473	1,036	2,864	10,168
Advances and loan	–	–	905	–	–	103	1,008
	2,741	1,443	1,516	1,473	1,036	2,967	11,176

* Excluding trade and other payables and provisions.

	2015 HK$M	2014 HK$M
Share of capital commitments	1,587	3,512
Share of contingent liabilities	58	60

The Group's capital commitments in relation to its interests in joint ventures are disclosed in Note 29.

13. Interest in an Associate

Accounting Policy No. 3(C)

The balance represents the Group's share of net assets of Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) at the end of the reporting period.

GNPJVC is unlisted, incorporated and operates in Mainland China, and its registered capital is 25% owned by the Group and 75% owned by Guangdong Nuclear Investment Company, Limited. GNPJVC constructed and operates the Guangdong Daya Bay Nuclear Power Station and its principal activity is the generation of electricity for supply to Hong Kong and Guangdong Province.

Summarised financial information of GNPJVC and the Group's share of results and net assets are as follows:

	2015 HK$M	2014 HK$M
Revenue	7,552	7,165
Profit and total comprehensive income	3,552	3,184
Group's share of profit and total comprehensive income	888	796
Dividends from an associate	889	1,685
Non-current assets	3,283	3,060
Current assets	8,572	8,235
Current liabilities	(5,369)	(4,766)
Non-current liabilities	(3,346)	(3,384)
Net assets	3,140	3,145
Group's share of net assets	785	786

At 31 December 2015, the Group's share of capital commitments of its associate was HK$96 million (2014: HK$177 million).

14. Finance Lease Receivables

Accounting Policy No. 11

	Minimum Lease Payments 2015 HK$M	Minimum Lease Payments 2014 HK$M	Present Value of Minimum Lease Payments 2015 HK$M	Present Value of Minimum Lease Payments 2014 HK$M
Amounts receivable under finance leases				
Within one year	166	177	52	50
After one year but within five years	1,005	1,234	799	898
	1,171	1,411	851	948
Less: unearned finance income	(320)	(463)		
Present value of minimum lease payments receivable	851	948		

The finance lease receivables, accounted for as finance lease in accordance with HK(IFRIC)-Int 4 and HKAS 17, relate to the 20-year power purchase agreement under which CLP India sells all of its electricity output of Paguthan Plant (Paguthan) to its offtaker, Gujarat Urja Vikas Nigam Limited (GUVNL). The effective interest rate implicit in the finance lease was approximately 13.4% for both 2015 and 2014.

15. Derivative Financial Instruments

Accounting Policy No. 5

	2015		2014	
	Assets HK$M	Liabilities HK$M	Assets HK$M	Liabilities HK$M
Cash flow hedges (note)				
Forward foreign exchange contracts	595	135	855	55
Foreign exchange options	83	–	74	–
Cross currency interest rate swaps	529	1,544	2,124	1,310
Interest rate swaps	18	195	66	1,031
Energy contracts	27	11	22	112
Fair value hedges				
Cross currency interest rate swaps	94	424	257	417
Interest rate swaps	13	78	18	122
Held for trading or not qualifying as accounting hedges				
Forward foreign exchange contracts	60	115	79	62
Interest rate swaps	31	9	37	24
Energy contracts	228	886	247	638
	1,678	3,397	3,779	3,771
Analysed as:				
Current	600	595	659	709
Non-current	1,078	2,802	3,120	3,062
	1,678	3,397	3,779	3,771

Although termed "held for trading or not qualifying as accounting hedges" above, these derivatives are used as "economic hedges" or for the purpose of understanding energy price movements.

Note: Derivative financial instruments qualifying as cash flow hedges at 31 December 2015 have a maturity of up to 15 years (2014: 14 years) from the end of the reporting period.

The maturities of the derivative financial instruments used for hedging correlate to the timing of the cash flows associated with the corresponding hedged items. As for the energy contracts that are hedges of anticipated future purchases and sales of electricity (cash flow hedge), any unrealised gains or losses on the contracts recognised are deferred in the hedging reserve (through other comprehensive income) and reclassified to profit or loss, as an adjustment to purchased electricity expense or the billed electricity revenue, when the hedged purchase or sale is recognised.

16. Available-for-sale Investments

Accounting Policy

Available-for-sale investments are non-derivative financial assets that are either designated in that category or not classified in any of the other categories of financial instruments. Purchases and sales of financial assets are recognised on their trade date – the date on which the Group commits to purchase or sell the asset. They are initially recognised at fair value plus transaction costs and are subsequently carried at fair value.

Changes in the fair value of available-for-sales equity investments are recognised in other comprehensive income. When an available-for-sale equity investment is sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss. Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive payments is established.

The Group assesses at the end of each reporting period whether there is objective evidence that an available-for-sale investment is impaired. A significant or prolonged decline in the fair value of an equity investment below its cost is evidence that the asset is impaired. If any such evidence exists, the cumulative loss, less any impairment loss previously recognised in profit or loss, is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity investments are not reversed through profit or loss.

Available-for-sale investments are classified as non-current assets unless management intend to dispose of the investment within 12 months after the end of the reporting period.

The Group's available-for-sale investments are analysed as follows:

	2015 HK$M	2014 HK$M
CGN Wind Power Company Limited (CGN Wind)	1,190	1,190
Others	454	517
	1,644	1,707

In accordance with the Group's accounting policy, the unquoted investment in CGN Wind, which is denominated in Renminbi, is treated for accounting purpose as an available-for-sale investment.

Although termed "available-for-sale" by the accounting standard, investments in this category are generally held for the long-term.

17. Trade and Other Receivables

Accounting Policy

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are recognised in profit or loss.

	2015 HK$M	2014 HK$M
Trade receivables [(a)]	10,061	11,040
Deposits, prepayments and other receivables	2,613	2,566
Dividend receivables from [(b)]		
Joint ventures	80	1,127
An associate	877	785
An available-for-sale investment	–	64
Current accounts with [(b)]		
Joint ventures	180	136
An associate	1	1
	13,812	15,719

Trade and other receivables attributed to overseas subsidiaries amounted to HK$9,682 million (2014: HK$11,686 million). At 31 December 2015, CLP India has obtained payment for some of its receivables from GUVNL through bill discounting with recourse amounted to HK$89 million (2014: HK$123 million) and the transactions have been accounted for as collateralised borrowings (Note 20).

Notes:

(a) Trade receivables

18% (2014: 17%) and 57% (2014: 62%) of the gross trade receivables relate to sales of electricity in Hong Kong and sales of electricity and gas in Australia respectively. There is no significant concentration of credit risk with respect to these trade receivables as the customer bases are widely dispersed in different sectors and industries. The trade receivables in currencies other than Hong Kong dollar are denominated in the functional currencies of the respective overseas entities.

The Group has established credit policies for customers in each of its retail businesses. CLP Power Hong Kong's credit policy in respect of receivables arising from its principal electricity business is to allow customers to settle their electricity bills within two weeks after issue. Customers' receivable balances are generally secured by cash deposits or bank guarantees from customers for an amount not exceeding the highest expected charge for 60 days of consumption. At 31 December 2015, such cash deposits amounted to HK$4,829 million (2014: HK$4,652 million) and the bank guarantees stood at HK$843 million (2014: HK$883 million). The customer deposits are repayable on demand and bear interest at the HSBC bank savings rate. Impairment provisions on trade receivables are recognised on an individual basis once a receivable is more than 90 days overdue and are calculated by reference to the historical past due recovery pattern together with any customer deposits held. For subsidiaries outside Hong Kong, the credit terms for trade receivables range from about 14 to 90 days.

17. Trade and Other Receivables (continued)

Notes (continued):

(a) Trade receivables (continued)

EnergyAustralia determines its doubtful debt provisioning by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. Future cash flows for each group of trade receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions. As a result of this credit risk assessment, virtually all of the credit risk groupings have been subject to some level of impairment. Receivable balances relating to known insolvencies are individually impaired.

The ageing analysis of trade receivables at 31 December based on due date is as follows:

	2015				2014			
	Not impaired HK$M	Subject to impairment HK$M	Provision for impairment HK$M	Total HK$M	Not impaired HK$M	Subject to impairment HK$M	Provision for impairment HK$M	Total HK$M
Not yet due	7,024	671	(58)	7,637	7,618	727	(56)	8,289
Overdue								
1 – 30 days	135	540	(55)	620	123	786	(71)	838
31 – 90 days	215	450	(107)	558	129	622	(144)	607
Over 90 days	778	1,722	(1,254)	1,246	745	1,699	(1,138)	1,306
	8,152	3,383	(1,474)	10,061	8,615	3,834	(1,409)	11,040

At 31 December 2015, trade receivables of HK$1,128 million (2014: HK$997 million) were past due but not considered impaired. These related to:

- a number of customers for whom there had been no recent history of default;
- an amount deducted by GUVNL from the past invoices of CLP India netted with refund totalled HK$387 million (Rs.3,306 million) (2014: HK$406 million (Rs.3,306 million)) (Note 31(A)) which is included in the amount aged over 90 days; and
- disputed charges between Jhajjar Power Limited (Jhajjar) and its offtakers. Total disputed amounts were HK$218 million (Rs.1,860 million) at 31 December 2015 (2014: HK$212 million (Rs.1,725 million)), of which HK$213 million (Rs.1,819 million) (2014: HK$206 million (Rs.1,682 million)) aged over 90 days (Note 31(C)).

According to the accounting standard requirement, when certain receivables are individually impaired, they are written off directly from the books or through the use of an allowance account. If no objective evidence of impairment exists for individual receivables, they are included in a group of receivables with similar credit risk characteristics and collectively assessed for impairment. The amounts under the caption "Subject to impairment" mainly relate to EnergyAustralia and are assessed for impairment under this collective approach.

The ageing analysis of trade receivables at 31 December based on invoice date is as follows:

	2015 HK$M	2014 HK$M
30 days or below	7,788	8,596
31 – 90 days	744	976
Over 90 days	1,529	1,468
	10,061	11,040

17. Trade and Other Receivables (continued)

Notes (continued):

(a) Trade receivables (continued)

Movements in the provision for impairment are as follows:

	2015 HK$M	2014 HK$M
Balance at 1 January	1,409	1,384
Provision for impairment	455	763
Receivables written off during the year as uncollectable	(254)	(609)
Amounts reversed	(3)	(27)
Exchange differences	(133)	(102)
Balance at 31 December	1,474	1,409

"Ageing analysis based on invoice date" is presented to meet the reporting requirements under the Listing Rules of the Hong Kong Stock Exchange, whereas "ageing analysis based on due date" is disclosed in accordance with the requirements of HKFRS.

Invoice date = Date of issue of an invoice
Due date = Invoice date + credit period granted to customers

(b) The amounts receivable from joint ventures and an associate are unsecured, interest free and have no fixed repayment terms.

18. Bank Balances, Cash and Other Liquid Funds

Accounting Policy

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, short-term highly liquid investments that are readily convertible to cash, subjected to insignificant risk of change in value and with a maturity of three months or less from date of investment, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

	2015 HK$M	2014 HK$M
Trust accounts restricted under TRAA (note)	232	355
Bank deposits	2,220	2,424
Bank balances and cash	1,347	1,614
	3,799	4,393

Note: Pursuant to Trust and Retention Account Agreements (TRAA) of CLP India and its subsidiaries with their corresponding lenders, various trust accounts are set up for designated purposes.

The Group's bank balances, cash and other liquid funds denominated in the currencies other than the functional currency of the respective entities amounted to HK$2,162 million (2014: HK$1,185 million) which was mostly denominated in Renminbi (2014: Renminbi).

19. Trade and Other Payables

Accounting Policy

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

	2015 HK$M	2014 HK$M
Trade payables [a]	5,904	8,230
Other payables and accruals	5,599	6,223
Advances from non-controlling interests [b]	6,720	6,703
Current accounts with [c]		
Joint ventures	1	2
An associate	577	139
Deferred revenue [d]	222	323
	19,023	21,620

Notes:

(a) The ageing analysis of trade payables at 31 December based on invoice date is as follows:

	2015 HK$M	2014 HK$M
30 days or below	5,759	8,031
31 – 90 days	106	155
Over 90 days	39	44
	5,904	8,230

At 31 December 2015, trade payables denominated in a currency other than the functional currency of the corresponding Group entities amounted to HK$778 million (2014: HK$1,254 million), which were mostly denominated in US dollar of HK$571 million (2014: HK$1,088 million) and Renminbi of HK$66 million (2014: HK$33 million).

(b) The advances from non-controlling interests represented the advances from China Southern Power Grid International (HK) Co., Limited (CSG HK) to CAPCO. Pursuant to the agreement between the shareholders of CAPCO, both CLP Power Hong Kong and CSG HK are required to provide shareholders' advances pro rata to their shareholdings in CAPCO. The advances are unsecured, interest free and have no fixed repayment terms. The advances are mainly denominated in US dollar.

(c) The amounts payable to joint ventures and an associate are unsecured, interest free and have no fixed repayment terms.

(d) Non-current deferred revenue of HK$1,193 million (2014: HK$1,099 million) was included under other non-current liabilities.

20. Bank Loans and Other Borrowings

Accounting Policy

Borrowings are recognised initially at fair value of proceeds received, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition or issue of a financial liability. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is amortised to profit or loss or capitalised as cost of the qualifying assets over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

	2015 HK$M	2014 HK$M
Current		
Short-term bank loans	5,033	4,908
Long-term bank loans	7,156	3,070
Other long-term borrowings		
Medium Term Note (MTN) programme (HKD) due 2015 and 2016	1,000	1,340
MTN programme (AUD) due 2015	–	318
	13,189	9,636
Non-current		
Long-term bank loans	16,423	28,320
Other long-term borrowings		
MTN programme (USD) due 2020 to 2027	13,024	10,731
MTN programme (HKD) due 2017 to 2041	8,418	9,075
MTN programme (JPY) due 2021 to 2027	2,209	2,022
MTN programme (AUD) due 2021 to 2030	736	698
US private placement notes (USD) due 2023	232	6,953
Bonds (INR) due 2018 to 2026	1,252	–
	42,294	57,799
Total borrowings	55,483	67,435

Details of the debentures issued by the Group during the year are as follows:

- During the year, CLP Power Hong Kong Financing Limited (CLPPHKF), a wholly owned subsidiary of CLP Power Hong Kong issued a total of HK$2,943 million senior unsecured notes under the MTN programme of CLPPHKF for general corporate purposes. After deducting the issuance costs and discount, net proceeds of HK$2,927 million were received.
- In April 2015, Jhajjar issued Rs.4,760 million (HK$591 million) 10 and 11-year bonds to lengthen the average debt maturity of the company. After deducting the issuance costs, net proceeds of Rs.4,707 million (HK$584 million) were received.
- In September 2015, CLP Wind Farms (India) Private Limited issued Rs.6,000 million (HK$706 million) 3 to 5-year green bonds to fund the development of wind projects. After deducting the issuance costs, net proceeds of Rs.5,977 million (HK$703 million) were received.

20. Bank Loans and Other Borrowings (continued)

Total borrowings included secured liabilities of HK$13,039 million (2014: HK$11,969 million), analysed as follows:

	2015 HK$M	2014 HK$M
CLP India and its subsidiaries [(a)]	**8,835**	8,656
Subsidiaries in Mainland China [(b)]	**4,204**	3,313
	13,039	11,969

Notes:

(a) Bank loans and bonds for CLP India and its subsidiaries are secured by fixed and floating charges over their immovable and moveable properties and current assets with total carrying amounts of HK$14,845 million (2014: HK$13,937 million). Collateralised borrowings for CLP India were secured by trade receivables, the carrying amounts of which were HK$89 million (2014: HK$123 million).

(b) Bank loans for subsidiaries in Mainland China are secured by rights of receipt of tariff, fixed assets and land use rights, with the carrying amounts of these fixed assets and land use rights of HK$4,571 million (2014: HK$4,924 million).

Bank loans and other borrowings totalling HK$14,201 million (2014: HK$26,791 million) were attributed to overseas subsidiaries and are non-recourse to the Company.

At 31 December 2015, the Group's bank loans and other borrowings were repayable as follows:

	Bank Loans		Other Borrowings		Total	
	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
Within one year	**12,189**	7,978	**1,000**	1,658	**13,189**	9,636
Between one and two years	**4,790**	8,273	**1,450**	1,000	**6,240**	9,273
Between two to five years	**6,562**	14,072	**5,898**	3,631	**12,460**	17,703
Over five years	**5,071**	5,975	**18,523**	24,848	**23,594**	30,823
	28,612	36,298	**26,871**	31,137	**55,483**	67,435

Another presentation of the Group's liquidity risk is set out on page 249.

At 31 December 2015 and 2014, all of the Group's borrowings are either in the functional currencies of the corresponding Group entities or hedged into those currencies.

At 31 December 2015, the Group had undrawn bank loans and overdraft facilities of HK$29,685 million (2014: HK$32,533 million).

21. Deferred Tax

Accounting Policy No. 8

Deferred tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position:

	2015 HK$M	2014 HK$M
Deferred tax assets	1,690	3,828
Deferred tax liabilities	(13,476)	(13,418)
	(11,786)	(9,590)

Deferred tax asset = income tax recoverable in the future
Deferred tax liability = income tax payable in the future

Substantially all deferred tax balances are to be recovered or settled after more than 12 months.

The gross movement on the deferred tax account is as follows:

	2015 HK$M	2014 HK$M
At 1 January	(9,590)	(5,464)
(Charged)/credited to profit or loss (Note 7)	(1,764)	303
(Charged)/credited to other comprehensive income	(84)	207
Acquisition of subsidiaries	–	(4,428)
Withholding tax	44	84
Exchange differences	(392)	(292)
At 31 December	(11,786)	(9,590)

The movement in the deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the year is as follows:

Deferred tax assets (prior to offset)

	Tax Losses [a]		Accruals and Provisions		Others [b]		Total	
	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
At 1 January	2,913	2,542	1,291	1,022	880	1,414	5,084	4,978
Credited/(charged) to profit or loss	(1,881)	593	(276)	341	(365)	(712)	(2,522)	222
Credited/(charged) to other comprehensive income	–	–	(34)	32	1	48	(33)	80
Acquisition of subsidiaries	–	–	–	–	–	186	–	186
Exchange differences	(302)	(222)	(121)	(104)	(63)	(56)	(486)	(382)
At 31 December	730	2,913	860	1,291	453	880	2,043	5,084

21. Deferred Tax (continued)

Deferred tax liabilities (prior to offset)

	Accelerated Tax Depreciation		Withholding / Dividend Distribution Tax		Unbilled Revenue		Intangibles		Others[b]		Total	
	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M	2015 HK$M	2014 HK$M
At 1 January	(12,064)	(7,084)	(279)	(327)	–	(998)	(1,365)	(1,126)	(966)	(907)	(14,674)	(10,442)
(Charged) / credited to profit or loss	(100)	(1,428)	160	(16)	–	1,007	117	765	581	(247)	758	81
(Charged) / credited to other comprehensive income	–	–	–	–	–	–	–	–	(51)	127	(51)	127
Acquisition of subsidiaries	–	(3,535)	–	–	–	–	–	(1,079)	–	–	–	(4,614)
Withholding tax	–	–	44	84	–	–	–	–	–	–	44	84
Exchange differences	(38)	(17)	3	(20)	–	(9)	33	75	96	61	94	90
At 31 December	(12,202)	(12,064)	(72)	(279)	–	–	(1,215)	(1,365)	(340)	(966)	(13,829)	(14,674)

Notes:

(a) The deferred tax asset arising from tax losses related to the electricity businesses in India of HK$723 million (2014: Australia of HK$2,251 million and India of HK$662 million). The expiry of tax losses ranged from eight years to no expiry.

(b) Others mainly relate to temporary differences arising from derivative financial instruments and lease accounting adjustments.

22. Fuel Clause Account

Cost of fuel consumed by CLP Power Hong Kong is passed on to the customers. The variations between the actual cost of fuel and the fuel cost billed are captured in the fuel clause account. The balance of the account (inclusive of interest) represents amounts over-recovered or under-recovered and is treated as an amount due to or from customers. Interest charged to customers on the amount under-recovered is based on the actual borrowing cost of CLP Power Hong Kong, whilst interest is credited to customers at prime rate on the amount over-recovered.

23. SoC Reserve Accounts

The Tariff Stabilisation Fund, Rate Reduction Reserve and Rent and Rates Interim Refunds of the Group's major subsidiary, CLP Power Hong Kong, are collectively referred to as SoC reserve accounts. The respective balances at the end of the year are:

	2015 HK$M	2014 HK$M
Tariff Stabilisation Fund (A)	935	1,058
Rate Reduction Reserve (B)	2	1
Rent and Rates Interim Refunds (C)	72	72
	1,009	1,131

23. SoC Reserve Accounts (continued)

The movements in SoC reserve accounts during the year are shown as follows:

(A) Tariff Stabilisation Fund

	2015 HK$M	2014 HK$M
At 1 January	1,058	19
Transfer from Rate Reduction Reserve	1	9
Transfer under the SoC [(a)]		
– transfer for SoC (to)/from revenue (Note 2)	(181)	1,020
– charge for asset decommissioning [(b)]	57	10
At 31 December	935	1,058

Notes:

(a) Under the SoC Agreement, if the gross tariff revenue in Hong Kong in a period is less than or exceeds the total of the SoC operating costs, permitted return and taxation charges, such deficiency shall be deducted from, or such excess shall be added to, the Tariff Stabilisation Fund. In any period, the amount of deduction from or addition to the Tariff Stabilisation Fund is recognised as revenue adjustment to the extent that the return and charges under the SoC are recognised in profit or loss (Note 2).

(b) Under the SoC, a periodic charge for asset decommissioning is made with corresponding deferred liabilities recognised in the statement of financial position of the SoC Companies. The balance of the asset decommissioning liabilities account of HK$1,025 million (2014: HK$1,082 million) recognised under the SoC represents a liability of the Group.

(B) Rate Reduction Reserve

	2015 HK$M	2014 HK$M
At 1 January	1	9
Transfer to Tariff Stabilisation Fund	(1)	(9)
Interest expense charged to profit or loss (Note 6)	2	1
At 31 December	2	1

(C) Rent and Rates Interim Refunds

CLP Power Hong Kong is challenging the amount of Government rent and rates levied dating back to the year of assessment 2001/02. While the original Lands Tribunal judgment and the subsequent judgment on the review of valuation matters were received in CLP Power Hong Kong's favour, the final resolution of the case will be subject to the outcome of appeals to the Court of Appeal against the Lands Tribunal judgment on points of law.

Interim refunds totalling HK$1,713 million were received by CLP Power Hong Kong from the Hong Kong Government during 2012 and 2014. These interim refunds were made by the Hong Kong Government without prejudice to the final outcome of the appeals which means that these amounts will be adjusted by reference to the decisions of the Lands Tribunal and subsequent appeals.

Based on the latest development of the case, CLP Power Hong Kong maintains that it would recover no less than interim refunds received to date in the final outcome of these appeals. The interim refunds continued to be classified within the SoC reserve accounts. The Rent and Rates Special Rebate provided to customers during 2012 and 2013 with the amounts of interim refunds received in 2012 and 2013 of HK$1,641 million had been offset against the interim refunds received.

In the event that the final amount recovered on conclusion of these appeals is less than the total amount rebated to customers, CLP Power Hong Kong will seek to recover any shortfall in the amounts of Rent and Rates Special Rebate already paid to customers. Similarly, if the final amount recovered exceeds the special rebates paid out, these additional amounts will be returned to customers.

24. Share Capital

	2015 Number of Ordinary Shares	2015 Amount HK$M	2014 Number of Ordinary Shares	2014 Amount HK$M
Issued and fully paid, at 31 December	**2,526,450,570**	**23,243**	2,526,450,570	23,243

25. Reserves

	Capital Redemption Reserve HK$M	Translation Reserves HK$M	Hedging Reserves HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2014	2,492	856	1,175	2,862	59,225	66,610
Earnings attributable to shareholders	–	–	–	–	11,221	11,221
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	–	(2,630)	–	–	–	(2,630)
Joint ventures	–	(341)	–	–	–	(341)
An associate	–	1	–	–	–	1
Cash flow hedges						
Net fair value losses	–	–	(1,003)	–	–	(1,003)
Reclassification to profit or loss	–	–	179	–	–	179
Tax on the above items	–	–	186	–	–	186
Fair value gain on available-for-sale investments	–	–	–	80	–	80
Reclassification adjustment upon loss of joint control of joint ventures	–	(422)	–	(146)	146	(422)
Share of other comprehensive income of joint ventures	–	–	24	(74)	–	(50)
Total comprehensive income attributable to shareholders	–	(3,392)	(614)	(140)	11,367	7,221
Transition to no-par value of shares under new Companies Ordinance (Cap. 622)	(2,492)	–	–	–	–	(2,492)
Revaluation reserve realised due to depreciation of fixed assets	–	–	–	(2)	2	–
Appropriation of reserves						
Subsidiaries	–	–	–	23	(23)	–
Joint ventures	–	–	–	8	(8)	–
Dividends paid						
2013 fourth interim	–	–	–	–	(2,476)	(2,476)
2014 first to third interim	–	–	–	–	(4,093)	(4,093)
Balance at 31 December 2014	–	(2,536)	561	2,751	63,994 [(a)]	64,770

25. Reserves (continued)

	Translation Reserves HK$M	Hedging Reserves HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2015	(2,536)	561	2,751	63,994	64,770
Earnings attributable to shareholders	–	–	–	15,670	15,670
Other comprehensive income					
Exchange differences on translation of					
Subsidiaries	(3,200)	–	–	–	(3,200)
Joint ventures	(523)	–	–	–	(523)
An associate	(1)	–	–	–	(1)
Cash flow hedges					
Net fair value gains	–	104	–	–	104
Reclassification to profit or loss	–	(231)	–	–	(231)
Tax on the above items	–	(51)	–	–	(51)
Fair value loss on available-for-sale investments	–	–	(63)	–	(63)
Reclassification adjustment upon sale of a joint venture	39	(22)	–	–	17
Share of other comprehensive income of joint ventures	–	(1)	79	–	78
Total comprehensive income attributable to shareholders	(3,685)	(201)	16	15,670	11,800
Revaluation reserve realised due to depreciation of fixed assets	–	–	(2)	2	–
Appropriation of reserves					
Subsidiaries	–	–	10	(10)	–
Joint ventures	–	–	8	(8)	–
Dividends paid					
2014 fourth interim	–	–	–	(2,526)	(2,526)
2015 first to third interim	–	–	–	(4,169)	(4,169)
Balance at 31 December 2015	**(6,221)**	**360**	**2,783**	**72,953** [(a)]	**69,875**

Note:

(a) The fourth interim dividend declared for the year ended 31 December 2015 was HK$2,653 million (2014: HK$2,526 million). The balance of retained profits after the fourth interim dividend of the Group was HK$70,300 million (2014: HK$61,468 million).

26. Perpetual Capital Securities

A total of US$750 million perpetual capital securities was issued by the wholly owned subsidiary, CLP Power HK Finance Ltd. in 2014. The securities are perpetual, non-callable in the first 5.5 years and entitle the holders to receive distributions at a distribution rate of 4.25% per annum in the first 5.5 years, floating thereafter and with fixed step up margins at year 10.5 and at year 25.5, payable semi-annually in arrears, cumulative and compounding. The distributions are at the Group's discretion, if the issuer and CLP Power Hong Kong, as guarantor of the securities, do not (a) declare or pay dividends to their shareholders or (b) cancel or reduce their share capitals within each distribution payment period. As the perpetual capital securities do not contain any contractual obligation to pay cash or other financial assets, in accordance with HKAS 32, they are classified as equity and for accounting purpose regarded as part of non-controlling interests.

27. Notes to the Consolidated Statement of Cash Flows

(A) Reconciliation of profit before income tax to net cash inflow from operations

	2015 HK$M	2014 HK$M
Profit before income tax	20,345	13,204
Adjustments for:		
Finance costs	4,090	4,180
Finance income	(170)	(131)
Dividend income from available-for-sale investments	(46)	(48)
Share of results of joint ventures and an associate, net of income tax	(2,245)	(2,358)
Depreciation and amortisation	6,765	6,791
Impairment charge	2,462	3,264
Provision for onerous contract	74	–
Net loss on disposal of fixed assets	343	282
Revaluation gain on investment property	(99)	(245)
Gain on sale of subsidiaries	(8,900)	–
Loss on sale of a joint venture	42	–
Gain on deemed disposal of previously owned interests in joint ventures	–	(7,363)
Loss on settlement of a pre-existing finance lease payable	–	5,338
Fair value loss / (gain) of derivative financial instruments and net exchange difference	362	(513)
SoC items		
Increase in customers' deposits	177	149
Increase in fuel clause account	408	1,393
Special fuel rebate to customers	(1,264)	–
Increase in Rent and Rates Interim Refunds	–	72
Decrease in Tariff Stabilisation Fund for asset decommissioning charge for a joint venture	–	(13)
Transfer for SoC	(181)	1,020
	(860)	2,621
(Increase) / decrease in trade and other receivables	(135)	2,212
Decrease in finance lease receivables	54	68
Decrease in cash restricted for specific purposes	123	94
Decrease in derivative financial instruments net liabilities	(168)	(655)
Decrease in trade and other payables	(1,470)	(3,345)
Increase in current accounts due to joint ventures and an associate	427	35
Net cash inflow from operations	20,994	23,431

(B) Analysis of balances of cash and cash equivalents

	2015 HK$M	2014 HK$M
Deposits with banks	2,444	2,776
Cash at banks and on hand	1,355	1,617
Bank balances, cash and other liquid funds (Note 18)	3,799	4,393
Excluding:		
Cash restricted for specific purposes	(232)	(355)
Bank deposits with maturity of over three months	(2)	(2)
	3,565	4,036

28. Subsidiaries

The table below lists the principal subsidiaries of the Group at 31 December 2015:

Name	Issued Share Capital / Registered Capital	% of Ownership Interest at 31 December 2014 and 2015	Place of Incorporation / Business	Principal Activity
CLP Power Hong Kong Limited	HK$20,400,007,269.65 divided into 2,488,320,000 ordinary shares	100	Hong Kong	Generation and Supply of Electricity
Castle Peak Power Company Limited	HK$50,000,000 divided into 500,000 ordinary shares	70 [(a)]	Hong Kong	Generation and Sale of Electricity
Hong Kong Pumped Storage Development Company, Limited	HK$10,000,000 divided into 100,000 ordinary shares	100 [(a)]	Hong Kong / Mainland China	Provision of Pumped Storage Services
Hong Kong Nuclear Investment Company Limited	HK$300,000,000 divided into 300,000 ordinary shares	100	Hong Kong / Mainland China	Power Projects Investment Holding
CLP Engineering Limited	HK$49,950,000 divided into 4,995 ordinary shares	100	Hong Kong	Engineering Services
CLP Power Asia Limited	1,000 ordinary shares of US$1 each	100	British Virgin Islands / International and Mainland China	Power Projects Investment Holding
CLP Power China Limited	192,000,000 ordinary shares of US$1 each	100 [(a)]	British Virgin Islands / Mainland China and Hong Kong	Power Projects Investment Holding
CLP Power International Limited	692,000 ordinary shares of US$1,000 each	100 [(a)]	British Virgin Islands / International	Power Projects Investment Holding
CLP Properties Limited	HK$150,000,000 divided into 15,000,000 ordinary shares	100	Hong Kong	Property Investment Holding
CLP Research Institute Limited	1 ordinary share of US$1 each	100	British Virgin Islands / Hong Kong	Research and Development
EnergyAustralia Holdings Limited	533,676,005 ordinary shares of A$1 each	100 [(a)]	Australia	Energy Business Investment Holding
EnergyAustralia Yallourn Pty Ltd	15 ordinary shares of A$1 each	100 [(a)]	Australia	Generation and Supply of Electricity
EnergyAustralia Pty Ltd	3,368,686,988 ordinary shares of A$1 each	100 [(a)]	Australia	Retailing of Electricity and Gas
EnergyAustralia NSW Pty Ltd	2 ordinary shares of A$1 each	100 [(a)]	Australia	Generation of Electricity
CLP India Private Limited	2,842,691,612 equity shares of Rs.10 each	100 [(a)]	India	Generation of Electricity and Power Projects Investment Holding
Jhajjar Power Limited	20,000,000 equity shares of Rs.10 each; 2,324,882,458 compulsory convertible preference shares of Rs.10 each	100 [(a)]	India	Generation of Electricity

28. Subsidiaries (continued)

Name	Issued Share Capital / Registered Capital	% of Ownership Interest at 31 December 2014 and 2015	Place of Incorporation / Business	Principal Activity
CLP Sichuan (Jiangbian) Power Company Limited [(b)]	RMB496,380,000	100 [(a)]	Mainland China	Generation of Electricity
Guangdong Huaiji Changxin Hydro-electric Power Company Limited [(c)]	RMB69,098,976	84.9 [(a)]	Mainland China	Generation of Electricity
Guangdong Huaiji Gaotang Hydro-electric Power Company Limited [(c)]	RMB249,430,049	84.9 [(a)]	Mainland China	Generation of Electricity
Guangdong Huaiji Weifa Hydro-electric Power Company Limited [(c)]	US$13,266,667	84.9 [(a)]	Mainland China	Generation of Electricity
Guangdong Huaiji Xinlian Hydro-electric Power Company Limited [(c)]	RMB141,475,383	84.9 [(a)]	Mainland China	Generation of Electricity

Notes:

(a) Indirectly held through subsidiaries of the Company

(b) Registered as a wholly foreign owned enterprise under People's Republic of China (PRC) law

(c) Registered as Sino-Foreign Cooperative Joint Ventures under PRC law

Summarised financial information of CAPCO, which has material non-controlling interests, is set out below:

	2015 HK$M	2014 HK$M
Results for the year		
Revenue	16,963	15,510
Profit for the year	3,168	3,115
Other comprehensive income for the year	–	(2)
Total comprehensive income for the year	3,168	3,113
Dividends paid to non-controlling interests	959	683
Net assets		
Non-current assets	29,380	29,262
Current assets	5,656	5,820
Current liabilities	(27,395)	(28,926)
Non-current liabilities	(6,702)	(5,186)
	939	970
Cash flows		
Net cash inflow from operating activities	3,327	3,346
Net cash outflow from investing activities	(253)	(20)
Net cash outflow from financing activities	(3,074)	(3,326)
Net change in cash and cash equivalents	–	–

29. Commitments and Operating Lease Arrangements

(A) Capital expenditure on fixed assets, leasehold land and land use rights under operating leases and investment property, as well as intangible assets contracted but not recorded in the statement of financial position amounted to HK$4,586 million (2014: HK$5,859 million).

(B) The Group has entered into a number of joint venture arrangements to develop power projects. Equity contributions required and made by the Group under each project are summarised below:

Project Name	Total Equity Contributions Required	Amount Contributed at 31 December 2015	Remaining Balance to be Contributed	Expected Year for Last Contribution
Haifang wind power project	RMB92 million	RMB18 million (HK$21 million)	RMB74 million (HK$88 million)	2016
CGN CLP Energy Services (Shenzhen)	RMB29 million	RMB14 million (HK$17 million)	RMB15 million (HK$18 million)	On or before 2041

(C) The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015 HK$M	2014 HK$M
Within one year	472	525
Later than one year but not later than five years	1,401	1,806
Over five years	1,490	1,688
	3,363	4,019

Of the above amount, HK$1,892 million (2014: HK$1,992 million) relates to a Capacity Purchase Contract between PSDC and Guangdong Pumped Storage Company, Limited with fixed annual payments for 26 years up to 2034 for the use of the land, other resources and infrastructural facilities at Guangzhou Pumped Storage Power Station in Conghua, Guangzhou; and HK$798 million (2014: HK$1,163 million) relates to a 20-year Master Hedge Agreement between EnergyAustralia and Ecogen which ends in 2019. Under the latter Agreement, EnergyAustralia has the right to call upon electricity from the power stations at predetermined charging rates over the life of the Agreement.

(D) The 25-year power purchase arrangements between Jhajjar and its offtakers are accounted for as operating leases. Under the agreements, the offtakers are obliged to purchase the output of Jhajjar power plant at predetermined prices. The future aggregate minimum lease receipts under non-cancellable operating leases are as follows:

	2015 HK$M	2014 HK$M
Within one year	739	858
Later than one year but not later than five years	2,999	3,205
Over five years	7,055	8,104
	10,793	12,167

30. Related Party Transactions

Accounting Policy
Related parties are individuals and companies, including subsidiaries, fellow subsidiaries, joint ventures, associates and key management personnel, where the individual or company has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. A close family member of any such individual is considered to be a related party.

Related Parties ≠ Connected Parties

They sometimes overlap but should not be confused. Accounting standards define related parties, while the Listing Rules of the Hong Kong Stock Exchange define connected parties.

Below are the more significant transactions with related parties for the year:

(A) CLP Power Hong Kong is obliged to purchase 70% of the output from Guangdong Daya Bay Nuclear Power Station (GNPS) (2014: 25% share of the output from GNPS and an additional 45% of GNPS's output from Guangdong Nuclear Investment Company, Limited (GNIC)). The price paid by CLP Power Hong Kong for electricity generated by GNPS throughout the terms of the power purchase agreements is determined by a formula based on GNPS's operating costs and a calculation of profits. The calculation of profits was with reference to shareholders' fund and the capacity factor for periods up to 6 May 2014, and with reference to capacity factor for periods thereafter. The purchase of nuclear electricity under the arrangement was HK$5,203 million for the year ended 31 December 2015 (2014: HK$4,867 million).

Under a separate purchase arrangement with GNIC and GNPJVC, the Group would purchase an approximately 10% of additional nuclear electricity from GNPS on a best endeavour basis from October 2014 to end of 2018, at the same unit price as that under the above purchase arrangement which amounted to HK$703 million for the year ended 31 December 2015 (2014: HK$68 million).

(B) The advances made to joint ventures are disclosed under Note 12. At 31 December 2015, the Group did not have any guarantees which were of a significant amount given to or received from these parties (2014: nil). Other amounts due from and to the related parties at 31 December 2015 are disclosed in Notes 17 and 19 respectively. No provision has been made for the amounts owed by the related parties.

30. Related Party Transactions (continued)

(C) Emoluments of key management personnel

Under HKAS 24 "Related Party Disclosures", key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any directors (whether executive or otherwise) of the Group. The total remuneration of the key management personnel shown below comprises the Non-executive Directors and the Senior Management Group. Members of the Senior Management Group include the Executive Director and ten (2014: nine) senior management personnel.

	2015 HK$M	2014 HK$M
Fees	11	11
Recurring remuneration items [(a)]		
Base compensation, allowances & benefits in kind [(b)]	55	54
Performance bonus		
Annual incentive	57	50
Long-term incentive	13	23
Provident fund contribution	5	5
Non-recurring remuneration item [(a)]		
Other payments	8	52
	149	195

Notes:

(a) Refer to recurring and non-recurring remuneration items on page 152 of Human Resources & Remuneration Committee Report.

(b) The nature of these benefits in kind 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.

At 31 December 2015, the CLP Holdings' Board was composed of thirteen Non-executive Directors and one Executive Director. Remuneration of all Directors for the year totalled HK$32 million (2014: HK$31 million). With respect to the emoluments of the highest paid employees, the five highest paid individuals in the Group during the year included one Director (2014: one Director) and four members of Senior Management (2014: two members and two former members of Senior Management) of the Group. The total remuneration of these five highest paid individuals amounted to HK$86 million (2014: HK$108 million). Further details of the remuneration of the Directors and Senior Management, on a named basis, and remuneration paid to the five highest paid individuals by bands are disclosed in sections 6 to 9 and 11 (as highlighted) of the Human Resources & Remuneration Committee Report on pages 151 to 154 and 158 to 160 respectively. These sections form the "auditable" part of the Human Resources & Remuneration Committee Report and are part of the financial statements.

(D) Interest of Directors

There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities (2014: nil).

During the year and at the year end, no director of the Company had or has a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Group's business to which the Group was or is a party (2014: nil).

31. Contingent Liabilities

Accounting Policy

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

(A) CLP India – Deemed Generation Incentive Payment and Interest on Deemed Loans

Under the original power purchase agreement between CLP India and its offtaker GUVNL, GUVNL was required to make a "deemed generation incentive" payment to CLP India when the plant availability of Paguthan was above 68.5% (subsequently revised to 70% in 2003 and 80% in 2013). GUVNL has been making such payments since December 1997.

In September 2005, GUVNL filed a petition before the Gujarat Electricity Regulatory Commission (GERC) claiming that the "deemed generation incentive" payment should not be paid for the periods when Paguthan is declared with availability to generate on "naphtha" as fuel rather than on "gas". GUVNL's contention is based on a 1995 Government of India notification which disallowed "deemed generation incentive" for naphtha-based power plants. The total amount of the claim plus interest calculated up to June 2005 amounts to about Rs.7,260 million (HK$850 million). CLP India's position, amongst other arguments, is that Paguthan is not naphtha-based and therefore the Government of India notification does not apply to disallow the payments of the "deemed generation incentive".

GUVNL also claimed that CLP India has wrongly received interest on "deemed loans" under the existing power purchase agreement. GUVNL's claim rests on two main grounds: (i) CLP India had agreed that interest paid by GUVNL for the period from December 1997 to 1 July 2003 was to be refunded; and (ii) interest was to be calculated on a reducing balance rather than on the basis of a bullet repayment on expiry of the loan term. The total amount of the claim plus interest for the "deemed loans" amounts to a further Rs.830 million (HK$97 million) (2014: Rs.830 million (HK$102 million)).

On 18 February 2009, the GERC made an adjudication on GUVNL's claims. On the issue related to the payment to CLP India of "deemed generation incentive", the GERC decided that the "deemed generation incentive" was not payable when Paguthan was declared with availability to generate on naphtha. However, the GERC also decided that GUVNL's claim against CLP India in respect of "deemed generation incentive" up to 14 September 2002 was time-barred under the Limitations Act of India. Hence, the total amount of the claim allowed by the GERC was reduced to Rs.2,523 million (HK$295 million). The GERC also dismissed GUVNL's claim to recover interest on the "deemed loans".

CLP India filed an appeal with the Appellate Tribunal for Electricity (ATE) against the decision of the GERC. GUVNL also filed an appeal in the ATE against an order of the GERC rejecting GUVNL's claims on interest on "deemed loans" and the time barring of the deemed generation claim to 14 September 2002. On 19 January 2010, the ATE dismissed both CLP India and GUVNL's appeals and upheld the decision of the GERC. CLP India has filed an appeal against the ATE order in the Supreme Court of India. The appeal petition was admitted on 16 April 2010 but the next date of hearing has not yet been fixed by the court. GUVNL has also filed a cross appeal challenging those parts of the ATE judgment which held that GUVNL's claims before September 2002 were time barred and which disallowed its claims for interest on "deemed loans".

31. Contingent Liabilities (continued)

(A) CLP India – Deemed Generation Incentive Payment and Interest on Deemed Loans (continued)

Following the issue of the ATE's judgment, GUVNL deducted Rs.3,731 million (HK$437 million) from January to March 2010 invoices after adjustment for a previous deposit of Rs.500 million (HK$59 million), which included tax on incentive relating to deemed generation on naphtha, and delayed payment charges on associated incentive calculated up to March 2010.

Subsequent to the above deduction, CLP India represented to GUVNL that, during April 2004 to March 2006, gas was available for generation and therefore should not be considered as availability (deemed generation) on naphtha. GUVNL accepted the representation and refunded the base amount of Rs.292 million (HK$34 million) and interest of Rs.150 million (HK$18 million) in March 2011. However, during the first and last quarter of 2011, with the spot gas availability being constrained, Paguthan was forced to declare availability on naphtha for certain periods, which resulted in deduction of incentive revenue by GUVNL under deemed generation of Rs.17 million (HK$2 million). At 31 December 2015, the total amount of the claim plus interest and tax with respect to the "deemed generation incentive" amounted to Rs.8,543 million (HK$1,000 million) (2014: Rs.8,543 million (HK$1,048 million)).

On the basis of legal advice obtained, the Directors are of the opinion that CLP India has a strong case on appeal to the Supreme Court. In consequence, no provision has been made in the financial statements at this stage in respect of these matters.

(B) Indian Wind Power Projects – WWIL's Contracts

CLP Wind Farms (India) Private Limited, CLP India and its subsidiaries (CLP India group) have invested (or are committed to invest) in around 681MW of wind power projects to be developed with Wind World India Limited (WWIL). WWIL's major shareholder, Enercon GmbH, has commenced litigation against WWIL claiming infringement of intellectual property rights. CLP India group, as a customer of WWIL, has been named as a defendant. Enercon GmbH is also seeking an injunction restraining CLP India group's use of certain rotor blades acquired from WWIL. As at 31 December 2015, the Group considered that CLP India group has good prospects of defending these claims and the legal proceedings are unlikely to result in any material outflow of economic benefits from the Group.

(C) Jhajjar – Disputed Charges with Offtakers

Jhajjar has disputes with its offtakers over applicable tariff of capacity charges and energy charges relating to transit loss. Total disputed amounts were Rs.1,860 million (HK$218 million) at 31 December 2015 (2014: Rs.1,725 million (HK$212 million)). The Group considered that Jhajjar has a strong case and hence, no provision has been made.

Jhajjar has filed a petition to Central Electricity Regulatory Commission (CERC) against its offtakers in September 2013. On 25 January 2016, CERC pronounced its judgment in favour of Jhajjar, which supports the Group's decision that no provision should be made.

32. Statement of Financial Position of the Company

	2015 HK$M	2014 HK$M
Non-current assets		
Fixed assets	139	156
Investments in subsidiaries	51,786	51,271
Advance to a subsidiary	39	39
Other non-current assets	3	4
	51,967	51,470
Current assets		
Trade and other receivables	53	54
Bank balances and cash	3	3
	56	57
Current liabilities		
Trade and other payables	(310)	(258)
Advance from a subsidiary	(26)	–
Bank loans and other borrowings	(306)	–
	(642)	(258)
Net current liabilities	(586)	(201)
Total assets less current liabilities	51,381	51,269
Financed by:		
Equity		
Share capital	23,243	23,243
Reserves (note)	28,138	28,026
	51,381	51,269

William Mocatta
Vice Chairman
Hong Kong, 29 February 2016

Richard Lancaster
Chief Executive Officer

Geert Peeters
Chief Financial Officer

32. Statement of Financial Position of the Company (continued)

Note:

	Capital Redemption Reserve HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2014	2,492	27,751	30,243
Profit and total comprehensive income for the year	–	6,844	6,844
Transition to no-par value of shares under new Companies Ordinance (Cap. 622)	(2,492)	–	(2,492)
Dividends paid			
2013 fourth interim	–	(2,476)	(2,476)
2014 first to third interim	–	(4,093)	(4,093)
Balance at 31 December 2014	–	28,026	28,026
Balance at 1 January 2015	–	28,026	28,026
Profit and total comprehensive income for the year	–	6,807	6,807
Dividends paid			
2014 fourth interim	–	(2,526)	(2,526)
2015 first to third interim	–	(4,169)	(4,169)
Balance at 31 December 2015	**–**	**28,138**	**28,138**

The balance of retained profits after the fourth interim dividend of the Company was HK$25,485 million (2014: HK$25,500 million).

Financial Risk Management

1. Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, fair value and cash flow interest rate risks, and energy portfolio risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the impact of exchange rate, interest rate and energy price fluctuations on the Group's financial performance. The Group uses different derivative financial instruments to manage its exposure in these areas. Other than limited energy trading activities for the purpose of understanding price movements engaged by EnergyAustralia, all derivative financial instruments are employed solely for hedging purposes.

Risk management for Hong Kong operations, predominantly the Company and its major subsidiary CLP Power Hong Kong, is carried out by the Company's central treasury department (Group Treasury) under policies approved by the Board of Directors or the Finance and General Committee of those companies. Overseas subsidiaries conduct their risk management activities in accordance with policies approved by their respective Boards. Group Treasury identifies, evaluates and monitors financial risks in close co-operation with the Group's operating units. The Group has written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and cash management.

Foreign currency risk

The Group operates in the Asia-Pacific region and is exposed to foreign exchange risk arising from future commercial transactions, and from recognised assets and liabilities and net investments in foreign operations. This is primarily with respect to Australian dollar, Renminbi and Indian rupee. Additionally, CLP Power Hong Kong has significant foreign currency obligations relating to its foreign currency denominated debts, US dollar denominated nuclear power purchase offtake commitments and other fuel-related payments. The Group uses forward contracts and currency swaps to manage its foreign exchange risk arising from future commercial transactions, and from recognised assets and liabilities which are denominated in a currency that is not the functional currency of the respective Group entity. Hedging is only considered for firm commitments and highly probable forecast transactions.

CLP Power Hong Kong

Under the SoC, CLP Power Hong Kong is allowed to pass-through foreign exchange gains and losses arising from future commercial transactions and recognised liabilities which are denominated in a currency other than Hong Kong dollar, thus retaining no significant foreign exchange risk over the long term. CLP Power Hong Kong uses forward contracts and currency swaps to hedge all its debt repayment obligations denominated in foreign currencies for the full tenor, and a significant portion of its US dollar obligations on fuel and nuclear power purchases, provided that for US dollar the hedging can be accomplished at rates below the Hong Kong Government's historical target peg rate of HK$7.8 : US$1. The objective is to reduce the potential impact of foreign exchange movement on electricity tariffs.

At the end of the reporting period, the fair value movement of the derivative financial instrument in a cash flow hedge relationship is recorded in equity. The extent of the impact to the hedging reserve under equity due to exchange rate movements, with all other variables held constant, is as follows:

	2015 HK$M	2014 HK$M
Increase / (decrease) in the hedging reserve		
Hong Kong dollar against US dollar		
If Hong Kong dollar weakened by 0.6% (2014: 0.6%)	196	292
If Hong Kong dollar strengthened by 0.6% (2014: 0.6%)	(196)	(292)
Hong Kong dollar against Japanese yen		
If Hong Kong dollar weakened by 4% (2014: 5%)	31	49
If Hong Kong dollar strengthened by 4% (2014: 5%)	(29)	(44)

1. Financial Risk Factors (continued)

Foreign currency risk (continued)

This fluctuation in equity is a timing difference as when the exchange gain or loss is realised in profit or loss, the amount is recoverable under the SoC.

The Group's Asia-Pacific Investments

With respect to the power project investments in the Asia-Pacific region, the Group is exposed to both foreign currency translation and transaction risks.

The Group closely monitors translation risk using a Value-at-Risk (VaR) approach but does not hedge foreign currency translation risk because translation gains or losses do not affect the project company's cash flow or the Group's annual profit until an investment is sold. At 31 December 2015, the Group's net investment subject to translation exposure was HK$56,882 million (2014: HK$53,696 million), arising mainly from our investments in Mainland China, India, Southeast Asia and Taiwan and Australia. This means that, for each 1% (2014: 1%) average foreign currency movement, our translation exposure will vary by about HK$569 million (2014: HK$537 million). All the translation exposures are recognised in other comprehensive income and therefore have no impact on our profit or loss.

We consider that the non-functional currency transaction exposures at the individual project company level, if not managed properly, can lead to significant financial distress. Our primary risk mitigation is therefore to ensure that project-level debt financings are implemented on a local currency basis to the maximum extent possible. Each overseas subsidiary and project company has developed its own hedging programme into local currency taking into consideration any indexing provision in project agreements, tariff reset mechanisms, lender requirements and tax and accounting implications.

Most foreign currency exposures of the Group entities are hedged / or their transactions are predominantly conducted through the functional currency of the respective entity. The following analysis presents the Group's (apart from CLP Power Hong Kong) sensitivity to a reasonably possible change in the functional currencies of the Group entities against the US dollar and Renminbi, with all other variables held constant. The sensitivity rates in US dollar and Renminbi used are considered reasonable given the current level of exchange rates and the volatility observed in the different functional currencies of the Group entities. These are both on a historical basis and market expectations for future movement at the end of the reporting period and under the economic environments in which the Group operates. The extent of the impact to post-tax profit or equity due to exchange rate movements of US dollar and Renminbi against different functional currencies of Group entities, with all other variables held constant, is as follows:

	2015 HK$M	2014 HK$M
US dollar		
If US dollar strengthened by 5% (2014: 5% / 10%) (note)		
Post-tax profit for the year	(139)	(103)
Equity – hedging reserve	(91)	(21)
If US dollar weakened by 5% (2014: 5% / 10%) (note)		
Post-tax profit for the year	146	107
Equity – hedging reserve	91	17
Renminbi		
If Renminbi strengthened by 4% (2014: 2%)		
Post-tax profit for the year	126	26
Equity – hedging reserve	–	–
If Renminbi weakened by 4% (2014: 2%)		
Post-tax profit for the year	(126)	(26)
Equity – hedging reserve	–	–

Note: 5% against Indian rupee (2014: 5% against Indian rupee and 10% against Australian dollar).

1. Financial Risk Factors (continued)

Energy portfolio risk

EnergyAustralia purchases and sells substantially all of its electricity through a competitive power pool at spot (half-hour) market prices. Although EnergyAustralia has a vertically-integrated business structure, there remains an exposure to commodity price risk for its electricity generation and retail customer demand.

In addition to its physical market position, EnergyAustralia enters into forward electricity contracts in accordance with EnergyAustralia's hedging strategies. These contracts are hedges against future retail and generation activities. The set of hedges that do not meet the accounting standard definition of cash flow hedges are termed economic hedges. The mark-to-market gains and losses on economic hedges are recognised in profit or loss in the period in which they occur and are offset by the future profit or loss relating to the generation and retail activities at the time of settlement.

EnergyAustralia is exposed to energy portfolio risk from exposure of the physical and trading asset position to market prices. EnergyAustralia manages its energy portfolio exposure through an established risk management framework. The framework consists of policies which place appropriate limits on overall energy market exposures, delegations of authority on trading, pre-defined product lists, regular reporting of exposures, and segregation of duties. The corporate governance process also includes oversight by an Audit & Risk Committee which acts on behalf of EnergyAustralia's Board.

EnergyAustralia's business is also exposed to the risk of significant change in retail load outcomes and the resultant impact upon the wholesale cost base.

EnergyAustralia uses Earnings-at-Risk (EaR) analyses to measure the potential earnings variance from business plan. The EaR methodology uses Monte Carlo simulations to model the variability in spot market prices, electricity generation and retail customer demand. The EaR measure is drawn from the resulting earnings distribution and is set at a 95% confidence level.

EnergyAustralia has limited energy trading contract positions separate to the defined hedging strategies. The risk of these positions is carefully monitored, managed and limited through VaR and Stop Loss limits.

Based on the methods explained above, the energy portfolio risk exposure for EnergyAustralia at 31 December 2015 was HK$317 million (2014: HK$652 million). The reduction in risk is primarily driven by the lower expected price volatility.

1. Financial Risk Factors (continued)

Interest rate risk

The Group's interest rate risk arises from debt borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, whilst borrowings issued at fixed rates expose the Group to fair value interest rate risk. The risks are managed by monitoring an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swaps.

The appropriate level of the fixed / floating mix is determined for each operating company subject to a regular review. For instance, CLP Power Hong Kong conducts an annual review to determine a preferred fixed / floating interest rate mix appropriate for its business profile. Each overseas subsidiary and project company has developed its own hedging programme taking into consideration project debt service sensitivities to interest rate movements, lender requirements, tax and accounting implications.

The sensitivity analysis below presents the effects on the Group's post-tax profit for the year (as a result of change in interest expense on floating rate borrowings and impact of shift in yield curve on energy contracts) and equity (as a result of change in the fair value of derivative instruments which qualify as cash flow hedges). Such amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged items affect profit or loss, and offset one another in the profit or loss.

The analysis has been determined based on the exposure to interest rates for both derivative and non-derivative financial instruments at the end of the reporting period. For floating rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. The sensitivity to interest rates used is considered reasonable given the market forecasts available at the end of the reporting period and under the economic environments in which the Group operates, with all other variables held constant.

	2015 HK$M	2014 HK$M
Hong Kong dollar		
If interest rates were 0.7% (2014: 0.65%) higher		
Post-tax profit for the year	(92)	(96)
Equity – hedging reserve	2	4
If interest rates were 0.7% (2014: 0.65%) lower		
Post-tax profit for the year	92	96
Equity – hedging reserve	(2)	(4)
Indian rupee		
If interest rates were 1% (2014: 1%) higher		
Post-tax profit for the year	(16)	(22)
Equity – hedging reserve	–	–
If interest rates were 1% (2014: 1%) lower		
Post-tax profit for the year	16	22
Equity – hedging reserve	–	–

1. Financial Risk Factors (continued)

Credit risk

The Group has no significant concentrations of credit risk with respect to the sales of electricity and / or gas in Hong Kong and Australia as their customer bases are widely dispersed in different sectors and industries. The Group has policies in place to monitor the financial viability of counterparties. CLP Power Hong Kong has established a credit policy to allow electricity customers to settle their bills within two weeks after issue. To limit the credit risk exposure, CLP Power Hong Kong also has a policy to require cash deposits or bank guarantees from customers for an amount not exceeding the highest expected charge for 60 days determined from time to time by reference to the usage of the customers. EnergyAustralia has policies in place to ensure that sales of products and services are made to major retail customers of an appropriate credit quality. For EnergyAustralia, receivables are due for settlement no more than 14 to 32 days after issue and collectability is reviewed on an ongoing basis.

CLP India sell a majority of its electricity output to various state electricity boards in India through power purchase agreements for 13 to 25 years. Receivables are due for settlement in 15 to 60 days after billing and the management closely monitor the credit quality and collectability of receivables from those offtakers.

On the treasury side, all finance-related hedging transactions and deposits of the Group entities are made with counterparties with good credit quality in conformance to the Group treasury policies to minimise credit exposure. Good credit ratings from reputable credit rating agencies and scrutiny of the financial position of non-rated counterparties are two important criteria in the selection of counterparties. The credit quality of counterparties will be closely monitored over the life of the transaction. The Group further assigns mark-to-market limits to its financial counterparties to reduce credit risk concentrations relative to the underlying size and credit strength of each counterparty. In an attempt to forestall adverse market movement, the Group also monitors potential exposures to each financial institution counterparty, using VaR methodology. All derivatives transactions are entered into at the sole credit of the respective subsidiaries, joint ventures and associates without recourse to the Company.

The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equals to the carrying amount of each financial asset, including derivative financial instruments, as reported in the statement of financial position.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and making available an adequate amount of committed credit facilities with staggered maturities to reduce refinancing risk in any year and to fund working capital, debt servicing, dividend payments, new investments and close out market positions if required. The Group maintains significant flexibility to respond to opportunities and events by ensuring that committed credit lines are available to meet future funding requirements. Management also monitor rolling forecasts of the Group's undrawn borrowing facilities and cash and cash equivalents on the expected cash flows.

1. Financial Risk Factors (continued)

Liquidity risk (continued)

The table below analyses the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities (both net settled and gross settled), which are based on contractual undiscounted cash flows.

	Within 1 year HK$M	Between 1 and 2 years HK$M	Between 2 to 5 years HK$M	Over 5 years HK$M	Total HK$M
At 31 December 2015					
Non-derivative financial liabilities					
Bank loans	12,872	5,439	7,628	6,100	32,039
Other borrowings	2,044	2,442	8,541	21,701	34,728
Customers' deposits	4,829	–	–	–	4,829
Trade and other payables	19,023	–	–	–	19,023
Fuel clause account	–	–	2,226	–	2,226
SoC reserve accounts	–	–	1,009	–	1,009
Asset decommissioning liabilities	–	–	1,025	–	1,025
	38,768	7,881	20,429	27,801	94,879
Derivative financial liabilities					
Net settled					
Forward foreign exchange contracts	2	–	–	–	2
Interest rate swaps	110	52	91	57	310
Energy contracts	359	225	267	513	1,364
Gross settled					
Forward foreign exchange contracts	33,438	19,666	15,460	792	69,356
Cross currency interest rate swaps	1,586	2,641	6,696	15,216	26,139
	35,495	22,584	22,514	16,578	97,171
At 31 December 2014					
Non-derivative financial liabilities					
Bank loans	8,945	9,254	15,172	7,140	40,511
Other borrowings	2,707	2,136	6,781	29,084	40,708
Customers' deposits	4,653	–	–	–	4,653
Trade and other payables	21,620	–	–	–	21,620
Fuel clause account	–	–	2,966	–	2,966
SoC reserve accounts	–	–	1,131	–	1,131
Asset decommissioning liabilities	–	–	1,082	–	1,082
	37,925	11,390	27,132	36,224	112,671
Derivative financial liabilities					
Net settled					
Interest rate swaps	271	229	455	340	1,295
Energy contracts	427	161	258	404	1,250
Gross settled					
Forward foreign exchange contracts	38,101	31,740	27,889	678	98,408
Cross currency interest rate swaps	906	1,839	5,594	22,713	31,052
	39,705	33,969	34,196	24,135	132,005

2. Fair Value Estimation and Hierarchy of Financial Instruments

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using appropriate valuation techniques and making assumptions that are based on market conditions existing at the end of each reporting period.

For the Group's financial instruments that are not measured at fair value, their carrying values approximate their fair values.

Financial instruments measured at fair value are analysed into the following fair value measurement hierarchy:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial instruments that are measured at fair value at 31 December:

	Level 1 HK$M	Level 2 [(a)] HK$M	Level 3 [(a), (b)] HK$M	Total HK$M
At 31 December 2015				
Financial assets				
Available-for-sale investments	417	–	1,227	1,644
Forward foreign exchange contracts	–	655	–	655
Foreign exchange options	–	83	–	83
Cross currency interest rate swaps	–	623	–	623
Interest rate swaps	–	62	–	62
Energy contracts	–	135	120	255
	417	1,558	1,347	3,322
Financial liabilities				
Forward foreign exchange contracts	–	250	–	250
Cross currency interest rate swaps	–	1,968	–	1,968
Interest rate swaps	–	282	–	282
Energy contracts	–	146	751	897
	–	2,646	751	3,397

2. Fair Value Estimation and Hierarchy of Financial Instruments (continued)

	Level 1 HK$M	Level 2 [a] HK$M	Level 3 [a], [b] HK$M	Total HK$M
At 31 December 2014				
Financial assets				
Available-for-sale investments	480	–	1,227	1,707
Forward foreign exchange contracts	–	934	–	934
Foreign exchange options	–	74	–	74
Cross currency interest rate swaps	–	2,381	–	2,381
Interest rate swaps	–	121	–	121
Energy contracts	–	150	119	269
	480	3,660	1,346	5,486
Financial liabilities				
Forward foreign exchange contracts	–	117	–	117
Cross currency interest rate swaps	–	1,727	–	1,727
Interest rate swaps	–	1,177	–	1,177
Energy contracts	–	39	711	750
	–	3,060	711	3,771

The Group's policy is to recognise transfers into / out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

During 2015 and 2014, there were no transfers between Level 1 and Level 2, or into Level 3.

Notes:

(a) The valuation technique and inputs used in the fair value measurements within Level 2 and Level 3 are as follows:

	Valuation technique	Significant inputs
Available-for-sale investments	Discounted cash flow	Discount rate
Forward foreign exchange contracts	Discounted cash flow	Observable exchange rates
Foreign exchange options	Garman Kohlhagen Model	Observable exchange rates, interest rates and volatility levels
Cross currency interest rate swaps	Discounted cash flow	Observable exchange rates and swap rates of respective currency
Interest rate swaps	Discounted cash flow	Observable swap rates of respective currency
Energy contracts	Discounted cash flow	Brokers' quotes and observable exchange traded swap and cap rates

(b) Additional information about fair value measurements using significant unobservable inputs (Level 3):

	Significant unobservable inputs
Available-for-sale investments [i]	Discount rate
Energy contracts [ii]	Long term forward electricity price and cap price curve

(i) The valuations are performed and reported twice each year, in line with the Group's reporting dates, to Group management.

(ii) The finance department of EnergyAustralia includes a team that performs the valuations of non-property assets required for financial reporting purposes, including Level 3 fair values. This team reports directly to EnergyAustralia's chief financial officer (CFO – EA) and Audit & Risk Committee (ARC – EA). The valuation of Level 3 forward energy contracts involves the use of a short term forward curve which is observable in the liquid market and a long term forward curve which is derived using unobservable inputs. This short term forward curve is reviewed at least once every six months, in line with the Group's half-yearly reporting dates. Review of the long term forward curve is performed between the CFO – EA and ARC – EA annually due to the lack of market liquidity. Fair value changes analyses are performed on a monthly basis for reasonableness.

2. Fair Value Estimation and Hierarchy of Financial Instruments (continued)

The movements of Level 3 financial instruments for the years ended 31 December are as follows:

	2015			2014		
	Available-for-sale Investments HK$M	Energy Contracts HK$M	Total HK$M	Available-for-sale Investments HK$M	Energy Contracts HK$M	Total HK$M
Opening balance	1,227	(592)	635	1,263	(1,308)	(45)
Total gains / (losses) recognised in						
Profit or loss and presented in fuel and other operating expenses	–	(81)	(81)	–	864	864
Other comprehensive income	–	146	146	3	29	32
Purchases	–	–	–	–	42	42
Settlements	–	30	30	(39)	(219)	(258)
Transfers out of Level 3 (note)	–	(134)	(134)	–	–	–
Closing balance	1,227	(631)	596	1,227	(592)	635
Unrealised losses recognised in profit or loss relating to the assets and liabilities held at the end of the reporting period, and presented in fuel and other operating expenses	–	(81)	(81)	–	(373)	(373)

Note: During 2015, the transfer of certain energy contracts out of Level 3 (2014: nil) is because certain observable significant inputs are used in the fair value measurement instead of those unobservable ones used previously.

Changing unobservable inputs used in the Level 3 valuation to reasonable alternative assumptions would not change significantly the fair values recognised.

3. Offsetting Financial Assets and Financial Liabilities

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements or similar agreements:

	Effect of offsetting in the consolidated statement of financial position			Related amounts not offset in the consolidated statement of financial position [(a)]		
	Gross amounts recognised HK$M	Gross amounts offset HK$M	Net amounts included in the respective line HK$M	Financial instruments HK$M	Financial collateral received / pledged HK$M	Net amount HK$M
At 31 December 2015						
Financial assets						
Bank balances, cash and other liquid funds	232	–	232	(232)	–	–
Trade and other receivables	4,414	–	4,414	(2,365)	(2,049)	–
Derivative financial instruments	1,062	(340)	722	(398) [(b)]	–	324
	5,708	(340)	5,368	(2,995)	(2,049)	324
Financial liabilities						
Customers' deposits	4,829	–	4,829	(2,049)	–	2,780
Bank loans and other borrowings	10,910	–	10,910	–	(2,597)	8,313
Derivative financial instruments	3,426	(340)	3,086	(398) [(b)]	–	2,688
	19,165	(340)	18,825	(2,447)	(2,597)	13,781
At 31 December 2014						
Financial assets						
Bank balances, cash and other liquid funds	355	–	355	(355)	–	–
Trade and other receivables	4,239	–	4,239	(2,142)	(2,097)	–
Derivative financial instruments	1,511	(398)	1,113	(748) [(b)]	–	365
	6,105	(398)	5,707	(3,245)	(2,097)	365
Financial liabilities						
Customers' deposits	4,652	–	4,652	(2,097)	–	2,555
Bank loans and other borrowings	11,109	–	11,109	–	(2,497)	8,612
Derivative financial instruments	2,769	(398)	2,371	(751) [(b)]	–	1,620
	18,530	(398)	18,132	(2,848)	(2,497)	12,787

Notes:

(a) Under HKFRS, amounts cannot be offset if the rights of set-off are conditional on a future event e.g. default of payment.

(b) For derivative financial instruments, the Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master agreements in which there is a set-off provision. Under certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, a termination value is then assessed and only a single net amount is payable in settlement of all transactions. The ISDA agreements do not meet the criteria for offsetting in the consolidated statement of financial position since the Group does not have any currently legally enforceable right to offset recognised amounts. The right to offset is enforceable only on the occurrence of future events such as a default on the bank transactions or other credit events.

3. Offsetting Financial Assets and Financial Liabilities (continued)

The table on the previous page presents the financial instruments that are either subject to offset, or subject to enforceable master netting arrangements or other similar arrangements but not offset as at the end of the reporting period. They are disclosed correspondingly as follows:

- "Net amounts included in the respective line" column which presents the net amounts of financial assets / liabilities after offset, where the Group currently has a legally enforceable right and intention to set off. Such amounts were included in the respective line of the consolidated statement of financial position.
- "Net amount" column which presents what the net impact would be on the consolidated statement of financial position if all set-off rights (e.g. master netting arrangements, collateral arrangements, etc.) were exercised. These items include
  - restricted cash of CLP India disclosed under Note 18 to the financial statements;
  - trade receivables related to Hong Kong electricity business where customers' deposits are served as security for payments, and trade receivables of subsidiaries in Mainland China and India which are pledged against their bank loans and other borrowings (as noted below); and
  - bank loans and other borrowings of subsidiaries in Mainland China and India which are secured by charges over certain assets or rights to income.

4. Capital Management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, maintain a strong credit rating and a healthy capital ratio to support the business and to enhance shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and business strategies. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, issue new shares or raise and repay debts. The Group's capital management objectives, policies or processes were unchanged during 2015 and 2014.

The Group monitors capital using "total debt to total capital" and "net debt to total capital" ratios. These ratios are as follows:

	2015 HK$M	2014 HK$M
Total debt [(a)]	**55,483**	67,435
Net debt [(b)]	**51,684**	63,042
Total equity [(c)]	**107,652**	102,662
Total capital (based on total debt) [(d)]	**163,135**	170,097
Total capital (based on net debt) [(e)]	**159,336**	165,704
Total debt to total capital (based on total debt) ratio (%)	**34.0**	39.6
Net debt to total capital (based on net debt) ratio (%)	**32.4**	38.0

The reduction in total debt to total capital and net debt to total capital ratios were mainly due to the application of the proceeds of HK$9,991 million (A$1,780 million) from the sale of Iona Gas Plant to early repay a significant amount of drawn debt in December 2015 and its one-off gain of HK$6,619 million which increased the total capital.

Certain entities of the Group are subject to certain loan covenants. For both 2015 and 2014, there is no material non-compliance with those loan covenants.

Notes:

(a) Total debt equals to bank loans and other borrowings.

(b) Net debt equals to total debt less bank balances, cash and other liquid funds.

(c) Total equity equals to equity plus advances from non-controlling interests.

(d) Total capital (based on total debt) equals to total debt plus total equity.

(e) Total capital (based on net debt) equals to net debt plus total equity.

Scheme of Control Statement

CLP Power Hong Kong Limited and Castle Peak Power Company Limited

Overview

In Hong Kong, CLP Power Hong Kong Limited (CLP Power Hong Kong) operates a vertically integrated electricity generation, transmission and distribution business. The generating plants in Hong Kong are owned by Castle Peak Power Company Limited (CAPCO), in which CLP Power Hong Kong originally owned 40% and was further increased to 70% since May 2014. CLP Power Hong Kong builds and operates CAPCO's power stations under contract and is the sole customer for CAPCO's electricity which CLP Power Hong Kong transmits and distributes to its customers in Kowloon and the New Territories. CLP Power Hong Kong owns the transmission and distribution network.

Since financial year 1964, the electricity-related operations of CLP Power Hong Kong and CAPCO (the SoC Companies) have been governed by a Scheme of Control Agreement (SoC) with the Hong Kong Government. The SoC specifies the SoC Companies' obligations to supply adequate and reliable electricity supplies to customers at the lowest reasonable cost and the mechanism for Hong Kong Government to monitor their financial affairs and operating performance. In return, CLP Power Hong Kong is allowed to charge tariffs designed to recover the operating costs (including tax) and allowed net return of the SoC Companies.

The current SoC took effect from 1 October 2008. The SoC covers a period of 10 years to 30 September 2018, and provides that the SoC Companies will continue to earn the permitted return until 30 September 2023 on all approved investments.

The current SoC includes a provision to give the SoC Companies protection for stranded costs, which may arise as a result of future changes to the market structure which adversely impact on the SoC Companies' ability to recover and to earn returns on existing investments made in good faith in accordance with the SoC. These costs will include the costs of investments, fuel and power purchase agreements previously approved by the Hong Kong Government. If stranded costs arise after the SoC Companies have implemented mitigation measures reasonably required by the Hong Kong Government, the SoC Companies are entitled to recover them from the market, consistent with international practice. Three years before market changes are introduced, the SoC Companies and the Hong Kong Government will agree on the amount of stranded costs and the mechanism for their recovery by the SoC Companies.

Tariff Setting Mechanism

For each year, CLP Power Hong Kong designs the net tariff it charges to cover the SoC Companies' operating costs and allowed net return. The net tariff consists of the following components:

(i) basic tariff rate which is derived by taking into account the annual forecast of (a), (b) and (c) below, using the formula "(a-b)/c":
  (a) the allowed net return and operating costs including the standard cost of fuel; generation, transmission, distribution and administration expenses; depreciation; interest expenses; and taxes;
  (b) 80% of the profit on electricity sale to Mainland China; and
  (c) local unit sales as determined by the load forecast.

(ii) fuel clause charge or rebate (Fuel Cost Adjustment) which represents the difference between the costs of fuel (including natural gas, coal and oil) and the standard cost recovered through the basic tariff rate.

Any difference between the actual profit for SoC operations and the permitted return for the year is transferred to or from a Tariff Stabilisation Fund. The Tariff Stabilisation Fund does not form part of distributable shareholders' funds and represents a liability in the accounts of CLP Power Hong Kong. A charge on the average balance of the Tariff Stabilisation Fund is credited to the Rate Reduction Reserve in the accounts of CLP Power Hong Kong, which balance as at the end of each year is to be transferred to the Tariff Stabilisation Fund in the following year.

Permitted and Net Return

The permitted and net return that the SoC Companies are allowed under the SoC are calculated as follows:

- The annual permitted return under the SoC is 9.99% of the SoC Companies' average net fixed assets other than renewable energy investments; and 11% for renewable energy investments.
- The net return is the permitted return after the deduction or adjustment of the following items:
  - (a) interest up to a maximum of 8% per annum on borrowed capital arranged for financing fixed assets;
  - (b) a charge of the average one-month Hong Kong interbank offered rate on the average balance of the Tariff Stabilisation Fund under the SoC, which is credited to the Rate Reduction Reserve;
  - (c) an excess capacity adjustment of 9.99% under the SoC on the average excess capacity expenditure less an allowed interest charge up to 8% per annum on the average excess capacity expenditure;
  - (d) interest up to 8% per annum on the increase in average balance of the customers' deposits in excess of the balance as at 30 September 1998; and
  - (e) performance related incentives/penalties adjustments are in the range of -0.03% to +0.1% on the average net fixed assets with respect to customer performance, energy efficiency and renewables performance applicable to each full calendar year under the SoC.
- The rate of return on average net fixed assets of the SoC Companies for the year ended 31 December 2015 was 9.15% (2014: 9.18%).

The net return is divided between the SoC Companies in accordance with the provisions of the agreements between the SoC Companies. These provisions state that each company will receive that proportion of the total net return represented by the net return that company would receive if it were the only company under the SoC and the net return were calculated solely on the basis of its own financial statements. In year 2015, 67% (2014: 66%) of the net return was allocated to CLP Power Hong Kong and 33% (2014: 34%) to CAPCO.

The calculations shown on page 257 are in accordance with the SoC and the agreements between the SoC Companies.

For the year ended 31 December

	2015 HK$M	2014 HK$M
SoC revenue	38,205	36,092
Expenses		
Operating costs	4,068	3,842
Fuel	12,682	10,375
Purchases of nuclear electricity	5,203	4,867
Provision for asset decommissioning	(57)	(10)
Depreciation	4,143	3,901
Operating interest	940	834
Taxation	1,865	2,048
	28,844	25,857
Profit after taxation	9,361	10,235
Interest on borrowed capital	920	856
Adjustment for performance (incentives) / penalties	(51)	(49)
Adjustments required under the SoC (being share of profit on sale of electricity to Mainland China attributable to the SoC Companies)	(68)	(54)
Profit for SoC	10,162	10,988
Transfer from / (to) Tariff Stabilisation Fund	124	(1,030)
Permitted return	10,286	9,958
Deduct interest on / Adjustment for		
Borrowed capital as above	920	856
Performance (incentives) / penalties as above	(51)	(49)
Tariff Stabilisation Fund to Rate Reduction Reserve	2	1
	871	808
Net return	9,415	9,150
Divisible as follows:		
CLP Power Hong Kong	6,319	6,070
CAPCO	3,096	3,080
	9,415	9,150
CLP Power Hong Kong's share of net return		
CLP Power Hong Kong	6,319	6,070
Interest in CAPCO	2,167	1,852
	8,486	7,922

Five-year Summary: CLP Group Statistics

Economic

	2015	2014	2013	2012	2011
Consolidated Operating Results, HK$M					
Revenue					
Electricity business in Hong Kong	**38,488**	35,303	33,840	33,643	31,518
Energy businesses outside Hong Kong	**41,757**	56,633	70,352	70,983	59,906
Others	**455**	323	338	235	210
Total	**80,700**	92,259	104,530	104,861	91,634
Operating profit	**22,020**	14,895	8,906	13,101	13,188
Earnings					
Hong Kong	**8,276**	7,777	6,966	6,654	6,339
Other investments / operations	**3,883**	2,907	2,790	3,316	4,492
Gains / (losses) on acquisitions / sales of investments	**6,619**	1,953	(75)	–	876
Provisions for fixed assets, joint ventures and other assets	**(1,723)**	(1,736)	(3,696)	(409)	(1,933)
Revaluation gains on properties	**99**	245	–	–	225
Tax consolidation benefit from Australia	**–**	–	–	105	–
Other items affecting comparability from Australia	**(858)**	697	524	(790)	(192)
Unallocated net finance income / (costs)	**17**	(36)	(26)	(74)	(48)
Unallocated Group expenses	**(643)**	(586)	(423)	(490)	(471)
Total	**15,670**	11,221	6,060	8,312	9,288
Dividends	**6,822**	6,619	6,493	6,301	6,063
Capital expenditure, owned and leased assets	**11,317**	9,446	12,052	11,230	15,798
Depreciation & amortisation, owned and leased assets	**6,765**	6,791	7,592	7,021	6,353
Consolidated Statement of Cash Flows, HK$M					
Net cash inflow from operating activities	**19,168**	21,966	21,021	23,915	18,062
Consolidated Statement of Financial Position, HK$M					
SoC fixed assets	**104,479**	101,420	67,057	63,599	60,142
Other fixed assets	**31,533**	34,963	63,846	70,730	70,240
Goodwill and other intangible assets	**28,257**	31,129	23,847	28,479	27,369
Interests in joint ventures	**11,250**	11,176	19,940	19,197	18,226
Interests in associates	**785**	786	1,675	1,856	1,465
Other non-current assets	**5,385**	9,664	8,601	7,742	9,791
Current assets	**22,275**	25,525	26,719	37,153	27,055
Total assets	**203,964**	214,663	211,685	228,756	214,288
Shareholders' funds	**93,118**	88,013	87,361	91,127	81,259
Perpetual capital securities	**5,791**	5,791	–	–	–
Other non-controlling interests	**2,023**	2,155	120	74	93
Equity	**100,932**	95,959	87,481	91,201	81,352
Bank loans and other borrowings	**55,483**	67,435	56,051	66,198	65,521
Obligations under finance leases	**–**	27	27,976	27,055	27,396
SoC reserve accounts	**1,009**	1,131	28	1,245	643
Other current liabilities	**25,098**	27,771	25,251	28,147	23,642
Other non-current liabilities	**21,442**	22,340	14,898	14,910	15,734
Total liabilities	**103,032**	118,704	124,204	137,555	132,936
Equity and total liabilities	**203,964**	214,663	211,685	228,756	214,288
Per Share Data, HK$					
Shareholders' funds per share	**36.86**	34.84	34.58	36.07	33.77
Earnings per share	**6.20**	4.44	2.40	3.45	3.86
Dividends per share	**2.70**	2.62	2.57	2.57	2.52

A ten-year summary is on our website

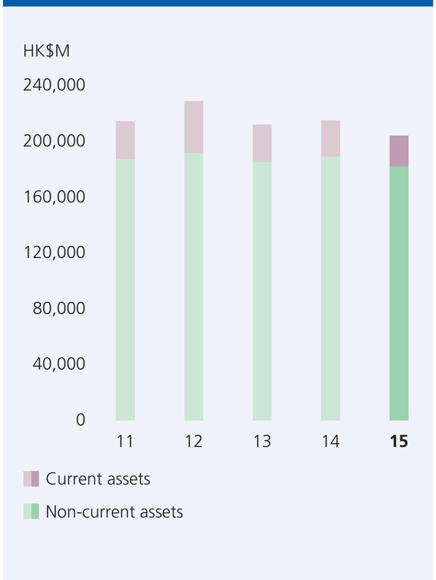
	2015	2014	2013	2012	2011
Per Share Data, HK$ (continued)					
Closing share price					
Highest	**69.75**	68.00	69.85	68.95	74.95
Lowest	**62.20**	56.30	60.35	62.30	59.95
As at year-end	**65.85**	67.25	61.30	64.85	66.05
Ratios					
Return on equity, %	**17.3**	12.8	6.8	10.1 [1]	11.5
Total debt to total capital, %	**34.0**	39.6	39.1	42.1	44.6
Net debt to total capital, %	**32.4**	38.0	36.7	36.8	43.1
EBIT interest cover, times	**10**	6	3	4	4
Price / Earnings, times	**11**	15	26	19	17
Dividend yield, %	**4.1**	3.9	4.2	4.0	3.8
Dividend pay-out (total earnings), %	**43.5**	59.0	107.1	74.5	65.3
Dividend pay-out (operating earnings), %	**59.2**	65.8	69.8	65.9	58.8
Group Generating Capacity					
(owned / operated / under construction) [2], MW					
– by region					
Hong Kong	**6,908**	6,908	6,908	6,908	6,908
Mainland China	**7,072**	6,740	5,760	5,911	5,957
India	**3,048**	3,056	3,026	2,947	2,594
Southeast Asia & Taiwan	**285**	285	285	285	282
Australia	**4,505**	4,533	5,533	5,616	5,616
	21,818	21,522	21,512	21,667	21,357
– by status					
Operational	**20,336**	20,176	20,974	21,175	19,707
Construction	**1,482**	1,346	538	492	1,650
	21,818	21,522	21,512	21,667	21,357

Notes:

1 The 2012 figure excluded the effect of the 5% share placement on 20 December 2012 to give a more accurate average shareholders' funds in 2012.

2 Group generating capacity (in MW) is incorporated on the following basis: (a) CAPCO on 100% capacity as stations operated by CLP Power Hong Kong; (b) PSDC (during 2011 to 2013) and Ecogen on 100% as having right to use; and (c) other stations (including PSDC from 2014) on the proportion of the Group's equity interests.

Total Assets



Earnings

Shareholders' Funds

Environmental

Performance Indicators	Units	2015	2014	2013	2012	2011	Global Reporting Initiative Reference (G4)	HKEx ESG Reporting Guide Reference
Resource Use & Emissions [1]								
Coal consumed (for power generation)	TJ	**450,937**	541,865	433,763	361,819	419,357	G4-EN3	A2.1
Gas consumed (for power generation)	TJ	**95,591**	63,268	73,510	86,200	101,166	G4-EN3	A2.1
Oil consumed (for power generation)	TJ	**2,892**	2,345	1,973	8,200	1,508	G4-EN3	A2.1
CO_2e emissions from power generation (Scopes 1 & 2)	kT	**46,723**	53,258	44,258	38,464	44,450	G4-EN15, G4-EN16	A1.2
CO_2 emissions from power generation (Scopes 1 & 2) [2]	kT	**46,553**	53,044	44,076	38,319	44,298		
Nitrogen oxides emissions (NO_x)	kT	**56.3**	74.6	50.2	42.9	48.1	G4-EN21	A1.1
Sulphur dioxide emissions (SO_2)	kT	**63.4**	93.0	50.5	35.1	35.8	G4-EN21	A1.1
Total particulates emissions	kT	**9.8**	11.5	5.5	4.7	6.2	G4-EN21	A1.1
Water withdrawal							G4-EN8	A2.2
from marine water resources	Mm^3	**4,447.6**	4,774.5	4,987.9	4,648.6	4,688.6		
from freshwater resources	Mm^3	**48.8**	52.9	37.2 [3]	35.4	37.9		
from municipal sources	Mm^3	**6.6**	6.6	6.2 [3]	5.8	5.5		
Total	Mm^3	**4,503.0**	4,834.0	5,031.0	4,689.6	4,732.0		
Water discharged							G4-EN22	
cooling water to marine water bodies	Mm^3	**4,447.6**	4,774.5	4,987.9	4,648.6	4,688.6		
treated wastewater to marine water bodies	Mm^3	**1.1**	1.3	1.2	1.1	0.8		
treated wastewater to freshwater bodies	Mm^3	**12.6**	14.5	10.1	14.0	18.1		
wastewater to sewerage	Mm^3	**1.6**	1.8	1.5	1.7	1.8		
wastewater to other destinations	Mm^3	**0.1**	0.1	0.1	0.3	0.6		
Total	Mm^3	**4,463.0**	4,792.2	5,000.8	4,665.7	4,710.0		
Hazardous waste produced [4]	T (solid) / kl (liquid)	**641 / 2,832**	484 / 2,783	337 / 1,228	262 / 1,500	799 / 912	G4-EN23	A1.3
Hazardous waste recycled [4]	T (solid) / kl (liquid)	**203 / 1,176**	89 / 1,463	34 / 981	25 / 1,023	36 / 831	G4-EN23	
Non-hazardous waste produced [4]	T (solid) / kl (liquid)	**11,455 / 199**	21,142 / 78	7,700 / 0	10,830 / 21	6,301 / 0	G4-EN23	A1.4
Non-hazardous waste recycled [4]	T (solid) / kl (liquid)	**4,414 / 199**	4,172 / 78	1,853 / 0	2,719 / 4	3,699 / 0	G4-EN23	
Environmental regulatory non-compliances resulting in fines or prosecutions	number	**1**	1	0	0	0	G4-EN29	
Environmental licence limit exceedances & other non-compliances	number	**13 [6]**	3 [5]	4	1	5	G4-EN29	
Climate Vision 2050 Target Performance (Equity Basis) [7]								
Total renewable energy generation capacity	% (MW)	**16.8 (3,051)**	14.1 (2,660)	16.3 (2,579)	20.2 (2,734)	18.3 (2,424)		
Non-carbon emitting generation capacity	% (MW)	**19.5 (3,543)**	16.7 (3,152)	19.4 (3,071)	23.8 (3,226)	22.0 (2,916)		
Carbon dioxide emissions intensity of CLP Group's generation portfolio	kg CO_2 / kWh	**0.81 [8]**	0.84 [8]	0.82 [8]	0.77	0.80	G4-EN18	A1.2

Notes:
(1) Covered operating facilities where CLP has operational control for the full calendar reporting year.
(2) Includes Yallourn and Hallett facilities' CO_2e emissions as CO_2 emissions data were not available.
(3) Data updated to align with reporting definition.
(4) Waste categorised in accordance with local regulations.
(5) Yallourn's data updated to reflect compliance status as per local Environmental Protection Authority's notification.
(6) In 2015 environmental license limit exceedances are counted as one single event per month at the facility level even if there were multiple instances in the month. In 2015, there were 12 environmental license limit exceedances at our Jhajjar power station due mainly to start up, shut down and maintenance and repairs. Because of legacy reporting reasons, concentration license limit exceedances at our Fangchenggang power station are not included in our Group level reporting but are listed in the footnotes of the Fangchenggang Asset Performance Statistics sheet, available on the CLP Group website. We are considering fine tuning our reporting practices for this data point.
(7) Performance data is consolidated on an equity basis – i.e. if CLP holds a fraction of the total entity, performance is consolidated on a pro rata basis in accordance with CLP's equity holding (it would include all majority and minority share facilities in the CLP Group portfolio).
(8) CGN Wind not included as per the Greenhouse Gas Protocol due to its accounting categorisation.

*All 2015 data on this page have been independently verified by PricewaterhouseCoopers **except** those numbers which are shaded in grey.*

Social

Performance Indicators	Units	2015	2014	2013	2012	2011	Global Reporting Initiative Reference (G4)	HKEx ESG Reporting Guide Reference
Employees								
Employees based on geographical location							G4-9	B1.1
Hong Kong	number	4,438	4,405	4,394	4,345	4,259		
Mainland China	number	527	480	469	539	552		
Australia	number	1,998	2,143	1,745	1,302	1,111		
India	number	397	359	360	391	374		
Other locations (Southeast Asia & Macau)	number	–	–	–	4	20		
Total	number	7,360	7,387	6,968	6,581	6,316		
Employees eligible to retire within the next five years (9)							EU15	
Hong Kong	%	16.2%	15.4%	15.2%	14.0%	13.4%		
Mainland China	%	11.9%	11.1%	12.2%	11.9%	9.6%		
Australia	%	10.9%	9.2%	10.9%	11.9%	9.6%		
India	%	0.8%	1.4%	0.8%	0.8%	1.1%		
Other locations (Southeast Asia & Macau) (10)	%	N/A	N/A	N/A	N/A	0%		
Total	%	13.3%	12.4%	13.0%	12.6%	11.6%		
Voluntary staff turnover rate (11)(12)							G4-LA1	B1.2
Hong Kong	%	2.8%	2.6%	1.9%	–	–		
Mainland China	%	2.6%	2.5%	2.6%	–	–		
Australia	%	13.7%	11.6%	9.4%	–	–		
India	%	9.8%	13.2%	10.1%	–	–		
Other locations (Southeast Asia & Macau)	%	N/A	N/A	N/A	–	–		
Training per employee (13)(14)	average hours	57.2	43.4	5.5	5.6	5.4	G4-LA9	B3.2
Safety (15)								
Fatalities (employees only) (16)	number	0	0	0	0	0	G4-LA6	B2.1
Fatalities (contractors only) (16)	number	0	1	1	N/A	N/A	G4-LA6	B2.1
Fatality Rate (employees only) (17)	rate	0.00	0.00	0.00	N/A	N/A	G4-LA6	B2.1
Fatality Rate (contractors only) (17)	rate	0.00	0.01	0.01	N/A	N/A	G4-LA6	B2.1
Lost Time Injury (employees only) (18)	number	8	4	5	N/A	N/A	G4-LA6	
Lost Time Injury (contractors only) (18)	number	8	19	28	N/A	N/A	G4-LA6	
Lost Time Injury Rate (employees only) (17)(18)	rate	0.10	0.05	0.06	N/A	N/A	G4-LA6	
Lost Time Injury Rate (contractors only) (17)(18)	rate	0.06	0.15	0.22	N/A	N/A	G4-LA6	
Total Recordable Injury Rate (employees only) (17)(19)	rate	0.18	0.26	0.23	N/A	N/A	G4-LA6	
Total Recordable Injury Rate (contractors only) (17)(19)	rate	0.28	0.51	0.50	N/A	N/A	G4-LA6	
Days lost / charged (employees only) (20)	number	199	105	29	240	674	G4-LA6	B2.2
Governance								
Convicted cases of corruption	cases	0	0	0	0	0	G4-SO5	B7.1
Breaches of Code of Conduct	cases	6	7	12	14	6		

Notes:
(9) The percentages given refer to full-time permanent staff within each location, who are eligible to retire within the next five years.
(10) There were no permanent staff in "Other locations (Southeast Asia & Macau)" since 2012.
(11) Voluntary turnover is employees leaving the organisation voluntarily and does not include dismissal, retirement, separation under a separation scheme or end of contract.
(12) In Mainland China, voluntary staff turnover rates refer to both permanent and short-term employees. In all other regions, voluntary staff turnover rates refer to permanent employees only.
(13) The average training hours do not include non CP / AP / SAP re-authorization web based training.
(14) Training per employee from 2014 is reported in average hours of training. Prior to 2014, training per employee is reported in average days of training.
(15) The system of rules applied in recording and reporting accident statistics complies with the International Labour Organization (ILO) Code of Practice on Recording and Notification of Occupational Accidents and Diseases. Safety data are based on information at the time of publication.
(16) Fatality is the death of an employee or contractor personnel as a result of an occupational illness / injury / disease incident in the course of employment.
(17) All rates are normalised to 200,000 worked hours, which is approximately equal to the number of hours worked by 100 people in one year.
(18) An occupational illness / injury / disease sustained by an employee or contractor personnel causing him / her to miss one scheduled workday / shift or more after the day of the injury. Lost Time Injury does not include the day the injury incident occurred or any days that the injured person was not scheduled to work and it does not include restricted work injury.
(19) Total Recordable Injury is the sum of all occupational injury incidents, illness other than first aid cases. They include Fatalities, Lost Time Injury, Restricted Work Injury, Medical Treatment.
(20) Time ('days') that could not be worked (and is thus 'lost') as a consequence of a worker or workers being unable to perform their usual work because of an occupational accident or disease. A return to limited duty or alternative work for the same organisation does not count as lost days.

*All 2015 data on this page have been independently verified by PricewaterhouseCoopers **except** those numbers which are shaded in grey.*

Five-year Summary: Scheme of Control Financial & Operating Statistics

CLP Power Hong Kong Limited and Castle Peak Power Company Limited

	2015	2014	2013	2012	2011
SoC Financial Statistics, HK$M					
Combined Profit & Loss Statement					
Profit for SoC	10,162	10,988	8,945	9,388	8,068
Transfer from / (to) Tariff Stabilisation Fund	124	(1,030)	693	(75)	868
Permitted return	10,286	9,958	9,638	9,313	8,936
Less: Interest on / Adjustment for					
Borrowed capital	920	856	887	859	841
Performance (incentives) / penalties	(51)	(49)	(48)	(47)	(45)
Tariff Stabilisation Fund	2	1	1	2	2
Net return	9,415	9,150	8,798	8,499	8,138
Combined Balance Sheet					
Net assets employed					
Fixed assets	104,479	101,420	97,918	95,243	91,187
Non-current assets	382	684	1,091	1,904	2,310
Current assets	5,327	6,770	6,778	11,530	4,913
	110,188	108,874	105,787	108,677	98,410
Less: current liabilities	18,565	18,518	17,142	22,248	17,439
Net assets	91,623	90,356	88,645	86,429	80,971
Exchange fluctuation account	113	(565)	(939)	(907)	(1,428)
	91,736	89,791	87,706	85,522	79,543
Represented by					
Equity	42,307	42,456	45,067	43,070	41,845
Long-term loans and other borrowings	30,730	28,340	26,873	28,254	25,283
Deferred liabilities	17,764	17,937	15,747	13,486	11,778
Tariff Stabilisation Fund	935	1,058	19	712	637
	91,736	89,791	87,706	85,522	79,543
Other SoC Information					
Total electricity sales	38,087	35,969	33,064	33,842	30,824
Capital expenditure	7,630	7,800	7,479	8,621	7,774
Depreciation	4,143	3,901	4,475	4,146	3,863
SoC Operating Statistics					
Customers and Sales					
Number of customers (thousand)	2,485	2,460	2,429	2,400	2,378
Sales analysis, millions of kWh					
Commercial	13,209	13,099	12,935	12,917	12,670
Manufacturing	1,791	1,791	1,832	1,890	1,886
Residential	9,228	9,450	8,658	8,900	8,594
Infrastructure and Public Services	8,805	8,585	8,358	8,288	8,018
Local	33,033	32,925	31,783	31,995	31,168
Export	1,187	1,226	1,650	1,838	2,957
Total Electricity Sales	34,220	34,151	33,433	33,833	34,125
Annual change, %	0.2	2.1	(1.2)	(0.9)	1.8
Local consumption, kWh per person	5,466	5,516	5,379	5,466	5,373
Local sales, HK¢ per kWh (average)					
Basic Tariff	87.1	88.6	84.0	84.2	80.1
Fuel Cost Adjustment *	27.0	22.4	22.4	17.8	14.1
Total Tariff	114.1	111.0	106.4	102.0	94.2
Rent and Rates Special Rebate **	–	–	(1.7)	(3.3)	–
Net Tariff ***	114.1	111.0	104.7	98.7	94.2
Annual change in Basic Tariff, %	(1.7)	5.5	(0.2)	5.1	–
Annual change in Total Tariff, %	2.8	4.3	4.3	8.3	2.8
Annual change in Net Tariff, %	2.8	6.0	6.1	4.8	2.8

A ten-year summary is on our website

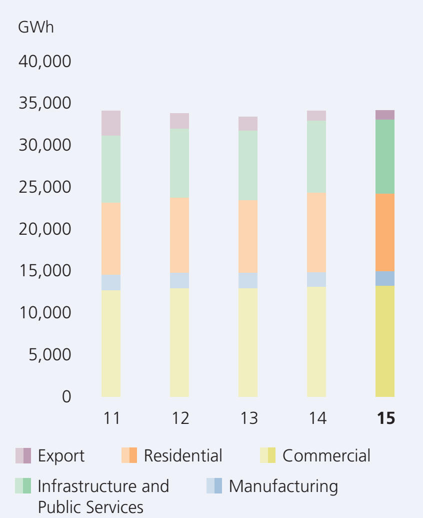
	2015	2014	2013	2012	2011
Generation (Including Affiliated Generating Companies)					
Installed capacity, MW	**8,888**	8,888	8,888	8,888	8,888
System maximum demand					
Local, MW	**6,878**	7,030	6,699	6,769	6,702
Annual change, %	**(2.2)**	4.9	(1.0)	1.0	(0.9)
Local and Mainland China, MW	**7,582**	7,502	7,615	7,431	7,798
Annual change, %	**1.1**	(1.5)	2.5	(4.7)	6.1
System load factor, %	**57.0**	57.8	55.7	57.5	55.3
Generation by CAPCO stations, millions of kWh	**25,739**	27,533	26,994	25,894	26,800
Sent out, millions of kWh –					
From own generation	**24,075**	25,597	25,084	24,102	24,955
Net transfer from					
Landfill gas generation	**4**	3	4	3	5
GNPS / GPSPS / Others	**11,612**	10,084	9,757	11,172	10,558
Total	**35,691**	35,684	34,845	35,277	35,518
Fuel consumed, terajoules –					
Oil	**2,160**	1,785	1,491	7,900	1,044
Coal	**161,988**	215,367	205,198	182,651	188,407
Gas	**71,406**	42,465	47,545	50,420	57,665
Total	**235,554**	259,617	254,234	240,971	247,116
Cost of fuel, HK$ per gigajoule – Overall	**51.25**	39.66	38.02	40.56	35.33
Thermal efficiency, % based on units sent out	**36.8**	35.5	35.5	36.0	36.4
Plant availability, %	**85.0**	83.7	85.2	82.1	85.4
Transmission and Distribution					
Network, circuit kilometres					
400kV	**555**	555	555	555	555
132kV	**1,645**	1,643	1,587	1,581	1,531
33kV	**24**	27	27	27	27
11kV	**12,739**	12,475	12,328	12,074	11,809
Transformers, MVA	**63,373**	61,450	60,430	60,136	59,454
Substations –					
Primary	**226**	224	218	216	213
Secondary	**14,019**	13,845	13,692	13,536	13,361
Employees and Productivity					
Number of SoC employees	**3,817**	3,807	3,819	3,791	3,734
Productivity, thousands of kWh per employee	**8,666**	8,635	8,353	8,504	8,375

* The Fuel Cost Adjustment has replaced the Fuel Clause Charge effective from October 2014.

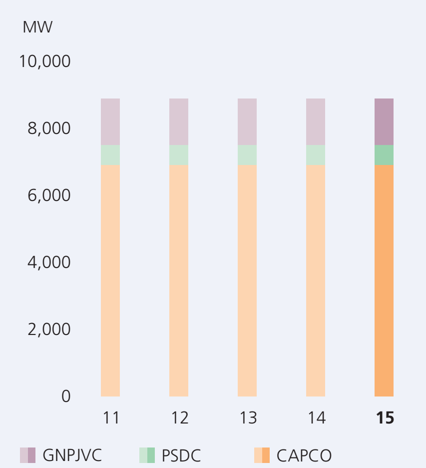
** While the rent and rates appeals are still progressing, CLP Power Hong Kong provided customers with a Rent and Rates Special Rebate of 3.3 cents and 2.1 cents per unit in 2012 and January to mid-October 2013 respectively, rebating to customers all interim refunds received from the Government in 2012 and 2013 for overcharged rent and rates.

*** The effective net tariff including the one-off special fuel rebate in 2015 is 110.3 cents per unit.

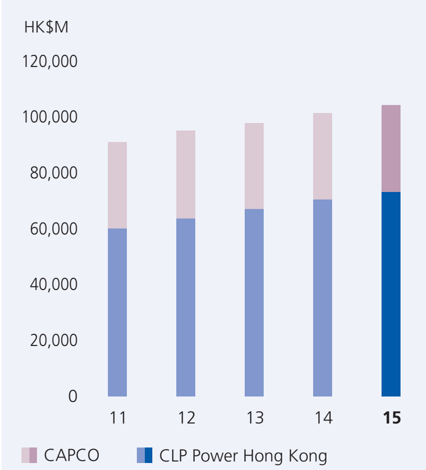
Electricity Sales by Sector



Installed Capacity



SoC Net Fixed Assets



Contact Us

Annual Report

Printed in English and Chinese languages, available on our website at www.clpgroup.com on 14 March 2016 and posted to Shareholders on 30 March 2016.

Those Shareholders who (a) received our 2015 Annual Report electronically and would like to receive a printed copy or vice versa; or (b) received our 2015 Annual Report in either English or Chinese language only and would like to receive a printed copy of the other language version or to receive printed copies of both language versions in the future, are requested to write to the Company Secretary or the Company's Registrars.

Shareholders may at any time change their choice of the language or means of receipt of the Company's corporate communications free of charge by notice in writing to the Company Secretary or the Company's Registrars.

Information for American Depositary Receipts Holders

The Group's financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). HKFRS differ in certain respects from United States Generally Accepted Accounting Principles. The Company's duty to file or submit reports under Sections 13(a) or 15(d) of the United States Securities Exchange Act of 1934, as amended (the Exchange Act) was terminated on 30 January 2008 after the Company filed a Form 15F with the United States Securities and Exchange Commission on 31 October 2007. The information contemplated in Rule 12g3-2(b)(1)(iii) under the Exchange Act is and will be published on the Company's website.

Annual General Meeting (AGM)

To be held on 5 May 2016. Details of the AGM including shareholders' right to demand a poll are set out in the Notice of AGM sent to Shareholders together with a proxy form on 30 March 2016.

Register of Shareholders

To be closed on 15 March 2016 for the 2015 fourth interim dividend and closed from 3 May 2016 to 5 May 2016, both days inclusive, for the 2016 AGM.

Company's Registrars

Computershare Hong Kong Investor Services Limited

Address:	17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong
Telephone:	(852) 2862 8628
Facsimile:	(852) 2865 0990
E-mail:	hkinfo@computershare.com.hk

Share Listing

CLP Holdings shares are listed on the Stock Exchange of Hong Kong and are one of the eligible stocks included in Southbound trading through Shanghai-Hong Kong Stock Connect. CLP Holdings shares are also traded over the counter in the United States in the form of American Depositary Receipts.

Our Stock Code

The Stock Exchange of Hong Kong:	00002
Bloomberg:	2 HK
Reuters:	0002.HK
Ticker Symbol for ADR Code:	CLPHY
CUSIP Reference Number:	18946Q101

Address:
8 Laguna Verde Avenue, Hung Hom, Kowloon, Hong Kong

Telephone:
(852) 2678 8228 (Shareholders' hotline)

Facsimile:
(852) 2678 8390 (Company Secretary)

E-mail:
cosec@clp.com.hk (Company Secretary)
ir@clp.com.hk (Investor Relations)

Helping Our Community

Every year since 2003, with the generous support of our shareholders and other stakeholders, CLP has used our Annual Report and Sustainability Report as an opportunity to support deserving community initiatives. We do this by donating HK$60 to charity for each shareholder who elects to receive our corporate communications electronically, and for each feedback that we receive on this Report, our Sustainability Report and Annual Report snapshot online. The maximum donation amount is set at HK$350,000.

Shareholders who have yet to receive their corporate communications electronically can help support this community initiative by electing for electronic communication through returning to us the notification form which accompanies this Annual Report, using the provided prepaid mailing label or via email to cosec@clp.com.hk or clp.ecom@computershare.com.hk, on or before 30 June 2016.

2015 Beneficiaries

Changing Young Lives Foundation & The Hong Kong Society for Rehabilitation

The two beneficiaries of the 2015 donation programme were selected after assessing community needs as well as the governance of the recipients. This year, we have extended our selection of beneficiaries to Hong Kong-based NGOs which provide services in any of the markets where we operate, namely Hong Kong, Mainland China, India, Southeast Asia and Taiwan, and Australia.

Changing Young Lives Foundation is an NGO dedicated to help new immigrant families and families with difficulties through its protection, education, development and participation programmes. It plans to use our donation to fund a number of psychosocial education workshops for children and youngsters aged from four to 16 from underprivileged families with the aim of enhancing their personal growth and development.

成長希望基金會 CHANGING YOUNG LIVES FOUNDATION

The Hong Kong Society for Rehabilitation (HKSR) is a charitable organisation which provides responsive and quality rehabilitation services for people with disability, chronic illness or problems caused by ageing. Apart from providing rehabilitation service training for doctors, nurses and occupational and physical therapists, it promotes community-based rehabilitation services and runs public awareness campaigns. The International and China Division of HKSR plans to use CLP's donation to provide training for about 40 frontline therapists in orphanages in Sichuan, Hebei and Guizhou provinces in Mainland China.

香港復康會 The Hong Kong Society for Rehabilitation

2014 Beneficiaries

The Hub Hong Kong & Families of Spinal Muscular Atrophy (SMA) Charitable Trust

Last year, we supported The Hub Hong Kong & Families of Spinal Muscular Atrophy (SMA) Charitable Trust.

The Hub Hong Kong launched nine training programmes for 190 children and youngsters from 50 low-income families using CLP's funds. Through one of its programmes held last summer, they helped enhance children's leadership, communications and social skills, and raised their environmental awareness.

Families of SMA Charitable Trust published in the second half of 2015 a series of online stories featuring SMA patients. The programme enhanced public awareness of SMA and helped build confidence of the patients by encouraging them to communicate more with the outside world. In 2016, the organisation plans to publish 20 more such stories.

This year, as every year, we thank you for your support.

CLP welcomes your views…

CLP 中電

Section A – Feedback on 2015 Annual Report

The Annual Report is a key document in our communication with our shareholders and other stakeholders.

1. To enhance the quality of our annual reporting, please let us have your views by circling the appropriate number below.

		Easy to understand? (strongly disagree)			(strongly agree)	Did this provide helpful information? (strongly disagree)			(strongly agree)
1	A Snapshot of CLP in 2015	1	2	3	4	1	2	3	4
7	Chairman's Statement	1	2	3	4	1	2	3	4
11	CEO's Strategic Review	1	2	3	4	1	2	3	4
16	Our Investments and Long-term Offtake Commitments	1	2	3	4	1	2	3	4
20	Shareholder Value and Engagement	1	2	3	4	1	2	3	4
Financial Review									
26	Financial Review	1	2	3	4	1	2	3	4
Performance and Business Outlook									
42	Hong Kong	1	2	3	4	1	2	3	4
51	Mainland China	1	2	3	4	1	2	3	4
58	India	1	2	3	4	1	2	3	4
64	Southeast Asia and Taiwan	1	2	3	4	1	2	3	4
67	Australia	1	2	3	4	1	2	3	4
Capitals									
76	Financial Capital – our funding resources and capability	1	2	3	4	1	2	3	4
84	Natural Capital – our respect for the environment	1	2	3	4	1	2	3	4
88	Human Capital – our people and safety performance	1	2	3	4	1	2	3	4
93	Social and Relationship Capital – our commitment to connect with our stakeholders	1	2	3	4	1	2	3	4
98	Intellectual Capital – our expertise and innovation	1	2	3	4	1	2	3	4
Governance									
104	Board of Directors and Senior Management	1	2	3	4	1	2	3	4
108	Corporate Governance Report	1	2	3	4	1	2	3	4
130	Risk Management Report	1	2	3	4	1	2	3	4
140	Audit Committee Report	1	2	3	4	1	2	3	4
143	Sustainability Committee Report	1	2	3	4	1	2	3	4
148	Human Resources & Remuneration Committee Report	1	2	3	4	1	2	3	4
162	Directors' Report	1	2	3	4	1	2	3	4
Financials									
178	Approaching Our Financial Statements	1	2	3	4	1	2	3	4
180	Accounting Mini-series	1	2	3	4	1	2	3	4
183	Independent Auditor's Report	1	2	3	4	1	2	3	4
184	Financial Statements	1	2	3	4	1	2	3	4
258	Five-year Summaries	1	2	3	4	1	2	3	4
Questions and Answers with CLP Management		1	2	3	4	1	2	3	4
A Snapshot of 2015 Annual Report (Online Version)		1	2	3	4	1	2	3	4

2. Your overall rating of this Annual Report is:
(Please "✔" appropriate circle)

Poor ◯ Fair ◯ Good ◯ Very Good ◯ Excellent ◯

…/cont'd

3. Was there any additional information you expected to receive in the Annual Report? Please specify.

4. Do you have any question to be addressed in next year's Annual Report or answered on the "Frequently Asked Questions" section of the Company's website? If so, please ask.

5. Any other comments/suggestions?

Section B – Request for Additional Information

Our Annual Report identifies those areas where additional information, beyond that set out in the Report itself, is available through our website (www.clpgroup.com) or in other printed publications.

You can get hard copies of that web information (if you do not have ready access to the Internet) and/or printed copies of other publications by indicating as appropriate below:

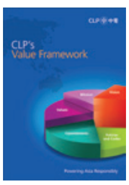
Name of Shareholder(s)

Address

Please tick the appropriate circle(s).

○ Web Information Required (Please specify)

○ CLP's Value Framework (2013 update)



○ CLP Code on Corporate Governance (2015 update)

Please send your feedback or requests for additional information to CLP Holdings Limited by:

(i) cutting and sticking the mailing label below on an envelope to CLP Holdings' Registrars, Computershare Hong Kong Investor Services Limited

(ii) fax: (852) 2678 8390

(iii) e-mail: cosec@clp.com.hk

PERSONAL INFORMATION COLLECTION STATEMENT

"Personal Data" in this statement has the same meaning as "personal data" in the Personal Data (Privacy) Ordinance, Cap 486 (PDPO), which will include your name, mailing address and your opinion.

Your Personal Data provided in this form may be used in connection with our management of your request, inquiry, comments and suggestions or conducting and publishing statistical and data analysis. Your supply of Personal Data is on a voluntary basis. However, we may not be able to follow up your request or inquiry unless you provide us with your Personal Data.

Your Personal Data will not be transferred to any third party.

Your Personal Data will be retained for such period as may be necessary for the above purposes and its directly related purpose(s) and will be destroyed within two years after the date of receipt of your Personal Data.

You have the right to request access to and / or correction of your Personal Data in accordance with the provisions of the PDPO. Any such request for access to and / or correction of your Personal Data should be in writing by either of the following means:

By mail to: Personal Data Privacy Officer
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

By e-mail to: hkinfo@computershare.com.hk

MAILING LABEL

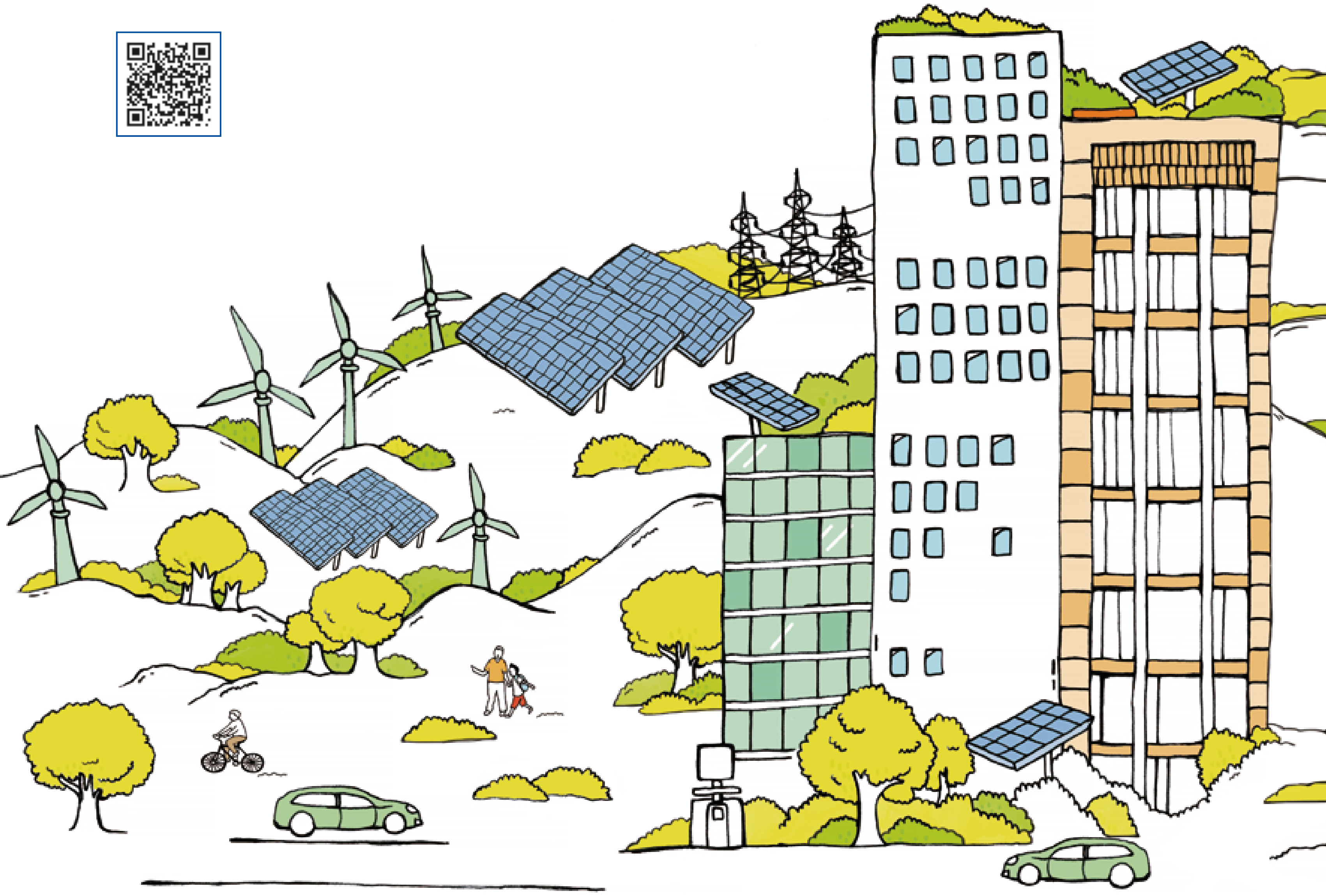
Please cut the mailing label and stick it on an envelope to return your feedback to us.
No postage is necessary if posted in Hong Kong.

Computershare Hong Kong Investor Services Limited
Freepost No. 37
Hong Kong

CLP Holdings Limited
中電控股有限公司

8 Laguna Verde Avenue
Hung Hom, Kowloon, Hong Kong
Tel : (852) 2678 8111
Fax : (852) 2760 4448
www.clpgroup.com

Stock Code: 00002



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