


Audit Committee Report

The Audit Committee

The Audit Committee is appointed by CLP Holdings' Board of Directors and has four members, all of whom are Independent Non-executive Directors. The Chairman, Mr. Vernon Moore, Professor Judy Tsui and Mr. Nicholas Allen have appropriate professional qualifications and experience in financial matters and Mr. Hansen C. H. Loh has wide business experience. The CLP Holdings Board has given the Audit Committee written terms of reference prepared by reference to "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants, and updated by reference to the Hong Kong Stock Exchange's "Code on Corporate Governance Practices" (the Stock Exchange Code). Full details of its terms of reference are set out in the CLP Code on Corporate Governance and published on the CLP website. 

The primary responsibilities of the Audit Committee are to

- assure that adequate internal controls are in place and followed;
- assure that appropriate accounting principles and reporting practices are followed;
- satisfy itself as to the adequacy of the scope and direction of external and internal auditing; and
- satisfy itself that good accounting, audit and compliance principles, internal controls and ethical practices are applied on a consistent basis throughout the CLP Group.

The Committee meets four times per annum so that full attention can be given to the matters submitted. Special meetings may be called by the Chairman or at the request of the CEO or Director – Group Internal Audit to review significant control or financial issues. The Committee is accountable to the Board and the minutes of all meetings are circulated to the Board. The Audit Committee Chairman gives an annual report to the Board covering the Committee's activities for the year, highlighting any significant issues.

Summary of Work Done

Between 1 January 2009 and 25 February 2010 (the date of this Report), the Audit Committee discharged its responsibilities in its review of the half-yearly and annual results and system of internal control and its other duties as set out in the CLP Code on Corporate Governance. The Committee reviewed the Financial Statements for the year ended 31 December 2009, including the CLP Group's adopted accounting principles and practices, in conjunction with the internal and external auditors. The Committee also reviewed the compliance by the Company with the Stock Exchange Code throughout the year ended 31 December 2009. Individual attendance of members at the four meetings held in 2009 is set out in the Corporate Governance Report on page 97. The work performed by the Committee in 2009 included reviews of

- the 2008 Annual Report including the Corporate Governance Report, the Directors' Report and Financial Statements for the year ended 31 December 2008 and the annual results announcement, with a recommendation to the Board for approval;
- the 2009 Interim Report including the CLP Group Interim Financial Statements for the six months ended 30 June 2009 and the interim results announcement, with a recommendation to the Board for approval;
- compliance by the Company with the Stock Exchange Code throughout the year ended 31 December 2008 and throughout the six months ended 30 June 2009. CLP complies with all the Code Provisions, with one deviation from Recommended Best Practices, which is explained on page 94 of this Annual Report*;
- the Company's compliance with the Listing Rules, Companies Ordinance and Securities and Futures Ordinance throughout the year ended 31 December 2008. No breaches were identified*;
- the actions taken by management regarding legal cases in which CLP Holdings or any member of the CLP Group was a named defendant. None of these cases was material*;
- a General Representation Letter signed jointly by the CEO and the CFO regarding compliance with internal control systems, disciplines and procedures for the year ended 31 December 2008*;
- the report and management letter submitted by external auditors, which summarised matters arising from their audit on the CLP Group for the year ended 31 December 2008, such as in respect of auditing and accounting matters, taxation issues and internal controls, together with the manner in which they had been addressed*;
- the audit fees payable to external auditors for the year ended 31 December 2008 for approval by the Board, with a

recommendation to the Board for their reappointment for the financial year 2009, subject to final approval by shareholders* (which was given on 28 April 2009);

- the audit strategy submitted by external auditors, PricewaterhouseCoopers (PwC) for the year ended 31 December 2009;
- the proposed engagement of external auditors in respect of audit-related and permissible non-audit services*;
- 27 reports on the CLP Group's affairs submitted by Group Internal Audit during 2008. Of these, three carried an unsatisfactory audit opinion. The issues arising from these audits have been addressed;
- the staffing and resources of the Group's Internal Audit department;
- the Group internal audit review of 2008 and audit plan for 2009 with areas of emphasis identified;
- Group internal audit policies and procedures;
- internal control review approach for 2009. The Audit Committee has requested and is satisfied with management's assurance that the system of internal control is retained at the level achieved to comply with the substance of the Sarbanes-Oxley Act, even after CLP's deregistration from the U.S. Securities and Exchange Commission reporting requirements;
- Code of Conduct issues identified in 2009. None of the 8 breaches of the Code involved senior managers or was material to the Group's financial statements or overall operations; and
- management development and succession planning for key finance, accounting and internal audit positions within the CLP Group.

At its meeting on 18 February 2010, the Audit Committee reviewed this Annual Report, including the Corporate Governance Report, the Directors' Report and Financial Statements for the year ended 31 December 2009 and the annual results announcement with a recommendation to the Board for approval. The Committee was advised that 2 out of 23 reports on the Group's affairs submitted by Group Internal Audit during 2009 carried an unsatisfactory audit opinion, and the issues arising from these audits are being addressed by management. The Committee reviewed changes in accounting policies arising from revised financial reporting standards, the internal audit review for 2009 and audit plan for 2010, the staffing and resources of the Group Internal Audit department, and the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function. Other work performed by the Committee at that meeting included that marked "*" in the above list, save that in each case the work related to the year ended 31 December 2009.

Internal Control

Based on the information received from management, external auditors and Group Internal Audit, the Committee believes that overall financial and operating controls for the Group during 2009 continue to be effective and adequate. Significant issues which have been raised by external or internal auditors during 2009 have been or are being satisfactorily addressed by management. Further information about the control standards, checks and balances and control processes are set out in the Corporate Governance Report on pages 103 to 105. The Audit Committee confirms that it is discharging its responsibilities in accordance with the requirements of the CLP Code on Corporate Governance and is satisfied that the Group has complied with all the Code Provisions of the Stock Exchange Code with respect to internal controls.

External Auditors

PwC were reappointed independent auditors of the Company at the 2009 Annual General Meeting. PwC audit all companies in the CLP Group which require statutory audit opinions. Having reviewed PwC's performance during 2009 and satisfied itself of their continuing independence and objectivity within the context of applicable regulatory requirements and professional standards, the Committee has recommended to the Board the reappointment of PwC as independent auditors at the forthcoming Annual General Meeting. A resolution to that effect has been included in the Notice of Annual General Meeting.



Vernon Moore

Chairman, Audit Committee
Hong Kong, 25 February 2010

Remuneration Report

1. Introduction

On behalf of the Board, the Human Resources & Remuneration Committee closely 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 Remuneration Report has been reviewed and endorsed by the Committee.

The contents of sections 4, 5, 6 and 8, highlighted below in green, comprise the “auditable” part of the Remuneration Report and have been audited by the Company’s Auditors.

2. 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 on Corporate Governance (CLP Code).

- No individual should determine his or her own remuneration;
- Remuneration should be broadly aligned with companies with whom CLP competes for human resources; and
- Remuneration should reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performing individuals and promoting the enhancement of the value of the Company to its shareholders.


3. 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 Company employees.

We have taken into account the Report of the Committee on the Financial Aspects of Corporate Governance of December 1992 (The Cadbury Report) which noted that the calibre of non-executive directors was especially important in setting and maintaining standards of corporate governance. The “Review of the Role and Effectiveness of Non-executive Directors” (The Higgs Report) of January 2003 concluded that “the level of remuneration appropriate for any particular non-executive director should reflect the likely workload, the scale and complexity of the business and the responsibility involved” and that “it may be helpful in assessing remuneration for non-executive directors to use as a benchmark the daily remuneration of a senior representative of the company’s professional advisors”. In Hong Kong, the Code on Corporate Governance Practices (Appendix 14 to the Listing Rules) includes the principle that an issuer should disclose information relating to its directors’ remuneration policy and that there should be a formal and transparent procedure for fixing the remuneration packages of all directors. The Listing Rules note that an independent non-executive director must not be financially dependent on the issuer.

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 previously reviewed at the beginning of 2004 and 2007 (the 2004 and 2007 Reviews). Accordingly, a new review was undertaken at the beginning of 2010 (the 2010 Review). The methodology adopted in the 2010 Review was the same as that used in the 2004 and 2007 Reviews and as explained to shareholders in the CLP Code. The methodology is aligned with the recommendations of the Higgs Report and includes

- the application of an average of the hourly rates at partner level charged by legal and financial advisors and accounting and consulting firms in providing professional services to CLP. Based on this, the average hourly rate at partner level has been increased from HK\$4,000 to HK\$4,500. It should be noted that the original hourly rate of HK\$4,000 has remained unchanged since its first application to the calculation of Non-executive Directors’ fees in 2004;
- the calculation of the time spent by Non-executive Directors on CLP’s affairs (including attendance at Board and Board Committee meetings, reading papers, etc.). The 2010 Review revealed a significant increase between 2007 and 2009 in the time spent by Non-executive Directors in performing their duties on the Board and on Board Committees; 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).

The resulting fees were then benchmarked against those paid by leading listed companies in Hong Kong and major utility companies listed on the London Stock Exchange. The methodology and resulting fees were independently reviewed by Stephenson Harwood (SH), Solicitors. Further to CLP's commitment to the adoption of a transparent methodology for determining Non-executive Directors' remuneration, the 2010 Review and the opinion of SH on that Review are placed on CLP's website. 

In line with our policy that no individual should determine his or her own remuneration, the levels of fees set out in the table below were proposed by Management, reviewed by SH and will be put for approval by our shareholders at the Annual General Meeting on 27 April 2010. In this respect, CLP's approach goes beyond that required by law or regulation in Hong Kong or the provisions of the Hong Kong Stock Exchange's Code on Corporate Governance Practices.

	Proposed fees per annum (w.e.f. 28 April 2010) HK\$	Current Fees per annum HK\$
Board		
Chairman	560,000	430,000
Vice Chairman	440,000	340,000
Non-executive Director	400,000	310,000
Nomination Committee*		
Chairman	14,000	14,000
Member	10,000	10,000
Audit Committee		
Chairman	315,000	220,000
Member	225,000	160,000
Finance & General Committee		
Chairman	390,000	215,000
Member	280,000	155,000
Human Resources & Remuneration Committee		
Chairman	45,000	40,000
Member	35,000	30,000
Provident & Retirement Fund Committee*		
Chairman	14,000	14,000
Member	10,000	10,000
Sustainability Committee		
Chairman	75,000	45,000
Member	55,000	35,000

* A nominal fee has been maintained for the Chairman and Member of the Nomination Committee and the Provident & Retirement Fund Committee.

Note : Executive Directors and Management serving on the Board and Board Committees are not entitled to any Directors' fees.

The proposed fees represent a substantial percentage increase on those paid between 2007 and 2010. This is in line with a measurable and major increase in the workload shouldered by our Non-executive Directors (reflecting the growth in CLP's business and increased regulatory requirements). The methodology applied in determining those fees is unchanged from that used in 2007 and publicly disclosed. We have also applied the methodology in a conservative manner.

In particular, we have neither assumed nor taken into account

- any increase in Directors' workload over the coming years to 2013 (despite the rising trend of past years);
- any increase in the hourly rates of professional advisors in the coming years (again, despite the rising trend of past years); and
- in benchmarking our own Directors' fees against other companies, any ongoing increase in directors' fees paid by those companies.

4. Non-executive Directors – Remuneration in 2009

The fees paid to each of our Non-executive Directors in 2009 for their service on the CLP Holdings Board and, where applicable, on its Board Committees are set out below.

Higher levels of fees were paid to Chairman and Vice Chairman of the Board and Board Committees 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.

				Finance &	Human	Provident &				
		Audit	Nomination	General	Resources &	Retirement				
		Committee	Committee	Committee	Remuneration	Fund	Sustainability	China	Total	Total
In HK\$	Board				Committee	Committee	Committee	Committee ⁽¹⁾	2009	2008
Non-executive Directors										
The Hon. Sir Michael Kadoorie	430,000 ^(C)	–	14,000 ^(C)	–	–	–	–	21,878 ^(C)	465,878	504,000
Mr. William Mocatta ⁽²⁾	340,000 ^(VC)	–	–	215,000 ^(C)	40,000 ^(C)	14,000 ^(C)	–	16,409	625,409	656,473
Mr. R. J. McAulay	310,000	–	–	–	–	–	–	–	310,000	310,000
Mr. J. A. H. Leigh	310,000	–	–	–	–	–	–	–	310,000	310,000
Mr. R. Bischof	310,000	–	–	–	–	10,000	–	–	320,000	320,000
Mr. I. D. Boyce ⁽³⁾	310,000	–	–	27,799	–	–	–	–	337,799	310,000
Mr. Jason Whittle	310,000	–	–	–	–	–	–	–	310,000	470,462
Dr. Y. B. Lee	310,000	–	–	–	–	–	–	16,409	326,409	355,000
Mr. Paul A. Theys	310,000	–	–	–	–	–	–	16,409	326,409	357,473
Mr. J. S. Dickson Leach	–	–	–	–	–	–	–	–	–	101,346
Independent Non-executive Directors										
The Hon. Sir S. Y. Chung ⁽⁴⁾	310,000	–	10,000	–	–	–	–	–	320,000	352,473
Mr. V. F. Moore	310,000	220,000 ^(C)	–	155,000	30,000	–	–	–	715,000	717,473
Mr. Hansen C. H. Loh	310,000	160,000	10,000	–	–	–	–	–	480,000	479,973
Mr. Paul M. L. Kan	310,000	–	–	–	–	–	–	–	310,000	310,000
Professor Judy Tsui	310,000	160,000	–	–	–	–	35,000	16,409	521,409	550,000
Sir Rod Eddington	310,000	–	–	155,000	30,000	–	–	–	495,000	495,000
Mr. Nicholas C. Allen ⁽⁵⁾	197,818	102,099	–	25,693	–	–	8,750	–	334,360	–
Mr. Peter T. C. Lee ⁽⁶⁾	245,978	–	–	–	23,804	–	27,772	–	297,554	345,000
Ms. Marjorie M. T. Yang ⁽⁷⁾	16,271	–	–	–	–	–	–	2,362	18,633	206,758
Dr. William K. Fung	–	–	–	–	–	–	–	–	–	88,750
Total									6,823,860	7,240,181

Notes:

- (1) The China Committee was abolished on 13 May 2009, and all significant matters relating to China are considered by the full Board.
- (2) Mr. William Mocatta also received HK\$281,696 as fees for his service on the boards of CLP Power Hong Kong Limited, Castle Peak Power Company Limited and Hong Kong Pumped Storage Development Company, Limited. In 2008, he received HK\$226,304 as fees for his service on the boards of these companies and Hong Kong Nuclear Investment Company Limited.
- (3) Mr. I. D. Boyce was appointed a member of the Finance & General Committee on 27 October 2009.
- (4) The Hon. Sir S. Y. Chung resigned as a member of the Human Resources & Remuneration Committee on 1 January 2009.
- (5) Mr. Nicholas C. Allen was appointed an Independent Non-executive Director and a member of the Audit Committee on 12 May 2009. He was also appointed a member of the Sustainability Committee, member of the Finance & General Committee and member of the Human Resources & Remuneration Committee on 1 October 2009, 1 November 2009 and 1 February 2010 respectively.
- (6) The late Mr. Peter T. C. Lee died on 17 October 2009. At the time of his death he was an Independent Non-executive Director and member of the Human Resources & Remuneration and the Sustainability Committees.
- (7) Ms. Marjorie M. T. Yang resigned as a Director on 20 January 2009.


5. Executive Directors – Remuneration in 2009

The remuneration paid to the Executive Directors of the Company in 2009 was as follows:

	Performance Bonus (Note A)				Total HK\$M
	Base Compensation, Allowances & Benefits HK\$M	Annual Incentive HK\$M	Long-term Incentive HK\$M	Provident Fund Contribution HK\$M	
2009					
CEO (Mr. Andrew Brandler)	6.8	5.8	2.2	0.8	15.6
Group Executive Director (Mr. Peter P. W. Tse) (Note B)	4.6	3.3	1.4	0.6	9.9
Group Executive Director – Strategy (Mr. Peter W. Greenwood)	5.1	3.8	–	0.6	9.5
	16.5	12.9	3.6	2.0	35.0
2008					
CEO	6.8	6.6	1.6	0.8	15.8
Group Executive Director & CFO (Mr. Peter P. W. Tse)	4.5	3.8	1.3	0.5	10.1
Group Executive Director – Strategy	5.0	4.7	–	0.6	10.3
	16.3	15.1	2.9	1.9	36.2

Note A:

Performance bonus consists of (a): annual incentive and (b): long-term incentive.

- (a) The annual incentive for the Executive Directors and the members of Senior Management for 2009 was reviewed and approved by the Human Resources & Remuneration Committee after 31 December 2009. Accordingly, the total amount of annual incentive includes: i) the accruals that have been made in the performance bonus for the Executive Directors and members of Senior Management at the target level of performance; and ii) the actual bonus paid in 2009 for the last year in excess of the previous accruals made.
- (b) The long-term incentive (LTI) is the incentive for 2006, paid in 2009 when the vesting conditions had been satisfied (the comparative figures are the incentive for 2005 paid in 2008). About 24% of the amount of 2006 long-term incentive payments results from the appreciation of CLP Holdings' share price between 2006 and 2008, with dividends reinvested.
- (c) Payment of the annual incentive and granting of the LTI awards relating to 2009 performance will be made in March 2010. These payments and awards are subject to the prior approval of the Human Resources & Remuneration Committee. Details of these will be published on the CLP Group website at the time that the 2009 Annual Report is published. 

Note B:

Mr. Peter P. W. Tse, formerly Group Executive Director & Chief Financial Officer, was succeeded as Chief Financial Officer by Mr. Mark Takahashi on 1 June 2009, a member of the Senior Management of the Company.

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.

6. Total Directors' Remuneration in 2009

The total remuneration of Non-executive and Executive Directors in 2009 was:

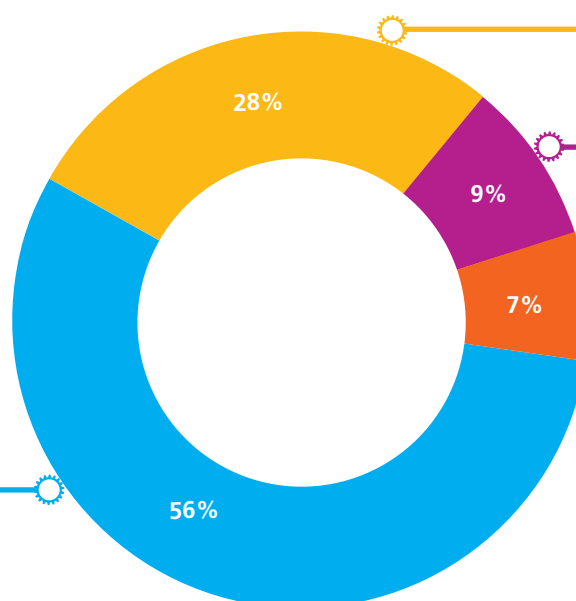
	2009 HK\$M	2008 HK\$M
Fees	7	7
Base compensation, allowances and benefits in kind	16	16
Performance bonus*		
– Annual incentive	13	15
– Long-term incentive	4	3
Provident fund contributions	2	2
	42	43

* Refer to Note A on performance bonus on page 121.

Of the total remuneration paid to Directors, HK\$2 million (2008: HK\$3 million) has been charged to the SoC operation.

7. Senior Management – Principles of Remuneration

For the purposes of this Section, Senior Management means the managers whose details are set out on page 90. In determining the remuneration of members of Senior Management, the remuneration data of comparable positions in the market, including local and regional companies of comparable size, complexity and business scope, are referenced. This is consistent with our remuneration policy to align with companies with whom CLP competes for human resources. Achievement of performance plays a significant part in individual rewards as part of our policy to attract, motivate and retain high performing individuals. The remuneration policies applied to Senior Management, including the levels of performance bonus, are subject to the approval of the Human Resources & Remuneration Committee. No members of Senior Management serve on the Committee. The four components of remuneration of members of Senior Management are explained below, including the proportion of total remuneration which each component represented in both 2008 and 2009.



Base Compensation

Base Compensation is reviewed annually taking into consideration the competitive market position, market practice and the individual performance of members of Senior Management.

Annual Incentive

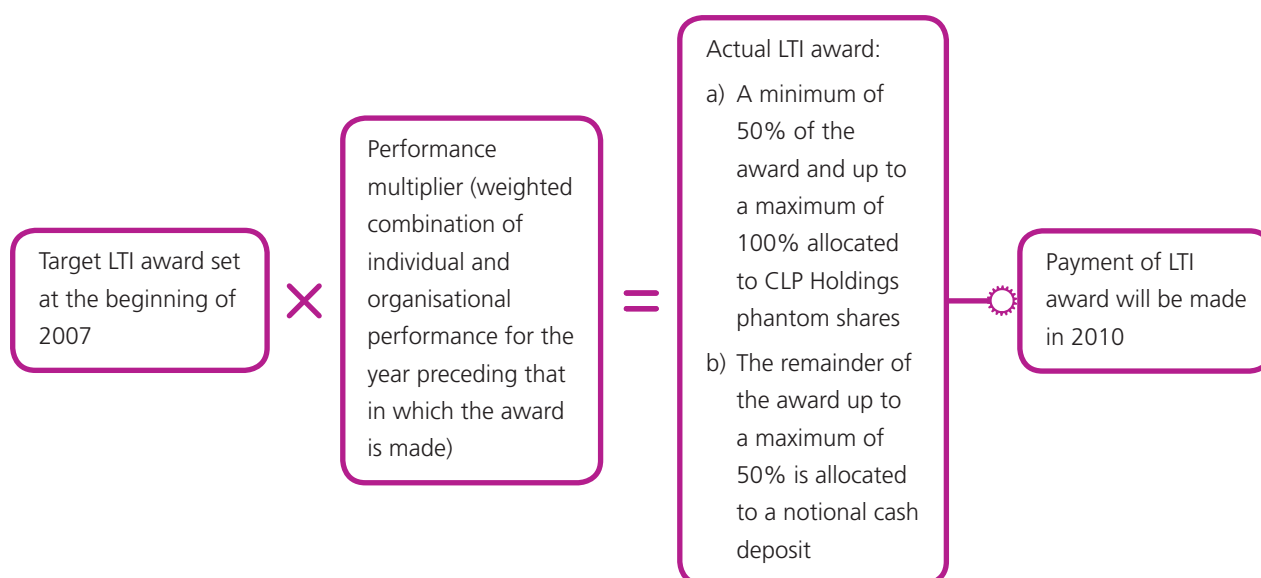
The annual incentive payout depends upon the performance of the CLP Group and the individuals concerned. Key measures include achievement of financial goals and operational performance targets, and individual objectives such as the demonstration of key leadership competencies.

Each of the Senior Management members is assigned a "target" annual incentive, which accounts for 28% of his/her total remuneration. Only individuals who attain at least a satisfactory performance rating are awarded any annual incentive. The amount of annual incentive is capped at twice the "target" annual incentive, with the actual amount being determined by organisational and individual performance.

A payout was made in 2009, based on an assessment of the 2008 performance of the Group and the individuals concerned. The average payout to this group in 2009 was 64% above the target level based on the above target achievement of financial goals, operational performance targets and individual objectives for 2008.

Long-term Incentive

The Long-term Incentive (LTI) Plan is designed to strengthen the linkage to organisational and individual performance and enhance its effectiveness as a retention plan. The following diagram illustrates the composition of the LTI award:



Consequently, the final value of the award, at the vesting date, is based on the initial choices made and the subsequent impact of changes in share price, dividend reinvestment, exchange rate movements, and interest earned during the three years.

Pension Arrangements

The members of the Senior Management are eligible to join the defined contribution section of the Group's retirement fund. The Group's contribution to the retirement fund amounts to a maximum of 12.5% of base compensation, subject to a 5% contribution by the employee. This accounts for 7% of his/her target total remuneration.

8. Senior Management – Remuneration in 2009

Senior Management comprises the Executive Directors and managers listed below. Details of their remuneration (excluding Executive Directors) are set out in the table below.

	Performance Bonus*					Total HK\$M
	Base Compensation, Allowances & Benefits HK\$M	Annual Incentive HK\$M	Long-term Incentive HK\$M	Provident Fund Contribution HK\$M	Other Payments HK\$M	
2009						
Chief Executive Officer – OneEnergy Limited (Mr. Mark Takahashi) ^(a)	1.4	1.9	0.8	0.2	–	4.3
Group Director & Chief Financial Officer (Mr. Mark Takahashi) ^(a)	2.3	1.2	–	0.3	–	3.8
Group Director – Managing Director Hong Kong (Mrs. Betty Yuen) ^(b)	4.6	4.5	1.6	0.6	–	11.3 [‡]
Group Director – Managing Director Australia (Mr. Richard McIndoe)	4.8	4.5	1.9	0.6	9.0 ^(c)	20.8
Group Director – Operations (Mr. Peter Littlewood)	3.5	2.8	1.1	0.4	–	7.8
Managing Director – India (Mr. Rajiv Mishra)	3.0	1.7	0.4	0.4	–	5.5
Managing Director – China (Dr. Ko Yu Ming)	2.6	1.8	0.5	0.3	–	5.2
Managing Director – Southeast Asia (Mr. Mark Jobling) ^(d)	1.6	0.8	–	0.2	–	2.6
Group Director – Corporate Finance and Development (Mr. Stefan Robertsson)	2.7	1.9	0.7	0.3	–	5.6
Group Director – Carbon Ventures (Mr. Giuseppe Jacobelli)	2.7	1.8	–	0.3	–	4.8
	<u>29.2</u>	<u>22.9</u>	<u>7.0</u>	<u>3.6</u>	<u>9.0</u>	<u>71.7</u>
2008						
Group Director – Managing Director Hong Kong (Mrs. Betty Yuen)	4.7	4.6	1.3	0.6	–	11.2 [‡]
Group Director – Managing Director Australia	4.7	4.6	1.2	0.6	8.2 ^(c)	19.3
Group Director – Operations	3.4	3.2	0.7	0.4	–	7.7
Chief Executive Officer – OneEnergy Limited (Mr. Mark Takahashi)	3.3	3.0	0.7	0.4	–	7.4
Managing Director – India	2.8	2.2	–	0.3	–	5.3
Managing Director – China (Mr. Shen Zhongmin) (resigned on 31 August 2008)	2.0	1.1	–	0.2	2.8 ^(e)	6.1
Managing Director – China (Dr. Ko Yu Ming) ^(f)	0.8	0.4	–	0.1	–	1.3
Group Director – Corporate Finance and Development	2.6	2.2	0.6	0.3	–	5.7
Group Director – Carbon Ventures	1.4	0.7	–	0.2	0.8 ^(g)	3.1
	<u>25.7</u>	<u>22.0</u>	<u>4.5</u>	<u>3.1</u>	<u>11.8</u>	<u>67.1</u>

Notes:

(a) Mr. Mark Takahashi was the Chief Executive Officer of OneEnergy Limited up to 31 May 2009. He became Group Director & Chief Financial Officer on 1 June 2009.

(b) Mrs. Betty Yuen was appointed as the Vice Chairman of CLP Power Hong Kong Ltd. on 4 January 2010. Mr. Richard Lancaster was appointed as Group Director – Managing Director Hong Kong on 4 January 2010.

- (c) Payment for tax equalisation, housing allowance and children's education allowances, if any, for secondment to offices outside Hong Kong. Out of this payment, HK\$7.7 million (86%) (2008: HK\$7.3 million (89%)) was the tax payment to the tax authority of the country where the executive was based during secondment.
- (d) Mr. Mark Jobling became Managing Director – Southeast Asia on 1 June 2009, and the remuneration covered the period from that date to 31 December 2009.
- (e) Payment for tax equalisation, housing allowance and children's education allowances, if any, for secondment to offices outside Hong Kong. Out of this payment, HK\$2.5 million (89%) was the tax payment to the tax authority of the country where the executive was based during secondment.
- (f) Dr. Ko Yu Ming became Managing Director – China on 31 August 2008, and the remuneration covered the period from that date to 31 December 2008.
- (g) A lump sum payment to Mr. Giuseppe Jacobelli upon his joining the Group as Group Director – Carbon Ventures effective from 16 June 2008.

* Refer to Note A on performance bonus on page 121.

The total of this remuneration has been charged to the SoC operation.

The five highest paid individuals in the Group included three Directors (2008: two Directors), two members of Senior Management (2008: two members and a former senior executive of the CLP Group). The total remuneration of the five highest paid individuals in the Group is shown below:

	2009 HK\$M	2008 HK\$M
Base compensation, allowances and benefits in kind	26	25
Performance bonus *		
– Annual incentive	22	24
– Long-term incentive	7	4
Provident fund contributions	3	3
Final payment #	–	5
Other payments **	9	8
	67	69

* Refer to Note A on performance bonus on page 121.

Included payment in lieu of notice, ex-gratia payment and compensation for loss of office paid to a former senior executive upon leaving. Such payments are not part of the remuneration arrangement of the Group, but may be payable, where appropriate, upon approval by the Chairman of the Human Resources & Remuneration Committee.

** Refer to Note (c) above on other payments.

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

	Number of Individuals			Number of Individuals	
	2009	2008		2009	2008
HK\$ 9,000,001 – HK\$ 9,500,000	1	–	HK\$ 9,500,001 – HK\$10,000,000	1	–
HK\$10,000,001 – HK\$10,500,000	–	1	HK\$11,000,001 – HK\$11,500,000	1	1
HK\$12,000,001 – HK\$12,500,000	–	1	HK\$15,500,001 – HK\$16,000,000	1	1
HK\$19,000,001 – HK\$19,500,000	–	1	HK\$20,500,001 – HK\$21,000,000	1	–

9. Continued Scrutiny and Disclosure

The Human Resources & Remuneration Committee 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.



William Mocatta

Chairman

Human Resources & Remuneration Committee

Hong Kong, 25 February 2010

The Directors have pleasure in submitting their Report together with the audited Financial Statements for the year ended 31 December 2009.

Principal Activities

The principal activity of the Company is investment holding and those of the subsidiaries are the generation and supply of electricity. The Company's principal subsidiary companies are listed under Note 14 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 jointly controlled entities and associated companies. Details of the jointly controlled entities and associated companies are provided under Notes 15 and 16 to the Financial Statements.

Earnings and Final Dividend

	2009 HK\$M	2008 HK\$M
Total earnings for the year	8,196	10,423
Less: Interim dividends of HK\$1.56 (2008 : HK\$1.56) per share paid	(3,753)	(3,757)
Balance after interim dividends	4,443	6,666
The Directors recommend that this balance be dealt with as follows:		
Final dividend of HK\$0.92 (2008: HK\$0.92) per share	2,214	2,214
Retained profits for the year	2,229	4,452
	4,443	6,666

Subject to approval of the Directors' recommendation by shareholders at the Annual General Meeting (AGM) to be held on 27 April 2010, the final dividend will be paid on 28 April 2010.

Performance

A discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided on pages 58 to 79 of this Annual 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\$28,158 million as at 31 December 2009 (2008: HK\$21,421 million). Movements in the reserves of the Group and the Company during the year are set out in the Statement of Changes in Equity on pages 139 and 140 of this Annual Report.

Fixed Assets

Additions to the fixed assets of the Group for the year totalled HK\$9,616 million, comprising HK\$8,012 million in owned assets (transmission and distribution equipment, land and buildings) and HK\$1,604 million in leased assets. In 2008, a total addition of HK\$7,644 million was recorded, made up of HK\$6,526 million for owned assets and HK\$1,118 million for leased assets. Additions to the fixed assets of Castle Peak Power Company Limited totalled HK\$1,590 million for the year. Details of movements in the fixed assets of the Group are shown under Note 12 to the Financial Statements.

Bank Loans and Other Borrowings

The total borrowings of the Group as at 31 December 2009 amounted to HK\$39,431 million (2008: HK\$26,696 million). Particulars of borrowings are set out in Note 23 to the Financial Statements.

Financial Assistance and Guarantees to Affiliated Companies

The financial assistance given to affiliated companies and the guarantees given for facilities granted to affiliated companies aggregated to 5.1% of the Group's total assets as at 31 December 2009.


Finance Costs Capitalised

Finance costs amounting to HK\$318 million (2008: HK\$380 million) were capitalised by the Group during the year as set out in Note 7 to the Financial Statements.

Donations

Donations by the Group for charitable and other purposes amounted to HK\$3,843,000 (2008: HK\$7,507,000).

Five-year Summary

A summary of the results for the year and of the assets and liabilities of the Group as at 31 December 2009 and for the previous four financial years are on pages 204 and 205 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 90 of this Annual Report. Details of their remuneration are set out in the Remuneration Report at page 118 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 67.37% of the Group's total purchases during the year. The five largest suppliers are set out below in descending order:

1. 34.64% from Castle Peak Power Company Limited (CAPCO) of which Mr. Neo Kim Teck, Mr. William Mocatta and Mr. Andrew Brandler are directors. CAPCO is 40% owned by CLP Power Hong Kong Limited (CLP Power Hong Kong) and supplies electricity to CLP Power Hong Kong only. CLP Power Hong Kong is a wholly-owned subsidiary of the Company.
2. 15.11% from Australian Energy Market Operator (AEMO)/National Electricity Market Management Company Limited (NEMMCO) in which the Group has no interest. NEMMCO ceased operations with effect from 1 July 2009 and all of its roles and responsibilities have been transitioned to AEMO. AEMO/NEMMCO is the administrator and operator of the Australian energy market, from whom electricity is bought to supply TRUenergy group customers and to whom electricity is sold from TRUenergy group generators.
3. 9.00% from Guangdong Nuclear Investment Company, Limited (GNIC) in which the Group has no interest.
4. 5.00% from Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) of which Mr. Peter P. W. Tse is a director. GNPJVC is 25% and 75% owned by the Group and GNIC respectively and supplies electricity to the Group.
5. 3.62% from SPI Electricity Pty Ltd. (SPI) in which the Group has no interest. TRUenergy pays the transmission and distribution charges to SPI which owns and operates the electricity distribution network that provides services to customers located in the eastern half of Victoria.

As at 31 December 2009, Bermuda Trust Company Limited, Bermuda Trust (Cayman) Limited, Guardian Limited, Harneys Trustees Limited (formerly known as HWR Trustees Limited), Lawrencium Holdings Limited, Lawrencium Mikado Holdings Limited, The Magna Foundation, Mikado Investments (PTC) Limited (formerly known as Mikado Investments Limited), The Mikado Private Trust Company Limited, Muriel, Lady Kadoorie, New Mikado Holding Inc. (formerly known as Mikado Holding Inc.), Oak CLP Limited, Oak (Unit Trust) Holdings Limited, The Hon. Sir Michael Kadoorie, Lady Kadoorie, Mr. R. J. McAulay, Mr. J. A. H. Leigh and Mr. R. Parsons who are substantial shareholders of the Company, had indirect interests in CAPCO and GNPJVC, which interests arose from the Company's interests in CAPCO and GNPJVC.

Directors

With the exception of Mr. Nicholas C. Allen, the Directors of the Company, whose names appear on pages 88 and 89 of this Annual Report, were Directors for the whole year. 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 Remuneration Report at page 118 of this Annual Report.

Directors' Report

Mr. Nicholas C. Allen was appointed an Independent Non-executive Director effective from 12 May 2009. Ms. Marjorie M. T. Yang resigned as an Independent Non-executive Director on 20 January 2009. The late Mr. Peter T. C. Lee, an Independent Non-executive Director of the Company, passed away on 17 October 2009.

Mr. Nicholas C. Allen, being a new Independent Non-executive Director appointed by the Board, retires at the AGM in accordance with Article 109 of the Company's Articles of Association and, being eligible, offers himself for election by shareholders.

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 103 of the Company's Articles of Association, The Hon. Sir Michael Kadoorie and Messrs. V. F. Moore, Hansen C. H. Loh, Peter P. W. Tse, Andrew Brandler and Paul A. Theys retire by rotation and, 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.

No contracts of significance in relation to the Group's business to which the Company or any of its fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

Alternate Directors

The Alternate Directors in office during the year ended 31 December 2009 were as follows:

Mr. J. A. H. Leigh, alternate to Mr. R. Bischof	}	
Mr. I. D. Boyce, alternate to Mr. R. J. McAulay and Mr. William Mocatta	}	(for the year)
Mr. Jason Whittle, alternate to Mr. R. J. McAulay	}	
Mr. Neo Kim Teck, alternate to Mr. Paul A. Theys	}	

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 2009, as recorded in the register required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance, are set out in the table and explanatory notes below:

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

The interests of Directors and Chief Executive Officer in the shares of the Company (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds) as at 31 December 2009 were as follows:

Directors	Capacity	Total Interests in Number of Ordinary Shares of the Company	% of the Issued Share Capital of the Company
The Hon. Sir Michael Kadoorie	Note (a)	457,172,780	19.00023
Mr. William Mocatta	Founder of a discretionary trust	250,000	0.01039
Mr. R. J. McAulay	Note (b)	273,611,649	11.37138
The Hon. Sir S. Y. Chung	Beneficial owner	393,789	0.01637
Mr. J. A. H. Leigh	Note (c)	209,071,077	8.68905
Mr. R. Bischof	Beneficial owner	50,000	0.00208
Mr. Andrew Brandler (Chief Executive Officer)	Note (d)	10,600	0.00044
Mr. Peter P. W. Tse	Note (e)	20,600	0.00086
Dr. Y. B. Lee	Note (f)	15,806	0.00066
Mr. Jason Whittle	Note (g)	83,069,290	3.45238
Mr. Peter W. Greenwood	Beneficial owner	600	0.00002

Notes:

- (a) The Hon. Sir Michael Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 457,172,780 shares in the Company. These shares were held in the following capacity:
- i) 1,243 shares were held by his spouse, Lady Kadoorie in a personal capacity.
 - ii) 70,146,655 shares were ultimately held by discretionary trusts, of which The Hon. Sir Michael Kadoorie is one of the discretionary objects.
 - iii) 237,044,212 shares were ultimately held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the beneficiaries and the founder.
 - iv) 147,980,670 shares were ultimately held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the beneficiaries and the founder.
 - v) 1,000,000 shares were ultimately held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the beneficiaries and the founder.
 - vi) 1,000,000 shares were ultimately held by a discretionary trust, 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 (ii) to (vi) above. The spouse of The Hon. Sir Michael Kadoorie was therefore deemed to be interested in 457,172,780 shares in the Company representing approximately 19.00% 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 457,171,537 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 457,171,537 shares attributed to her for disclosure purposes.
- (b) Mr. R. J. McAulay was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 273,611,649 shares in the Company. These shares were held in the following capacity:
- i) 13,141 shares were held in a personal capacity.
 - ii) 70,146,655 shares were ultimately held by discretionary trusts, of which Mr. R. J. McAulay is one of the discretionary objects.
 - iii) 203,451,853 shares were ultimately held by a discretionary trust, of which Muriel, Lady Kadoorie, mother-in-law of Mr. R. J. McAulay, is the founder and a beneficiary and Mr. R. J. McAulay, his wife and members of his family are discretionary objects.
- (c) Mr. J. A. H. Leigh was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 209,071,077 shares in the Company. These shares were held in the following capacity:
- i) 57,000 shares were held in a beneficial owner capacity.
 - ii) 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.
 - iii) 203,451,853 shares were ultimately held by a discretionary trust. Mr. J. A. H. Leigh was deemed to be interested in such 203,451,853 shares in his capacity as one of the trustees of a trust which was deemed to be interested in such 203,451,853 shares.
- (d) 600 shares were held in a personal capacity and 10,000 shares were held in a beneficial owner capacity.
- (e) 600 shares were held in a personal capacity and 20,000 shares were held in a beneficial owner capacity.
- (f) 600 shares were held in a personal capacity and 15,206 shares were held jointly with spouse.
- (g) Mr. Jason Whittle was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 83,069,290 shares in the Company. These shares were held in the following capacity:
- i) 600 shares were held in a personal capacity.
 - ii) 70,146,655 shares were ultimately held by discretionary trusts, of which Mr. Jason Whittle is one of the discretionary objects.
 - iii) 7,359,811 shares were ultimately held by a discretionary trust, of which Mr. Jason Whittle is one of the discretionary objects.
 - iv) 5,562,224 shares were ultimately held by a discretionary trust, of which Mr. Jason Whittle is one of the discretionary objects.

Messrs. I. D. Boyce, V. F. Moore, Hansen C. H. Loh, Paul M. L. Kan, Paul A. Theys and Nicholas C. Allen, Professor Judy Tsui and Sir Rod Eddington who are Directors of the Company, and Mr. Neo Kim Teck who is an Alternate Director, have each confirmed that they had no interests in the shares of the Company or any of its associated corporations as at 31 December 2009. None of the Directors or the Chief Executive Officer had interests in debentures, under equity derivatives or in underlying shares of the Company and its associated corporations as at 31 December 2009.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

None of the Directors or the Chief Executive Officer had short positions in respect of shares, debentures, under equity derivatives or interests in underlying shares of the Company and its associated corporations as at 31 December 2009.

At no time during the year was the Company, its subsidiaries or its associated companies a party to any arrangement to enable the Directors and the Chief Executive Officer of the Company (including their spouse and children under 18 years of age) to acquire benefits by an acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporations.

Interests of Substantial Shareholders

The interests/short positions of substantial shareholders in the shares and underlying shares of the Company as at 31 December 2009, as recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance, are set out in the table and explanatory notes below:

1. Aggregate long position in the shares and underlying shares of the Company

The Company had been notified of the following substantial shareholders' interests in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds) as at 31 December 2009:

Substantial Shareholders	Capacity	Total Interests in Number of Ordinary Shares of the Company	% of the Issued Share Capital of the Company
Bermuda Trust Company Limited	Trustee / Interests of controlled corporations	518,278,544 Note (a)	21.54
Bermuda Trust (Cayman) Limited	Trustee / Interests of controlled corporations	218,171,475 Note (d)	9.07
Guardian Limited	Beneficiary / Interests of controlled corporations	209,014,077 Note (h)	8.69
Harneys Trustees Limited (formerly known as HWR Trustees Limited)	Interests of controlled corporations	394,660,706 Note (c)	16.40
Lawrencium Holdings Limited	Beneficiary	147,980,670 Note (b)	6.15
Lawrencium Mikado Holdings Limited	Beneficiary	239,044,212 Note (b)	9.93
The Magna Foundation	Beneficiary	239,044,212 Note (b)	9.93
Mikado Investments (PTC) Limited (formerly known as Mikado Investments Limited)	Interest of controlled corporation / Beneficiary of trusts	239,044,212 Note (a)	9.93
The Mikado Private Trust Company Limited	Trustee / Interests of controlled corporations	387,024,882 Note (b)	16.08
Muriel, Lady Kadoorie	Founder and Beneficiary	203,451,853 Note (d)	8.46
New Mikado Holding Inc. (formerly known as Mikado Holding Inc.)	Trustee	239,044,212 Note (a)	9.93
Oak CLP Limited	Beneficiary	196,554,172 Note (d)	8.17
Oak (Unit Trust) Holdings Limited	Trustee	196,554,172 Note (a)	8.17
The Hon. Sir Michael Kadoorie	Note (e)	457,172,780 Note (e)	19.00
Mr. R. J. McAulay	Note (f)	273,611,649 Note (f)	11.37
Mr. J. A. H. Leigh	Notes (g) & (h)	209,071,077 Notes (g) & (h)	8.69
Mr. R. Parsons	Trustee	209,014,077 Note (h)	8.69

Notes:

- Bermuda Trust Company Limited was deemed to be interested in the shares in which New Mikado Holding Inc. (formerly known as Mikado Holding Inc.), Mikado Investments (PTC) Limited (formerly known as Mikado Investments Limited), Oak (Unit Trust) 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 interests of Bermuda Trust Company Limited in the shares of the Company include the shares held by discretionary trusts of which The Hon. Sir Michael Kadoorie and/or Mr. R. J. McAulay are among the discretionary objects as disclosed in "Interests of Directors and Chief Executive Officer".

In addition, the Company was notified by Oak (Unit Trust) Holdings Limited that it was interested in 196,554,172 shares as at 26 August 2003. However, Bermuda Trust Company Limited indicated in its latest disclosure form that as at 8 October 2009, it was interested in, inter alia, 203,451,853 shares through its wholly-owned subsidiary, Oak (Unit Trust) Holdings Limited. Therefore, Oak (Unit Trust) Holdings Limited was interested in the same 203,451,853 shares as at 8 October 2009 but was not itself under a duty to notify the Company of the change under the Securities and Futures Ordinance.
- 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".
- Harneys Trustees Limited (formerly known as HWR 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.
- Bermuda Trust (Cayman) Limited was deemed to be interested in the shares in which Oak CLP Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and/or by virtue of having direct or indirect control over such companies. The interests of Bermuda Trust (Cayman) Limited in the shares of the Company include the shares held by a discretionary trust of which Muriel, Lady Kadoorie is a founder and a beneficiary and of which Mr. R. J. McAulay is one of the discretionary objects as disclosed in "Interests of Directors and Chief Executive Officer".

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

- (e) See Note (a) under "Interests of Directors and Chief Executive Officer".
- (f) See Note (b) under "Interests of Directors and Chief Executive Officer".
- (g) See Note (c) under "Interests of Directors and Chief Executive Officer".
- (h) 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 209,014,077 shares in which Guardian Limited was interested was duplicated within the interests attributed to each of Mr. J. A. H. Leigh and Mr. R. Parsons.

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

As at 31 December 2009, 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 2009, 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.


Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under Note 32 to the Financial Statements. None constitutes a discloseable connected transaction as defined under the Listing Rules.

Connected Transaction

On 1 February 2010, CLP Power China (Jiangbian) Limited, an indirect wholly-owned subsidiary of the Company, entered into a conditional equity interest sale and purchase agreement with Sichuan Basic Power Company Limited to acquire from Sichuan Basic Power Company Limited its 35% equity interest in the registered capital of CLP Sichuan (Jiangbian) Power Company Limited (a then 65% owned indirect subsidiary of the Company) at a cash consideration of RMB63.6 million. In the circumstances, Sichuan Basic Power Company Limited is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules. After completion of the acquisition, CLP Sichuan (Jiangbian) Power Company Limited will become a wholly-owned subsidiary of CLP Power China (Jiangbian) Limited who will then assume the obligation of Sichuan Basic Power Company Limited to pay the unpaid registered capital of RMB123.62 million in CLP Sichuan (Jiangbian) Power Company Limited. This acquisition will be reflected in the Financial Statements for the year ending 31 December 2010. Details of the acquisition can be found in the announcement of this connected transaction made by the Company and published on the websites of the Company and the Stock Exchange of Hong Kong. 

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report at page 91 of this Annual Report, whilst our Sustainability Report describes the Company's actions and initiatives in line with our commitment to the principle of sustainable development. 

Auditors

The Financial Statements for the year have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for reappointment at the AGM of the Company.

By Order of the Board



William Mocatta

Vice Chairman

Hong Kong, 25 February 2010