Risk Management Report

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

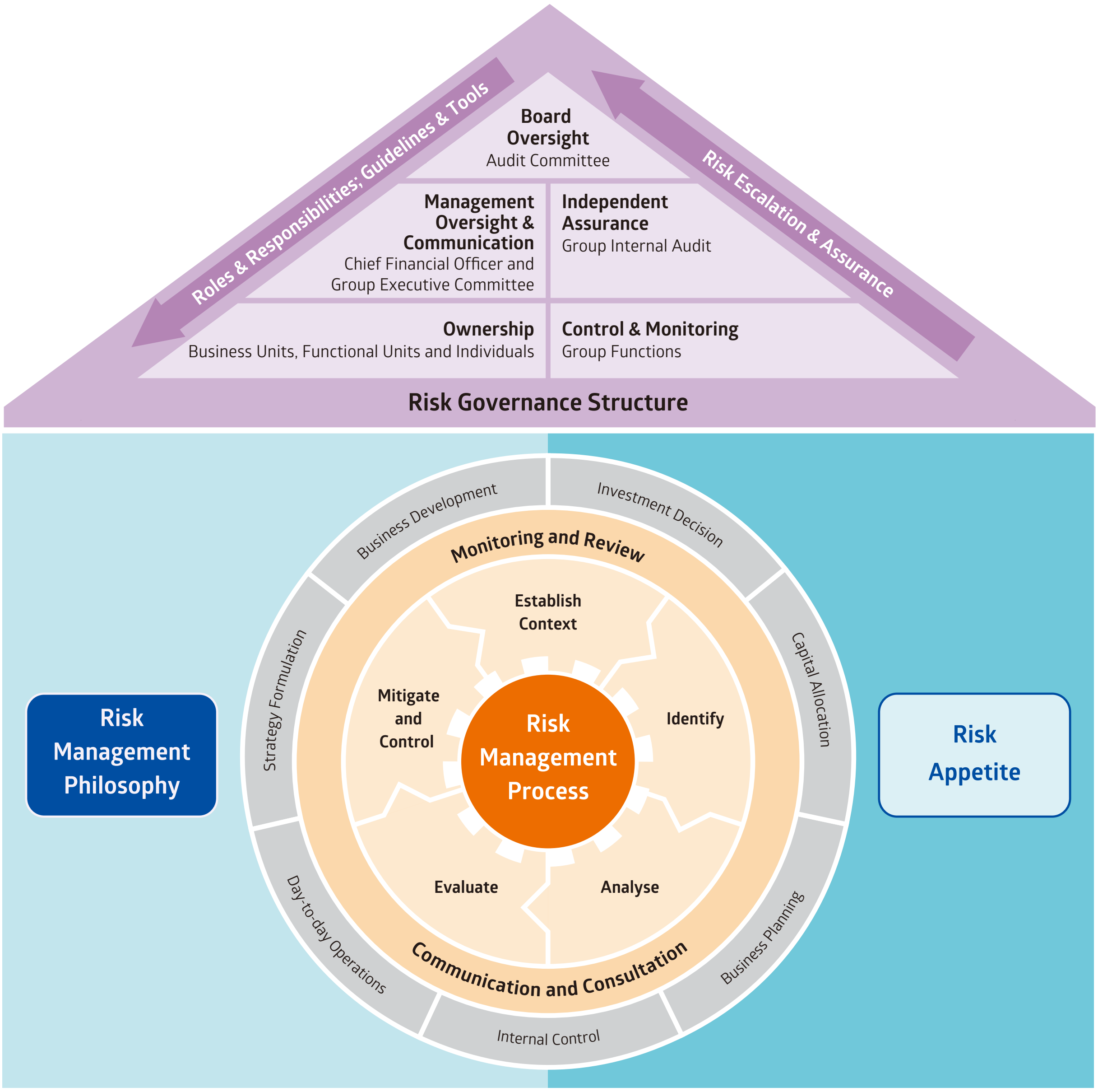
CLP's Risk Management Framework

Risk is inherent in CLP's business and the markets in which we operate. We aim to identify risks early on so that they can be understood, managed, mitigated, transferred or avoided. This demands a proactive approach to risk management and an effective Group-wide risk management framework.

CLP's risk management framework comprises four key elements:

1. Risk management philosophy;
2. Risk appetite;
3. Risk governance structure; and
4. Risk management process.

These elements are described in more detail in the table below and the content that follows:



CLP Risk Management Philosophy

CLP's overall risk management process is overseen by the Board through the Audit Committee. CLP recognises that risk management is the responsibility of everyone within the Group, and hence throughout the company 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.

In this light, we have set two-tier objectives:

- At a **strategic level**, CLP focuses on the identification and management of material risks inherently associated with the pursuit of the Group's strategic and business objectives. In pursuing growth opportunities, CLP aims to optimise risk / return decisions as defined and quantified through diligent 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 while ensuring public safety and health, minimising environmental impact, and securing asset integrity and adequate insurance.

CLP's Risk Appetite

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

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

CLP's Risk Profiling Criteria

Based on our risk appetite, CLP has established 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 specific risk profile, determine consequence and likelihood of identified risks, as well as establish risk mitigation strategies.

CLP's Risk Governance Structure

- Facilitates risk identification and escalation while 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

The Audit Committee, acting on behalf of the Board

- Evaluates and determines the nature and extent of the risks the Board is ready to endorse in pursuit of the Group's strategic objectives.
- Ensures an appropriate and effective risk management framework is established and maintained.
- Monitors the design and implementation of the risk management framework.
- Oversees management of risk identification, reporting and mitigation efforts.

Independent Assurance

The Group Internal Audit

- Carries out independent appraisal of the effectiveness of the risk management framework.

Management Oversight & Communication

The Chief Financial Officer and Group Executive Committee

- Provide leadership and guidance for the balance of risk and return.
- Assess the Group's risk profile and material risks at the Group level.
- Report to the Board through the Audit Committee on the material risks affecting the Group as well as their potential impact, their evolution and the mitigating measures.
- 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.

Control & Monitoring

Group Functions: Finance, Risk Management, Internal Control, Tax, Operations, Information Technology, Legal, Human Resource, Sustainability

- Establish relevant Group-wide policies, standards, procedures, guidelines where appropriate.
- Oversee the risk and control activities of business units relevant to their respective functions.

Ownership

Business Units, Functional Units and Individuals

- Are 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.
- Appoint risk managers or coordinators to facilitate communication, experience sharing and risk reporting.

CLP's Risk Management Process

The process is integrated into business and decision-making processes and involves:

- establishing the context;
- identifying risks, assessing their potential consequences and likelihood;
- evaluating the risk level, control gaps and priorities; and
- developing control and mitigation plans.

It is a continuous and interactive process with stakeholder communication and consultation as well as subject to regular monitoring and review.

Group Risk Management

Group Risk Management function is tasked with:

- Implementing the Group's Risk Management Framework, and assisting business units in implementing their own frameworks;
- Managing regular risk review and risk reporting processes of the Group;
- Facilitating independent risk appraisal for projects seeking endorsement by the CLP Holdings Investment Committee; and
- Facilitating risk communication, experience sharing and risk reporting.

Quarterly Risk Review Process at Group Level

– An integrated top-down and bottom-up risk review process

CLP adopts an integrated top-down and bottom-up 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 governing of risk mitigation efforts.

Top-down Process

- In the Group Risk Management quarterly meetings, members of the Group Executive Committee discuss the top-tier risks escalated through the bottom-up process and deliberate on any other risk issues that they consider important. This kind of risk dialogue offers an opportunity for the management to identify and respond to emerging risks early on, voice risk concerns, share risk insights and seek risk management guidance.
- Group Risk Management facilitates the review of emerging risks by compiling relevant information from both internal and external sources.
- Emerging risks that are identified and considered material are further assessed and monitored by relevant business units or group functions.

Bottom-up Process

- Our business units and group functions are required to submit their list of material risks identified through their risk management process to Group Risk Management on a quarterly basis.
- Through a diligent process of aggregation, filtering, prioritising and consultation, Group Risk Management compiles a Quarterly Group Risk Management Report for review and discussion by the Group Executive Committee.
- Upon approval, the Report is submitted to the Audit Committee on a quarterly basis. "Deep dive" presentations on selected risks are made to the Audit Committee for more detailed, ad hoc reviews.

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 ensures for each investment project a detailed project risk assessment is carried out with proper documentation. Detailed checklists and worksheets are used to identify risks / mitigations and in 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 113 to 114.

Risk Management in the Business Planning Process

- As part of the annual business planning process, business units are required to identify all material risks that may impact the delivery of their business objectives. Overarching strategic risks to the Group are also reviewed. Identified risks are evaluated based on the same set of risk profiling criteria as the quarterly risk review process and plans to mitigate the identified risks are developed. The material risks listed on pages 120 to 122 have been laid out in our 2016 business planning process.

Material Risks to the Group

As an investor and operator in the energy sector of the Asia-Pacific region, CLP categorises our risk profile into five key risk areas, namely Regulatory, Financial, Market, Commercial, and Industrial & Operational. Our 2016 business planning process has identified the following as material risks to the Group.

Regulatory Risk

CLP operates in a heavily regulated industry and regulatory risk remains the key challenge for us.

In Hong Kong, the Scheme of Control (SoC) Agreement is due to expire in 2018. There are calls to lower the level of the permitted rate of return as well as expectations for more renewable energy and energy efficiency initiatives.

Our Australian business continues to face regulatory uncertainty on numerous fronts, including carbon, renewable energy target, spot market rule changes, regulatory obligations of assets, emissions reduction scheme and retail pricing re-regulation.

The Chinese Government is undertaking power sector reforms with the aim of introducing greater competition. The practical implications of this are still difficult to assess. The Government also regularly intervenes in the market, influencing prices and volumes.

We manage by:

a) Working constructively with governments to advocate our position on regulatory changes.

b) Implementing comprehensive stakeholder engagement plans to facilitate sensible and informed discussion on regulatory matters.

c) Mobilising internal resources to ensure timely response to regulatory changes and maintaining regulatory compliance.

d) Communicating and highlighting the importance of a balance between reliable and safe supply, care for the environment and reasonable tariffs.

e) Reinforcing CLP's efforts in caring for the community and promoting energy efficiency.

Specific Top Tier Risk – Regulatory	Changes in 2016	Additional References
Changes in Hong Kong regulatory regime		Page 37
Uncertain regulatory changes impacting EnergyAustralia		Page 58
Uncertain impacts of China power sector reforms	*New*	Page 47

Market Risk

Market risk is another driver of earnings volatility facing the Group.

The supply / demand balance in the wholesale generation market as well as strong retail competition contribute to potential volatility in EnergyAustralia's earnings.

In China, lower economic growth, changes in the structure of the economy and tighter environmental rules have led to a reduction in the output and lower tariffs for the thermal power plants, notably Fangchenggang, amid an increase in coal prices resulting from supply side intervention.

We manage by:

a) Focusing on restoring value to EnergyAustralia's business through four strategic objectives 1) becoming a world-class energy retailer, 2) leading in NextGen products & services, 3) developing a sustainable low-cost operating model, and 4) optimising centralised generation.

b) Managing actively our wholesale energy portfolio and implementing strategies to align wholesale and retail positions.

c) Implementing an approved energy risk policy, with energy market transactions subject to approved limits and controls.

d) Exploring different revenue streams and value-added services for our customers.

e) Reviewing regularly our operations, fuel procurement and development strategy while closely monitoring our operating cash flow in view of market volatility.

Specific Top Tier Risk – Market	Changes in 2016	Additional References
Energy market volatilities and retail competition impacting EnergyAustralia		Page 61
Demand and market risk affecting China portfolio		Pages 43 — 45

Commercial Risk

Commercial risk refers to potential losses arising from inadequate gross margins and / or non-performance of trading partners or counterparties. It is important to ensure that our trading partners or counterparties are reliable, financially healthy and willing to pay.

Currently, the key commercial risks facing CLP are commercial disputes with offtakers over the implementation of power purchase agreements (PPAs), the financial health of our counterparties, fuel supply security, reduced energy margins and price volatility.

We manage by:

a) Diligently pursuing resolution of payment delays and / or disputes with offtakers.

b) Monitoring the financial health of our counterparties including offtakers, fuel suppliers, equipment suppliers, engineering, procurement, construction (EPC), and operation and maintenance contractors.

c) Collaborating with our fuel suppliers to mitigate ongoing sources of environmental, economic, operational, delivery and credit risks affecting fuel supply security; contingency planning for potential supply disruptions.

d) Diversifying our fuel sources and fuel procurement strategy in order to secure a stable supply of fuel while attaining a lower average fuel cost for our customers.

e) Reviewing the merit order of our plants and ensuring their competitiveness in the long run.

Specific Top Tier Risk – Commercial	Changes in 2016	Additional References
EnergyAustralia's Mount Piper coal supply risk	↓	Page 58
Major commercial disputes with offtakers over PPAs in India	↔	See contingent liability disclosure on pages 223 to 224
Counterparty risk of Indian distribution companies	↔	Page 52
Counterparty risk of Indian EPC and O&M contractors	*New*	Page 50
Risk of PPA extension at Paguthan Power Station	↔	–
Volatility of fuel costs for Hong Kong business and challenge of tariff adjustments	↔	Page 37

Financial Risk

CLP's investments and operations, which are long term in nature, are exposed to various financial risks including cash flow & liquidity risks, credit & counterparty risks, interest rate risks and foreign currency risks.

Group-level earnings may also be impacted by marked-to-market fair value gains / losses as some of our economic hedges are classified as "ineffective" according to the Hong Kong Financial Reporting Standards.

The weakening of the Renminbi, and the highly volatile foreign exchange and equity markets have further increased the challenge for CLP to secure financing for development projects on competitive terms.

We manage by:

a) Maintaining strong investment grade credit ratings and preserving a healthy capital structure.

b) Soliciting adequate and cost-effective funding in advance of usage.

c) Securing debt funding diversity (source, instrument, currency and tenor) and maintaining an appropriate mix of committed credit facilities.

d) Maximising the use of local funding options.

e) Hedging most transactional foreign currency exposures (debt and payments) in line with CLP's Treasury Policy.

f) Pursuing "natural hedge" by matching currency of revenue, cost and debt; and project level debt financing should be denominated in and / or swapped into functional currency where possible.

g) Controlling financial counterparty exposure by transacting only with creditworthy and pre-approved financial institutions, allocating exposure limits based on bank's credit standing, and ensuring non-recourse to CLPH for counterparties of CLPH's subsidiaries and affiliates.

h) Maintaining good, trustworthy relationships with lenders.

i) Ensuring transparency in financial communications and disclosures.

Specific Top Tier Risk – Financial	Changes in 2016	Additional References
Foreign currency risk associated with the Group's investments	↔	Pages 64 – 68
Group's liquidity risk of adequate funding at competitive terms	↔	Pages 64 – 68
Default of Group's financial counterparties	↔	Pages 64 – 68

Industrial & Operational Risk

CLP's operations are exposed to various industrial and operational risks relating to Health, Safety, Security and Environment (HSSE) incidents, emissions compliance, plant performance, human capital, data privacy, cyber-attacks, IT controls and extreme weather events as a result of climate change.

In particular, climate change and cyber security are two key emerging risks which may have material impact on the Group over a longer timeframe.

We manage by:

a) Planning and implementing operations and system reinforcements where necessary in order to maintain high operational and emissions performance.

b) Enhancing our operational efficiency and reliability by strengthening our asset and fleet management.

c) Maintaining emergency response and crisis management plans with regular drills.

d) Implementing the CLP Group Health, Safety, Security and Environment (HSSE) Management System to enhance the awareness of both employees and contractors.

e) Implementing the Project Management Governance System to facilitate a consistently safe, timely and cost-effective delivery of high quality projects.

f) Raising staff awareness through cyber security programmes and applying different technologies to mitigate cyber security risks, in particular to avoid fraud victim and disruption to energy supply.

Specific Top Tier Risk – Industrial & Operational	Changes in 2016	Additional References
Major Health, Safety, Security and Environment (HSSE) incidents at construction or operating plants	⇔	Pages 46 & 75 – 76
Potential creep damage of high pressure steam pipework at Yallourn Power Station	*New*	–
Hong Kong gas supply security	⇔	Pages 37 – 38
Uncertainty in Jhajjar's plant performance	⇔	Page 50
Performance risk of wind power projects across the Group	⇔	Pages 44 & 50
Extreme weather events adversely affect the Group	⇔	Page 39
Cyber-attack on business and power systems of the Group	⇔	Page 125

⇧ Risk level increased

⇩ Risk level decreased

⇔ Risk level remains broadly the same

Effectiveness Review of Risk Management and Internal Control Systems

The Audit Committee, on behalf of the Board, has reviewed the effectiveness of the Group's risk management and internal control systems during the period covered by this annual report. The details of the effectiveness review are described in the Corporate Governance Report on page 114 and the Audit Committee Report on page 125.

It should be acknowledged that our risk management and internal control systems are 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.

Continuous Improvement

While CLP is already in compliance with the Stock Exchange of Hong Kong's amended Corporate Governance Code and Corporate Governance Report, effective 1 January 2016, relating to risk management, further improvements have been made to the relevant processes.

CLP is facing a wide range of current and emerging risks which demand continuous and close attention by management. In 2016, we revised our Group Risk Matrix and the risk profiling criteria to improve their clarity and applicability. We also revised the Quarterly Risk Management Report to facilitate the effective risk dialogue and the review of potential risk scenarios by Group Executive Committee.

Geert Peeters
Executive Director & Chief Financial Officer
Hong Kong, 27 February 2017

Audit Committee Report

Members

The Audit Committee is appointed by CLP Holdings' Board of Directors. All four members of the Committee 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 90 and 91.

Meetings and Attendance

The Committee held six meetings during 2016 and another two meetings were held in 2017 up to the date of this Report. Individual attendance of members at the meetings of the Audit Committee held in 2016 is set out in the Corporate Governance Report on page 102.

EnergyAustralia

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 other committee's meetings.

Between 1 January 2016 and the date of this Report, the Chairman of the Committee participated in two EnergyAustralia ARC meetings and the Chairman of EnergyAustralia ARC participated in one meeting of the Committee. The Chairman of the Committee also had the opportunity of meeting with members of the EnergyAustralia ARC informally.

Responsibilities

Terms of reference

The Committee's terms of reference were prepared following international best practice. They include compliance with the HKICPA's "A Guide for Effective Audit Committees" and the Stock Exchange Code. Full terms of reference can be found on CLP's and the Stock Exchange's websites.

Accountability

The Committee is accountable to the Board. The Chairman reports to the Board on the Committee's review of significant internal control and risk management issues and the Company's annual / interim results. In addition, the Chairman reports to the Board annually on the Committee's activities.

Primary responsibilities

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;
- review, and to make sure that the assurance of the sustainability data in the Sustainability Report is appropriate;
- satisfy itself that the scope and direction of external and internal auditing are adequate;
- 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); and
- perform the corporate governance duties described further in this Report and fulfil the functions conferred on the Committee by the CLP Code.

The next section of the Report highlights the key focus areas of the Committee in the period under review, and illustrates the manner in which the Committee discharges its responsibilities.

Summary of Work Done

The Committee's key areas of focus for the full year 2016 and in 2017 up to the date of this Report are set out below:

Areas of Focus	Commentary
Risk Management, Internal Control and Compliance	
Risk Management and Internal Control	The Committee received and reviewed management's periodic internal control review update and the Group's risk management report. Enhancements to the risk management and internal control framework made during the year were reported to, and considered by the Committee; these included changes in key risks and controls, and management assessment on the effectiveness of risk management and internal control systems. From the Group's risk management report, the Committee noted and supported management's revision of the risk management objectives for "regulatory risk", from "compliance with legal and regulatory requirements" to "adapting business and operating models to ongoing regulatory changes and turning regulation as a value driver". This reflected the importance of the changing regulatory environment in which the Group operates in. In 2016, the Committee noted that the Group's risk profile remained relatively steady compared to 2015, continuing with only one top tier risk rated as Extreme (regulatory and political risk of HK business). Risks rated High have also been relatively stable along the year, with some likelihood decreases due to the confirmation of some market changes in Mainland China and advances achieved in the process of guaranteeing long-term coal supply for the Mount Piper power plant in Australia. The Committee also noted the mitigation actions for the top tier risks as detailed in the risk management reports. The Committee's monitoring of the risk management and internal control systems were also supplemented by the Group Internal Audit (GIA) and by the external auditor's report and testing of the control environment of the Group. During the period, no material internal control issues were identified. To provide further assurance to the Committee regarding the effectiveness of the risk management and internal control systems, the CEO and CFO provided to the Committee General Representation Letters prior to the publication of the interim and annual financial statements (see page 114 for further details regarding the General Representation Letters). The Committee was satisfied that the Group's risk management and internal control systems were effective for the period and that these continue to be effective and adequate as at the date of the Report.
Compliance	The Committee reviewed 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 Committee noted that the only exception was that CLP does not publish quarterly financial results. The Committee agrees with management that quarterly financial results would not be of value to shareholders and the quarterly statements published by the Company is sufficient. Please refer to the Corporate Governance Report, Compliance with Stock Exchange Code and the ESG Reporting Guide, pages 96 and 97 for an explanation as to the considered reasons for the approach taken.
Cyber security	Cyber security was identified as a significant risk to the Group and is recorded and tracked in the Group's Risk Heat Map. In 2016, the Committee received regularly updates on the status of the Group's cyber security initiatives from management, and on physical security too. Some of the key principles that the Committee took note of included the following: cyber security risk mitigation is constantly evolving; management will continue to perform vulnerability and third party assessments regularly; cyber security standards will need to be adjusted from time to time to address global incidents and attacks affecting the industry. While CLP is among the leaders, it was acknowledged that there is no room for complacency.

Areas of Focus	Commentary
Interim and Annual Financial Statements	
Annual Reports and Interim Report	As a recurring item, the Committee reviewed the 2015 and 2016 Annual Reports and the 2016 Interim Report and on the recommendations from the Committee, these were approved by the Board.
2016 Financial Statements – adoption of accounting standards	For the 2016 Financial Statements, the Committee reviewed the adoption of amendments to standards and a new accounting standard. In particular, the Committee considered the implications of the early adoption of HKFRS 9 Financial Instruments and its corresponding disclosure in the Financial Statements.
2016 Financial Statements – Judgmental Issues	Management and the external auditor presented to the Committee the key judgmental issues with material accounting impact. These included the review of the carrying values of Group's generation assets and goodwill, and the disclosures and accounting treatment of certain litigations and disputes within the Group. The Committee was satisfied with the judgements made for these issues and their corresponding presentations and disclosures in the Financial Statements.
Sustainability Report data assurance	The Committee considered and took note of the external auditor's report on the sustainability assurance in respect of the 2015 and 2016 Sustainability Reports. SR
Internal and External Auditing	
Internal audit	The Committee received and considered reports from GIA on the Internal Audit Review. Two reports out of a total of 30 submitted by GIA carried an unsatisfactory audit opinion. The Committee and management had detailed discussions on the matters covered by the reports and, in particular, the items which carried unsatisfactory opinions and the measures proposed by management to address these matters. These included EnergyAustralia's payroll system access weaknesses and certain operational and maintenance procedures at CLP India Jhajjar's plant that were not followed. None of these had a material impact on the financial statements.
Internal audit function	In 2015, an external review of the GIA function was undertaken and a number of recommendations were made. In 2016, the Committee reviewed and approved the proposed recommendations by GIA which included an increased focus on top emerging risks and thematic reviews, engagement with key stakeholders in the risk assessment and planning process and closer collaboration between GIA and Group Internal Control on the follow-up process for audit related issues. The Committee also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the GIA function as well as the accounting and financial reporting functions of the Group.
2016 Financial Statements – Auditor's Opinion	The external auditor presented the new form of the auditor's opinion on the financial statements; these relate to the key audit matters that were most significant in the audit process. The Committee considered, at length, with management and the external auditor, the key audit matters of concern to the auditor and the Committee.
External audit related	The Committee reviewed following fees payable to PwC: • audit fees for 2015 and 2016 for approval by the Board; and • permissible audit related and non-audit services provided by PwC for 2015 and 2016 (please see page 112 for further details). PwC was reappointed as external auditor for 2016 at the 2016 Annual General Meeting and the re-appointment was approved by over 99.6% of the shareholder votes. The Committee having considered and satisfied with PwC's performance and independence as external auditor, recommended to the Board that PwC be re-appointed. The Company's shareholders will consider this at the forthcoming 2017 Annual General Meeting. PwC had issued a letter of independence to the Audit Committee and for further details on the assessment of their independence, please see page 112. The Committee considers that regular change to the lead audit partner is a better assurance of independence than changing the audit firm. The current lead audit partner has served for three years.

Areas of Focus	Commentary
Corporate Governance	
Corporate Governance practices	The Committee received and reviewed a report on the Corporate Governance Policies and Practices Review. In the review, the Committee took note of the updates regarding shareholders' communication policy, code of conduct, whistleblowing policy, and policy and guidelines on the provision of gifts and entertainment as well as the new Listing Rules requirements on the assessment of the effectiveness of the risk management and internal control systems. These included the following: • shareholders' communication policy – recommendations from the Committee regarding the Annual Report's presentation; • shareholders' communication policy – support from the Committee Chairman and members for broadening the shareholder base to the younger generation for the shareholders' visit programme; • whistleblowing policy – changes to the policy that were reviewed by the Committee included the requirement of written complaints and enhancing the communications policies with respect to the complainant; and • effectiveness of the risk management and internal control systems – the Committee's assessment of this was based on the work carried out as highlighted in the above section "Risk Management and Internal Control".
Continuing connected transactions	The Committee considered and discussed the Listing Rules required review work by the external auditor regarding the continuing connected transactions. The members recommended that the external auditor undertake additional agreed upon procedures work on certain selected continuing connected transactions. These transactions are subject to the annual reporting and confirmation requirements under the Listing Rules.
Code of conduct	The Committee received and considered the periodic updates on the breaches of the Code of Conduct. None of the 21 breaches in 2016 were material to the Group's financial statements or overall operation. The breaches were mainly related to issues of work place behaviour. Compared to the previous year, the relatively higher number of breaches in 2016 reflected the improved identification and stricter enforcement of work place behaviour requirements. Of the reported Code of Conduct violation cases, there was one case that involved a senior manager; in this context senior manager refers to staff graded at Hay Reference level 20 and above and this case did not involve any member of our Senior Management as disclosed in this Annual Report.

Audit Committee Effectiveness

The Company Secretary evaluated the performance and effectiveness of the Audit Committee during 2016 and the Committee was pleased to note that the Company Secretary concluded that the Committee was performing its responsibilities in an effective manner and in accordance with its terms of reference.

The evaluation was reviewed and the conclusion was confirmed by internal and external auditors. The CLP Holdings Board endorsed the Company Secretary's evaluation.

Vernon Moore
Chairman, Audit Committee
Hong Kong, 27 February 2017

Sustainability Committee Report

Members

The Sustainability Committee (Committee) is appointed by CLP Holdings' Board of Directors and the members of the Committee are:

- Mr Richard Lancaster (Chief Executive Officer) as the Chairman;
- Mr Nicholas C. Allen (Independent Non-executive Director);
- Mrs Fanny Law (Independent Non-executive Director);
- Ms Irene Lee (Independent Non-executive Director);
- Mr Andrew Brandler (Non-executive Director); and
- Ms Quince Chong (Chief Corporate Development Officer).

Full biographies of the members are set out on pages 90 to 93.

Meetings and Attendance

The Committee meets as frequently as required but not less than twice a year and any Committee member may call a meeting. Between 1 January 2016 and the date of this Report, the Committee met four times (including three times in 2016 and once in 2017).

Responsibilities

Terms of reference

The current terms of reference were adopted in February 2015 and are set out on the CLP's and the Stock Exchange's websites.

Accountability

The Committee is accountable to the Board. The Committee is authorised by the Board, at CLP's expense, to investigate all matters that fall within the Terms of Reference. The objectives of the Committee are to oversee management and advise the Board on matters required to enable:

(a) the CLP Group to operate on a sustainable basis for the benefit of current and future generations;

(b) sustainable growth by maintaining and enhancing CLP Group's economic, environmental, human, technological and social capital in the long term; and

(c) the effective management of CLP Group's sustainability risks.

Primary responsibilities

The Committee's primary responsibilities include:

- reviewing, endorsing and reporting to the Board on CLP's sustainability frameworks, standards, priorities and goals and overseeing CLP group-level strategies, policies and practices on sustainability matters to attain those standards and goals;
- reviewing and reporting to relevant Board Committees on key international sustainability trends, benchmarking against peers, sustainability risks and opportunities and other emerging issues;
- overseeing, reviewing and evaluating CLP Group's sustainability performance in terms of internationally-recognised metrics relevant to the industry, as well as the requirements of sustainability stock indices and the desirability of CLP's inclusion in those indices;
- reviewing and advising the Board on CLP's public reporting with regard to its performance on sustainability matters; and
- overseeing CLP's community, charitable and environmental partnerships, strategies and related group-level policies and making recommendations to the Board on any changes to those partnerships, strategies and policies.

Summary of Work Done

The work performed by the Committee during this period is summarised below.

Areas of Focus	Commentary
Sustainability goals, priorities, policies & frameworks	
Sustainability Principles and Goals	In 2015, CLP's new Sustainability Principles were established under the four focus areas of environment, community, people and economic sustainability. In 2016, the Committee deliberated on the 17 UN Sustainable Development Goals (SDGs) with a view to exploring how some of these principles could be incorporated into our medium or longer term sustainability goals.
Operational Health, Safety, Security & Environment Standards	The Committee was briefed on the newly established Operational Health, Safety, Security & Environment (HSSE) Coordination Committee. The Committee also considered and reviewed the HSSE framework, including its governance structure and its major new initiatives.
Carbon Metrics	Recognising that an evolution of CLP's business model would potentially increase the proportion of earnings contribution from non-generation business, the Committee discussed the relevance of the carbon intensity measurement of our generation assets. A preview of how CLP's carbon metrics might need to be developed in line with the evolution of the business, the Group investment strategy and external changes was presented to and considered by the Committee.
Sustainability trends	
Environmental, Social and Governance (ESG)	The Committee devoted time in reviewing the potential drivers and trends behind emerging sustainability-related business risks and opportunities including the following: • longer term ESG trends, such as the continuing increase in expectations on reporting and transparency; and • prospective risks and opportunities which might arise from the UN SDGs.
Technology, disruption and innovation opportunities	The Committee took note of the potential impact of the recent developments in technology and innovation on our industry and business and the Committee considered the related potential opportunities and challenges for CLP.
Climate change-related developments	The Committee reviewed and discussed updates on climate change-related developments and the implications for CLP, with particular attention paid to: • the speed of the ratification and implementation of the Paris Agreement; • the global trends in terms of political and government actions on climate change issues; and • the growing focus of certain investor groups on companies with carbon exposure.
Sustainability performance	
Sustainability performance against external sustainability indices	The Committee reviewed CLP's sustainability performance against external sustainability indices with the ultimate objective of improving our sustainability performance. The Committee also analysed and acknowledged the achievements of our 2015 sustainability performance. Our DJSI score increased by 28% to an all-time high of 73, securing CLP's position on the DJSI Asia Pacific Index. CLP received the top CDP score of "A-" for companies in Hong Kong, while our Hang Seng Corporate Sustainability Index score in 2016 remained unchanged at "AA", similar to previous years. Further details of selected 2016 sustainability ratings for CLP's 2015 sustainability performance is shown in the following table. The scores reflect the performance of the year before.

Index Name	2016 Score	2015 Score	2014 Score
Dow Jones Sustainability Index (DJSI)	73	57	63
CDP – Climate	A-*	96 (C)	95 (B)
Hang Seng Corporate Sustainability Index	AA	AA	AA

* There was a change in scoring methodology for the 2016 Score from the previous letter and numerical scores for performance and disclosure, respectively, to a combined letter score.

Areas of Focus	Commentary
Sustainability Reporting	
Sustainability Reporting Standards	The Committee considered the evolving approach in preparing the Sustainability Report both in terms of industry standards and regulatory compliance. SR The Committee endorsed the preparation of the 2016 Sustainability Report in accordance with the Core level of the new GRI Sustainability Reporting Standards. The Committee also reviewed the 2016 In Essence Sustainability Report. The Committee noted the related Sustainability Assurance findings and the increase in the number of KPIs assured from 31 data points in 2015 to 35 in 2016. SR The Committee also considered and endorsed the presentation of the contents of the 2016 Sustainability Report and how it meets the Stock Exchange's ESG Reporting Guide "comply or explain" and "recommended disclosure" requirements, as well as the GRI Sustainability Reporting Standards. The Committee also took note of the inclusion of the Five-year Summary of statistics on the Group's environmental and social performance in this Annual Report (pages 242 and 243) which contains cross-references to the KPIs suggested in the Stock Exchange's ESG Reporting Guide. SR
Sustainability data assurance	The continuing practice of commissioning independent assurance of selected KPIs was reported to and acknowledged by the Committee. The oversight of the assurance of the metrics and reporting is the responsibility of the Audit Committee.
Community, charitable and environmental partnerships and initiatives	
Community initiatives	The Committee reviewed management's report on the community initiatives undertaken by CLP in 2015 and supported the proposed overall strategy for 2016 as well as the specific initiatives in terms of the following: • spending by country, theme and programme; • volunteering contributions; and • the number of programmes and beneficiaries.

Looking Ahead

The Committee will continue to review its role of supporting the Board and overseeing management in the development, implementation, measurement and reporting of the Group's social, environmental and ethical performance. This will ultimately enable the CLP Group to operate on a sustainable basis for the benefit of current and future generations.

Richard Lancaster
Chairman, Sustainability Committee
Hong Kong, 27 February 2017

Sustainability Report

Human Resources & Remuneration Committee Report

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 Directors and Senior Management. This Report has been reviewed and endorsed by the HR&RC.

The contents of the following sections in the highlighted boxes below comprise the "auditable" part of the HR&RC Report and have been audited by the Company's Auditor: "Non-executive Directors – Remuneration in 2016", "Change of Remuneration – Executive Directors and Senior Management", "Executive Directors – Remuneration in 2016", "Total Directors' Remuneration in 2016" and "Senior Management – Remuneration in 2016".

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 Vernon Moore, Mr Nicholas C. Allen and Mrs Zia Mody.

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.

The HR&RC held three meetings during 2016 and one meeting in 2017 up to 27 February 2017 (the date of this Report). Between 1 January 2016 and the date of this Report, the HR&RC approved the 2015 and 2016 HR&RC Reports, and reviewed the following:

Performance and Remuneration Review

- Group performance for 2015 and 2016 and Group targets for 2016 and 2017.
- 2015 and 2016 organisation performance for CLP Power Hong Kong and CLP India and targets for 2016 and 2017.
- Base pay for 2016 and 2017 for Hong Kong payroll staff, CLP India and China.
- Non-executive Directors' Fees.
- CEO's remuneration.
- Remuneration of direct reports to the CEO, including annual incentive payments for 2015 and 2016 and pay review for 2016 and 2017.

Training and Benefits Review

- Training and continuous professional development of Senior Management.
- Hong Kong provident fund.

Succession Planning and Organisational Evolution

- Senior Management succession plan, update on talent development initiatives and organisational evolution in the face of disruptive change.
- Update on gender diversity initiatives.

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.
- 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.

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:

- 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 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, save for the adoption of an average of total working hours of Non-executive Directors over three review periods in order to smooth out the effect of short-term fluctuations in their workload. The methodology is aligned with the recommendations of the 2014 UK Code and includes:

- the application of an hourly rate of HK$5,000 as an average of the hourly rates at partner level charged by legal, accounting and consulting firms in providing professional services to CLP;
- 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.

While the methodology takes into account past and present data, rather than any forward-looking projections, as in the case of the 2013 review, the Board 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 table on page 133 were proposed by management, reviewed by J.S. Gale & Co and approved 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.

Fees for Non-executive Directors[1]

	Fees per annum (before 6 May 2016) HK$	Fees per annum (w.e.f. 6 May 2016) HK$	Fees per annum (w.e.f. 6 May 2017) HK$	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.

Non-executive Directors – Remuneration in 2016

The fees paid to each of our Non-executive Directors in 2016 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 2015. This was primarily due to an increase in the levels of Non-executive Directors' fees which took effect on 6 May 2016.

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 2016	Total 2015
Non-executive Directors									
The Hon Sir Michael Kadoorie	687,490.16(C)	-	14,000.00(C)	-	-	-	-	701,490.16	668,505.47
Mr William Mocatta[1]	540,131.15(VC)	-	-	408,450.81(C)	59,718.03	14,000.00(C)	-	1,022,299.99	980,590.41
Mr J. A. H. Leigh	491,088.53	-	-	-	-	-	-	491,088.53	467,523.29
Mr Andrew Brandler	491,088.53	-	-	294,154.10	-	-	78,531.14	863,773.77	829,608.22
Dr Y. B. Lee	491,088.53	-	-	-	-	-	-	491,088.53	467,523.29
Mr Ronald J. McAulay[2]	365,707.11	-	-	-	-	-	-	365,707.11	467,523.29
Independent Non-executive Directors									
Mr Vernon Moore	491,088.53	466,685.24(C)	-	294,154.10	59,718.03	-	-	1,311,645.90	1,255,167.13
Sir Rod Eddington	491,088.53	-	-	294,154.10	-	-	-	785,242.63	754,101.37
Mr Nicholas C. Allen	491,088.53	335,618.04	10,000.00	294,154.10	59,718.03	-	78,531.14	1,269,109.84	1,216,373.97
Mr Vincent Cheng	491,088.53	-	10,000.00	294,154.10	85,627.87(C)	-	-	880,870.50	844,009.59
Mrs Fanny Law	491,088.53	335,618.04	-	-	-	-	78,531.14	905,237.71	864,086.30
Ms Irene Lee	491,088.53	335,618.04	-	294,154.10	-	-	78,531.14	1,199,391.81	1,150,664.38
Mrs Zia Mody	491,088.53	-	-	-	59,718.03	-	-	550,806.56	268,333.15
Dr Rajiv Lall[3]	-	-	-	-	-	-	-	-	461,136.98
							Total	10,837,753.04	10,695,146.84

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 2015, he received HK$300,000.00 as fee for his service on the board of CLP Power Hong Kong Limited.

2 Mr Ronald J. McAulay resigned as a Non-executive Director with effect from 1 October 2016. The fee paid to Mr McAulay was made on a pro rata basis in respect of his service up to 30 September 2016.

3 The fee paid to Dr Rajiv Lall (a former Director) is included in the table, solely for the purpose of comparing the total fees paid to Non-executive Directors in 2015 with those in 2016.

Change of Remuneration – Executive Directors and Senior Management

Details of the remuneration of Executive Directors and Senior Management prepared in accordance with the Hong Kong Financial Reporting Standards for the 12 months ended 31 December 2016 are set out in the tables on page 136 (Executive Directors) and pages 142 to 143 (Senior Management).

The amounts disclosed consist of remuneration accrued or paid for service in 2016 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, while non-recurring items relate primarily to the appointment or termination of Executive Directors and Senior Management.

In the tables on page 136 and pages 142 to 143 the "total remuneration" column for 2016 includes the following recurring items:

(i) base compensation, allowances & benefits paid;

(ii) 2016 annual incentive accrued based on previous year of Company performance. Additionally, as the Company performance actually achieved in 2015 was higher than the annual incentive accrual for 2015, the difference was added in the current period;

(iii) the 2013 long-term incentive award paid in January 2016 when the vesting conditions were satisfied (the comparative figures are the long-term incentive for 2012 paid in 2015). About 10% of the increase in the value of the phantom shares portion of 2013 long-term incentive payments results from the change in CLP Holdings' share price between 2013 and 2015, with dividends reinvested; and

(iv) provident fund contribution made.

The "other payments" column includes the following non-recurring items:

(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; and

(ii) relocation payments for newly hired Senior Management.

Executive Directors – Remuneration in 2016

The remuneration paid to the Executive Directors of the Company in 2016 was as follows:

	Recurring Remuneration Items					Non-recurring Remuneration Items	
		Performance Bonus[2]					
	Base Compensation, Allowances & Benefits[1] HK$M	Annual Incentive HK$M	Long-term Incentive HK$M	Provident Fund Contribution HK$M	Total Remuneration HK$M	Other Payments HK$M	Total HK$M
2016							
CEO (Mr Richard Lancaster)	**8.8**	**8.0**	**3.0**	**1.6**	**21.4**	**–**	**21.4**
Executive Director & Chief Financial Officer (Mr Geert Peeters)[3]	**6.6**	**6.1**	**–**	**1.2**	**13.9**	**–**	**13.9**
	15.4	**14.1**	**3.0**	**2.8**	**35.3**	**–**	**35.3**

		Performance Bonus[2]					
	Base Compensation, Allowances & Benefits[1] HK$M	Annual Incentive HK$M	Long-term Incentive 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

Notes:

1 The value of non-cash benefits is included under the "base compensation, allowance & benefits" column of the above table. The nature of these benefits includes electricity allowance, the availability of a company vehicle for personal use, any approved personal club memberships entered into primarily for business entertainment purposes and consequently paid by the Company, life insurance and medical benefits.

2 Performance bonus consists of (a) annual incentive (2016 accrual and 2015 adjustment) and (b) long-term incentive (payment for 2013). 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 2016 performance will be made in March 2017. These payments and awards are subject to the prior approval of the HR&RC after 31 December 2016. Details of these will be published on the CLP website at the time that the 2016 Annual Report is published.

3 Mr Geert Peeters joined the Company on 1 February 2014. He was appointed as Executive Director & Chief Financial Officer on 1 January 2016.

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.

Total Directors' Remuneration in 2016

The total remuneration of Non-executive and Executive Directors in 2016 was:

	2016 HK$M	2015 HK$M
Fees	**11**	11
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits[1]	**15**	9
Performance Bonus[2]		
– Annual Incentive	**14**	8
– Long-term Incentive	**3**	3
Provident Fund Contribution	**3**	1
Non-recurring Remuneration Item		
Other Payments	**–**	–
	46	32

Notes:

1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 136.

2 Refer to Note 2 on Performance Bonus on page 136.

Of the total remuneration paid to Directors, HK$11 million (2015: HK$7 million) has been charged to the SoC operation.

Senior Management – Principles of Remuneration

For the purposes of this section, Senior Management means the managers whose details are set out on page 93.

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, long-term incentives and a retirement arrangement. 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 (see page 141). The determination of performance outcomes is not formulaic, as the Committee believes their overriding responsibility is to exercise judgement and responsibility.

In determining overall Total Remuneration, the HR&RC applies a balanced overall judgement, 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 among our comparator companies at the local and international level.

The four components of remuneration of members of Senior Management are explained on the following pages.

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

Base Compensation

Base Compensation for each member of Senior Management 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. The Base Compensation accounts for 35% of his / her potential total remuneration in 2016.

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 plus target annual incentive. To receive the maximum 12.5% employer contribution the employee is required to contribute 5% of Base Compensation. A 12.5% employer contribution accounts for 7% of his / her potential total remuneration in 2016.

Effective 1 January 2017, the existing company matching contribution scale has been extended for all Hong Kong based staff including Senior Management. Eligibility for the extended scale is based on completed service thresholds of 5 and 10 years, and is subject to a matching contribution from the employee.

Annual Incentive

Each member of Senior Management has a maximum annual incentive opportunity of 100% of Base Compensation, which accounted for 35% of his / her potential total remuneration in 2016. The maximum annual incentive opportunity may be exceeded in exceptional cases where a discretionary additional annual incentive is awarded by the Committee. The actual amount awarded 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 has a maximum LTI opportunity of 66.6% of Base Compensation, which accounts for 23% of his / her potential total remuneration in 2016. The composition of the LTI award:

LTI opportunity set at the beginning of 2016 (50% of maximum)

X

Performance multiplier (Organisational 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 2019

Of the long-term incentive, a minimum of 75% of the long-term incentive ("LTI") payment for Senior Management is allocated to CLP Holdings phantom shares based on the average closing share price for the December preceding the making of the LTI award. The payment of which is subject to a three-year vesting period. 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. Senior Management have the choice of allocating 100% of the LTI to phantom shares.

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 accounts for 29% of her potential total remuneration in 2016. 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 has a maximum annual incentive opportunity of 150% of FAR, which accounted for 43% of her potential total remuneration in 2016. The actual annual incentive payment depends upon the performance of EnergyAustralia against a balanced scorecard of financial, operational and strategic measures. The actual payout of Ms Tanna's annual incentive will be approved by the Board of EnergyAustralia. 70% of her actual annual incentive for 2016 will be paid in 2017 with the remainder of the actual annual incentive deferred for two years, payable in 2019.

Long-term Incentive
Ms Tanna was assigned an initial LTI Award of 100% of FAR which accounts for 28% of her potential total remuneration in 2016. The final value of the 2016 LTI award will be decided by the EnergyAustralia Board, depending on the achievement of the LTI Performance Conditions. 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 2019 (the Vesting Date).

In assessing organisational performance the Committee takes into account a balanced scorecard of measures. Given the scale and complexity of our Group there are a large number of such measures, including both quantitative and qualitative factors.

Given this there is not a formulaic mathematical determination of performance, rather it is a balanced judgement of the Committee taking all relevant factors into account.

In reaching their decision the Committee consider two questions:

- How well did Senior Management manage performance this year?
- How well are they managing the strategic positioning the business for the future and ensuring it's sustainability?

The quantitative financial and operational targets considered by the Committee include the following:

Area of performance	Targets
Financial	• Operating EPS • Operating earnings • ROE
Safety	• LTIR • TRIR • Fatalities
Environmental	• Regulatory non-compliance cases • CO_2 intensity • Emissions • Renewable Energy capacity as a % of new generation portfolio
Internal control	• Number of Not Satisfactory Audits • Number of Code of Conduct cases

In addition to these financial and operational measures the Committee also set a small number of specific qualitative targets each year reflecting the strategic priorities of the Group. In 2016 these targets included:

- review of Group strategy and the implications of COP21;
- progress on organisational development and capability building to meet the challenges presented by digital disruption; and
- progression of long-term growth opportunities outside of Hong Kong.

Finally, the Committee consider the performance of Senior Management in ensuring the long-term sustainability of the organisation in relation to four dimensions:

- Business Model
- People and Organisational Capability
- Environmental Impact
- Community Acceptance

Senior Management – Remuneration in 2016

Details of the remuneration of the Senior Management are set out below (except for the Executive Directors, that are set out in "Executive Directors – Remuneration in 2016").

	Recurring Remuneration Items					Non-recurring Remuneration Items	
		Performance Bonus[2]					
	Base Compensation, Allowances & Benefits[1] HK$M	Annual Incentive HK$M	Long-term Incentive HK$M	Provident Fund Contribution HK$M	Total Remuneration HK$M	Other Payments HK$M	Total HK$M
2016							
Chief Operating Officer (Mr Derek Parkin)	4.9	4.2	–	0.9	10.0	–	10.0
Group Director & Vice Chairman – CLP Power Hong Kong (Mrs Betty Yuen)[3]	4.1	4.7	–	0.8	9.6	–	9.6
Managing Director – CLP Power (Mr Paul Poon)	5.3	4.8	2.1	1.0	13.2	–	13.2
Managing Director – EnergyAustralia (Ms Catherine Tanna)[4]	11.4	12.9	–	0.1	24.4	6.7	31.1
Managing Director – India (Mr Rajiv Mishra)[5]	3.6	2.7	1.4	0.6	8.3	–	8.3
Managing Director – China (Mr Chan Siu Hung)	3.8	3.4	1.5	0.7	9.4	–	9.4
Group General Counsel & Chief Administrative Officer (Mr David Simmonds)	4.7	4.3	1.9	0.9	11.8	–	11.8
Chief Corporate Development Officer (Ms Quince Chong)	4.7	4.3	2.1	0.8	11.9	–	11.9
Chief Human Resources Officer (Mr Roy Massey)	3.5	3.2	1.5	0.6	8.8	–	8.8
Total	46.0	44.5	10.5	6.4	107.4	6.7	114.1

Notes 1 to 5 are set out on page 143.

Of the total remuneration paid to Senior Management, HK$32.7 million (2015: HK$33.2 million) has been charged to the SoC operation.

	Recurring Remuneration Items					Non-recurring Remuneration Items	
		Performance Bonus[2]					
	Base Compensation, Allowances & Benefits[1] HK$M	Annual Incentive HK$M	Long-term Incentive 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[6]	1.3	1.1	–	0.1	2.5	3.5	6.0
Group Director & Vice Chairman – CLP Power Hong Kong[3]	4.0	5.0	–	0.5	9.5	–	9.5
Managing Director – CLP Power	5.0	5.1	2.0	0.6	12.7	–	12.7
Managing Director – EnergyAustralia[4]	10.9	11.8	–	0.1	22.8	4.7	27.5
Managing Director – India[5]	3.5	3.2	2.0	0.4	9.1	–	9.1
Managing Director – China	3.6	3.7	1.6	0.4	9.3	–	9.3
Group General Counsel & Chief Administrative Officer	4.4	4.6	1.9	0.5	11.4	–	11.4
Chief Corporate Development Officer	4.4	4.6	0.4	0.6	10.0	–	10.0
Chief Human Resources Officer	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 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 136.

2 Refer to Note 2 on Performance Bonus on page 136. For Ms Catherine Tanna, the annual incentive payment was approved by the Board of EnergyAustralia following consultation between the CEO, the Chairman of the EnergyAustralia Remuneration Committee and members of the HR&RC.

3 The annual incentives paid to Mrs Betty Yuen in 2016 and 2015 included additional discretionary annual incentives of HK$1.0 million for 2015 and HK$1.0 million for 2014 performance years respectively.

4 Ms Catherine Tanna joined the Company on 1 July 2014. According to her employment contract, the sign-on award of HK$14 million was paid in September 2016 to compensate her for income lost as a result of forfeiture of incentive awards with her previous employer on joining CLP. This payment was fully accrued under non-recurring remuneration items: 2014 HK$2.6 million, 2015 HK$4.7 million and final balancing payment of HK$6.7 million in 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.

5 The remuneration of Mr Rajiv Mishra is denominated in Indian Rupees. There is a temporary currency relief arrangement for Mr Rajiv Mishra 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 from 1 October 2013 to 30 September 2015 and 1 HKD = 8.3 Rupees from 1 October 2015 to 30 September 2017. 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.

6 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 was 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.

The five highest paid individuals in the Group included two Directors (2015: one Director) and three members of Senior Management (2015: four members of Senior Management). The total remuneration of the five highest paid individuals in the Group is shown below:

	2016 **HK$M**	2015 HK$M
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits[1]	**37**	35
Performance Bonus[2]		
– Annual Incentive	**36**	36
– Long-term Incentive	**7**	7
Provident Fund Contribution	**5**	3
Non-recurring Remuneration Item		
Other Payments	**7**	5
	92	86

Notes:

1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 136.

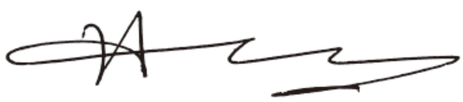
2 Refer to Note 2 on Performance Bonus on page 136.

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

	Number of Individuals **2016**	2015
HK$11,000,001 – HK$11,500,000	**–**	1
HK$11,500,001 – HK$12,000,000	**1**	–
HK$12,500,001 – HK$13,000,000	**–**	1
HK$13,000,001 – HK$13,500,000	**1**	1
HK$13,500,001 – HK$14,000,000	**1**	–
HK$21,000,001 – HK$21,500,000	**1**	1
HK$27,000,001 – HK$27,500,000	**–**	1
HK$31,000,001 – HK$31,500,000	**1**	–

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, 27 February 2017

Directors' Report

The Directors have pleasure in submitting their Report together with the audited Financial Statements for the year ended 31 December 2016.

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 27 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 associates. Details of the joint ventures and associates are provided under Notes 11 and 12 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$1.71 (2015: HK$1.65) per share totalling HK$4,320 million (2015: HK$4,169 million) during the year.

The Directors declared the fourth interim dividend of HK$1.09 (2015: HK$1.05) per share totalling HK$2,754 million (2015: HK$2,653 million).

This fourth interim dividend will be paid on 23 March 2017.

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, including analysis using financial key performance indicators are provided in the Financial Highlights, CEO's Strategic Review, Financial Review, Financial Capital and the Business Performance and Outlook sections respectively on page 5, from pages 15 to 19, pages 24 to 33, pages 64 to 68 and pages 34 to 61 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 115 to 123. Particulars of important events affecting the Group that have occurred since the end of the financial year 2016, 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, the CEO's Strategic Review and the Business Performance and Outlook sections respectively from pages 12 to 14, pages 15 to 19 and pages 34 to 61 of this Annual Report. An account of the Group's relationships with its key stakeholders is included in the Capitals section from pages 62 to 87 of this Annual Report.

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, and the Five-year Summary: CLP Group Statistics – Environmental and Social.

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$28,340 million as at 31 December 2016 (2015: HK$28,138 million).

Bank Loans and Other Borrowings

The total borrowings of the Group as at 31 December 2016 amounted to HK$51,646 million (2015: HK$55,483 million). Particulars of borrowings are set out in Note 19 to the Financial Statements and details of debentures are set out on page 66 of the Financial Capital section of the Annual Report.

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 0.4% of the Group's total assets as at 31 December 2016.

Equity-linked Agreements

For the year ended 31 December 2016, the Company has not entered into any equity-linked agreement.

Donations

Donations by the Group for charitable and other purposes amounted to HK$12,645,000 (2015: HK$14,519,000).

Five-year Summary

A summary of the results for the year and of the assets and liabilities of the Group as at 31 December 2016 and for the previous four financial years are on pages 240 and 241 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 93 of this Annual Report. Details of their remuneration are set out in the Human Resources & Remuneration Committee Report on page 131 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 41.92% of the Group's total purchases during the year and a breakdown of the purchases from each of the five largest suppliers are set out below in descending order:

1. 12.11% 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. 10.00% 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.
3. 8.97% from PetroChina International Guangdong Co., Ltd. (PCIGD) in which the Group has no interest. CAPCO purchases natural gas from PCIGD for its electricity generation.
4. 8.48% 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.
5. 2.36% 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 2016, none of the Directors or substantial shareholders of the Company had any interest in those suppliers other than their indirect interests in GNPJVC, which interests arose from the Group's interest in GNPJVC.

Directors

The Directors of the Company as at the date of this Report, whose names appear on pages 90 and 91 of this Annual Report, were Directors for the whole year ended 31 December 2016. 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 on page 131 of this Annual Report.

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

Mr Ronald J. McAulay resigned as a Non-executive Director of the Company with effect from 1 October 2016. After having served on the Company's Board for over 48 years, Mr McAulay decided that it was an appropriate time for him to step down from the Board. At the time of his resignation, Mr McAulay confirmed that there was no disagreement with the Board and that he was not aware of any matter in relation to his resignation that needs to be brought to the attention of the shareholders of the Company.

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 119 of the Company's Articles of Association, Sir Rod Eddington, Dr Y. B. Lee, Mr William Mocatta, Mr Vernon Moore and Mr Vincent Cheng will retire by rotation at the 2017 AGM. All the retiring Directors, being eligible, offer themselves for re-election. None of the Directors offering themselves for 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

During the year ended 31 December 2016, none of the Directors had directly or indirectly any material interest in transactions, arrangements or contracts of significance entered into by the Group.

Alternate Directors

During the year ended 31 December 2016 and up to the date of this Report, Mr Andrew Brandler is alternate to Mr William Mocatta.

During the period from 1 January 2016 to 30 September 2016, Mr Andrew Brandler was alternate to Mr Ronald J. McAulay.

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 2016 or during the period from 1 January 2017 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 Group in respect of potential liability and costs associated with legal proceedings that may be brought against such Directors.

Continuing Connected Transactions

China Southern Power Grid International (HK) Co., Limited (CSG HK) (effectively China Southern Power Grid Co., Ltd. and its subsidiaries (collectively the CSG Group)) is a connected person of CLP Holdings (at its subsidiary level) by virtue of CSG HK being a substantial shareholder of CAPCO, a subsidiary of CLP Holdings. Accordingly, transactions entered into between members of the CSG Group and members of the Group constitute connected transactions for CLP Holdings under Chapter 14A of the Listing Rules.

Under the Listing Rules, the Group's continuing connected transactions with the CSG Group (CCTs) relating to the power purchases by the CSG Group are required to be subject to an annual aggregate cap determined by the Company, and for 2016, this was HK$4.46 billion. The annual aggregate cap was approved by the Board of Directors and disclosed in the announcement dated 29 April 2016. The project level caps of the CCTs for 2016 set out in the table on pages 148 to 155 are for reference only and were used to derive the annual aggregate cap of HK$4.46 billion.

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 table on pages 148 to 155. The considerations for 2016 represented the actual transaction values of the relevant CCTs in the full 12 months of 2016.

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group
CLP Power Hong Kong electricity sales to Mainland China			
1.	Power Sales Contract Original arrangement entered into on 10 February 2012 and extended by way of supplemental agreements. The immediate preceding term was from 31 December 2015 to 31 December 2016. On 15 December 2016, a supplemental agreement was entered into to further extend the term to 31 December 2017.	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
2.	Energy Economy Interchange Agreement Agreement entered into on 25 December 2015 for a two year period to 24 December 2017.	CLP Power Hong Kong	CSG-GPG
	Aggregated total consideration for CLP Power Hong Kong electricity sales to Mainland China *(Project level cap for 2016 was HK$533.00 million)*		
The Huaiji hydro project			
3.	Zelian Hydro Station power purchase agreement (PPA) Agreement entered into on 28 September 2015 for a one year period and was renewed for another one year period to 27 September 2017.	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)
4.	Longzhongtan Hydro Station PPA Agreement entered into on 28 September 2015 for a one year period and was renewed for another one year period to 27 September 2017.	CLP-GHX	CSG-ZPB
5.	Jiaoping Hydro Station PPA Agreement entered into on 28 September 2015 for a one year period and was renewed for another one year period to 27 September 2017.	CLP-GHX	CSG-ZPB
6.	Xiazhu Hydro Station PPA Agreement entered into on 28 September 2015 for a one year period and was renewed for another one year period to 27 September 2017.	CLP-GHX	CSG-ZPB
7.	Shuixia Hydro Station PPA Agreement entered into on 28 September 2015 for a one year period and was renewed for another one year period to 27 September 2017.	Guangdong Huaiji Weifa Hydro-electric Power Company Limited, a subsidiary of the Company (CLP-GHW)	CSG-ZPB
8.	Baishuihe Four Hydro Stations PPA Agreement entered into on 28 September 2015 for a one year period and was renewed for another one year period to 27 September 2017.	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

	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2016 HK$M
	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.	135.20
	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	–
			135.20
	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.	4.84
	As in item 3 above	As in item 3 above	3.22
	As in item 3 above	As in item 3 above	2.48
	As in item 3 above	As in item 3 above	8.18
	CLP-GHW sells electricity to CSG-ZPB.	As in item 3 above	43.22
	CLP-GHC, CLP-GHG, CLP-GHW and CLP-GHX sell electricity to CSG-ZPB.	As in item 3 above	198.34

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group
9.	Niuqi Hydro Station PPA Agreement entered into on 28 September 2015 for a one year period to 27 September 2016. A new PPA was subsequently signed on 26 July 2016 for a one year period to 25 July 2017.	CLP-GHX	CSG-ZPB
	Aggregated total consideration for the Huaiji hydro project *(Project level cap for 2016 was HK$262.56 million)*		
The Yang_er hydro project			
10.	Yang_er Hydro Project PPA Agreement entered into on 14 October 2016 for a one year period from 1 January 2016 to 31 December 2016 and was renewed for another one year period to 31 December 2017.	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)
11.	High Voltage Electricity Supply Contract Original agreement entered into on 1 September 2009 with continuing validity. A replacement agreement was signed on 23 June 2016 for the period from 10 May 2016 to 9 May 2019.	CLP Dali Yang_er	Yangbi Electricity Supply Co., Ltd., a subsidiary of CSG (CSG Yangbi)
12.	High Voltage Electricity Supply Contract Original agreement entered into on 1 September 2009 with continuing validity. A replacement agreement was signed on 23 June 2016 for the period from 10 May 2016 to 9 May 2019.	CLP Dali Yang_er	CSG Yangbi
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)
	Aggregated total consideration for the Yang_er hydro project *(Project level cap for 2016 was HK$50.41 million)*		
The Fangchenggang coal-fired project (Phases I and II)			
14.	Fangchenggang Coal-fired Project PPA Agreement entered into on 29 April 2016 for a one year period from 1 January 2016 to 31 December 2016. A new PPA was signed on 30 December 2016 for a one year period from 1 January 2017 to 31 December 2017.	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)
15.	Fangchenggang High Voltage Electricity Supply Contract Agreement entered into 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)
16.	Fangchenggang High Voltage Electricity Supply Contract Original arrangement entered into on 1 June 2009 with automatic renewal on 1 June 2015 for a two year period to 31 May 2017.	CLP-FCG	CSG Guangxi
	Aggregated total consideration for the Fangchenggang coal-fired project (Phases I and II) *(Project level cap for 2016 was HK$2,721.52 million)*		

Nature and description of the transaction	Basis for determining the consideration	Consideration for 2016 HK$M
As in item 3 above	As in item 3 above	30.94
		291.22
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) and subject to adjustment in accordance with the Implementation Scheme for Trading in Yunnan Electricity Market issued by Yunnan Provincial Industry and Information Technology Commission in 2016 (Yunnan Implementation Scheme Document).	29.73
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 the Yunnan PDRC. This tariff is updated from time to time.	0.01
CSG Yangbi supplies electricity (10kV) to CLP Dali Yang_er during overhaul related outages.	As in item 11 above	0.01
CSG-DPB supplies electricity (110kV) to CLP Dali Yang_er during overhaul related outages.	As in item 11 above	–
		29.75
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 [2016] No. 2 and is updated from time to time.	826.36[1]
CSG-FPB supplies standby electricity to CLP-FCG.	As in item 14 above	12.76
CSG Guangxi supplies standby electricity to CLP-FCG.	As in item 14 above	–
		839.12

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group
The Xicun solar project (Phases I and II)			
17.	Xicun Solar Project PPA Agreement entered into on 14 October 2016 for a one year period from 1 January 2016 to 31 December 2016 and was renewed for another one year period to 31 December 2017.	CLP Dali (Xicun) Solar Power Co., Ltd, a wholly-owned subsidiary of the Company (CLP Xicun)	CSG-YPG
18.	Xicun Solar Project Electricity Supply Contract (10kV) Agreement entered into on 11 December 2014 for a three year period to 10 December 2017.	CLP Xicun	Binchuan Electricity Supply Company Limited, a subsidiary of CSG (CSG Binchuan)
19.	Xicun Solar Project High Voltage Electricity Supply Contract[2] Original agreement entered into on 27 January 2015. A replacement agreement was signed on 23 June 2016 for the period from 25 January 2016 to 24 January 2019.	CLP Xicun	CSG-DPB
20.	Xicun Solar Project High Voltage Power Supply Contract (for pump station) Agreement entered into on 31 July 2015 for a three year period to 30 July 2018.	CLP Xicun	CSG Binchuan
	Aggregated total consideration for the Xicun solar project (Phases I and II) *(Project level cap for 2016 was HK$185.24 million)*		
The Xundian wind project			
21.	Xundian Wind Project PPA Agreement entered into on 14 October 2016 for a one year period from 1 January 2016 to 31 December 2016 and was renewed for another one year period to 31 December 2017.	CLP (Kunming) Renewable Energy Co., Ltd., a wholly-owned subsidiary of the Company (CLP Xundian)	CSG-YPG
22.	Xundian Wind Project Electricity Supply Contract[3] Agreement entered into on 30 November 2015 for a three year period to 29 November 2018.	CLP Xundian	Kunming Power Bureau of CSG-YPG, a subsidiary of CSG (CSG-KPB)
23.	Xundian Wind Project Electricity Supply Contract (Interim) Agreement entered into on 27 October 2015 for a three year period to 26 October 2018.	CLP Xundian	Xundian Power Supply Company Limited, a subsidiary of CSG (CSG-XPSC)
24.	Xundian Wind Project 110kV Transmission Line Maintenance Agreement New agreement entered into on 3 March 2016 for the period from 1 January 2016 to 31 December 2016.	CLP Xundian	Yunnan Electricity Transmission and Transformation Engineering Company, a subsidiary of CSG (CSG Yunnan ETTE)
	Aggregated total consideration for the Xundian wind project *(Project level cap for 2016 was HK$96.95 million)*		

Nature and description of the transaction	Basis for determining the consideration	Consideration for 2016 HK$M
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) and subject to adjustment in accordance with the Yunnan Implementation Scheme Document.	136.81
CSG Binchuan supplies electricity to CLP Xicun (for power consumption at the project site).	As in item 11 above	0.02
CSG-DPB supplies electricity to CLP Xicun (for power consumption at the project site including auxiliary power and power supply during outage and overhaul).	As in item 11 above	0.56
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.	0.07
		137.46
CLP Xundian sells electricity to CSG-YPG.	As in item 17 above	79.06
CSG-KPB supplies electricity via a 110kV line to CLP Xundian (for start up purposes).	As in item 11 above	0.11
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.	–
CSG Yunnan ETTE provides regular inspection and maintenance services to CLP Xundian for the 110kV transmission line of the project.	The payment under this agreement comprises a fixed fee of RMB80,094 (HK$93,299) and a contingency fee calculated at approximately RMB28,302 (HK$32,968).	0.10
		79.27

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group
The Sandu wind project			
25.	Sandu I Wind Project Electricity Supply Contract (220kV) Agreement entered into on 8 December 2015 for a three year period 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)
26.	Sandu I Wind Project Interim PPA New agreement entered into on 31 March 2016 with the term commencing from 31 March 2016 until the signing of a formal PPA which is expected to be around September 2017.	CLP Sandu	Guizhou Power Grid Company Limited, a subsidiary of CSG (CSG Guizhou)
	Aggregated total consideration for the Sandu wind project *(Project level cap for 2016 was HK$107.88 million)*[4]		

Notes:

1 The 2016 consideration of Fangchenggang Coal-fired Project PPA set out in the table was the actual transaction value of the agreement as a CCT and this excludes the 2016 sales revenue from the direct sales arrangements for this project, which was approximately HK$373.20 million. The direct sales arrangements for the Fangchenggang coal-fired project commenced in 2016 and do not constitute CCTs for the Company as CSG Guangxi and CLP-FCG do not assume commercial roles with respect to each other under these arrangements (please refer to the Company's announcement dated 29 April 2016 for further details).

2 The agreement replaced the previous agreement which was known as Xicun Solar Project Electricity Supply Contract (110kV) that was entered into on 27 January 2015 for the period from 15 December 2014 to 14 December 2017 and was disclosed in the Company's announcement dated 4 January 2016.

3 In connection with the Xundian Wind Project Electricity Supply Contract (ESC), an electricity charging and payment agreement was entered into on 26 October 2016 between CLP Xundian and CSG-KPB for the implementation of pre-payment arrangement which will have no effect on the ultimate transaction value of the ESC.

4 Prior to the entering into of Sandu I Wind Project Interim PPA, the project level cap of the Sandu wind project for 2016 was HK$0.19 million as disclosed in the Company's announcement dated 4 January 2016. The project level cap of the Sandu wind project for 2016 was then increased to HK$107.88 million due to the entering into of the Sandu I Wind Project Interim PPA on 31 March 2016 with an estimated annual cap of HK$107.69 million. The relevant disclosure had been made in the Company's announcement dated 29 April 2016.

	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2016 HK$M
	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.	0.27
	A temporary arrangement for the sale of electricity by CLP Sandu to CSG Guizhou until the signing of a formal PPA.	Payment is based on the number of GWh sold multiplied by a state pre-determined tariff, determined by the NDRC. The tariff is published in the NDRC Document FaGaiJiaGe [2014] No. 3008 and is updated from time to time.	112.82
			113.09
		Total Consideration for 2016	**1,625.11**

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, pursuant to Rule 14A.56 of the Listing Rules 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 annual 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 29 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 2016, 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 below and explanatory notes on page 157.

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 2016 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	480,672,780	19.02562
Mr William Mocatta	Note 2	400,000	0.01583
Mr J. A. H. Leigh	Note 3	224,349,077	8.88001
Mr Andrew Brandler	Note 4	10,600	0.00042
Dr Y. B. Lee	Note 5	15,806	0.00063
Mrs Fanny Law	Personal	16,800	0.00066
Mr Nicholas C. Allen	Note 6	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 480,672,780 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) 1,300,000 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.

(f) 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 (f) above. The spouse of The Hon Sir Michael Kadoorie was therefore deemed to be interested in 480,672,780 shares in the Company representing approximately 19.03% 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 480,671,537 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 480,671,537 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 J. A. H. Leigh was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 224,349,077 shares in the Company. These shares were held in the following capacity:

(a) 135,000 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.

4 600 shares were held in a personal capacity and 10,000 shares were held in a beneficial owner capacity.

5 600 shares were held in a personal capacity and 15,206 shares were held jointly with spouse.

6 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, Mrs Zia Mody and Mr Geert Peeters have confirmed that they had no interests in the shares of the Company or any of its associated corporations as at 31 December 2016.

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 2016.

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 2016.

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 2016, 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 of the Company as at 31 December 2016:

Substantial Shareholders (Note 8)	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 7	8.87
Harneys Trustees Limited	Interests of controlled corporations	418,160,706	Note 3	16.55
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	410,524,882	Note 2	16.25
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	480,672,780	Note 5	19.03
Mr J. A. H. Leigh	Notes 6 & 7	224,349,077	Notes 6 & 7	8.88
Mr R. Parsons	Trustee	224,214,077	Note 7	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 is one of the discretionary objects as disclosed in "Interests of Directors and Chief Executive Officer" and in this table.

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.

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 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.

8 As a former Director of the Company, Mr McAulay was deemed to be interested in the shares of the Company which arose by virtue of his discretionary interests in various trusts. Mr McAulay resigned as a Director with effect from 1 October 2016, and accordingly he was no longer deemed to be a substantial shareholder of the Company thereafter.

As at 31 December 2016, the Company had not been notified of any long positions being held by any substantial shareholder in the underlying shares of the Company through equity derivatives such as share options, warrants to subscribe or convertible bonds.

2. **Aggregate short position in the shares and underlying shares of the Company**
   As at 31 December 2016, 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 2016, 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 on page 94 of this Annual Report, while 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 PwC 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, 27 February 2017