Risk Management Report

We are committed to continually improving our risk management capabilities and frameworks across the Group so as to ensure the long-term growth and sustainability of our business.

Risk is inherent in CLP's business. The challenge is to identify risks and then manage these so that their likelihood and impact can be minimised, avoided or understood. This demands a proactive approach to risk management and an effective and robust group-wide risk management framework.

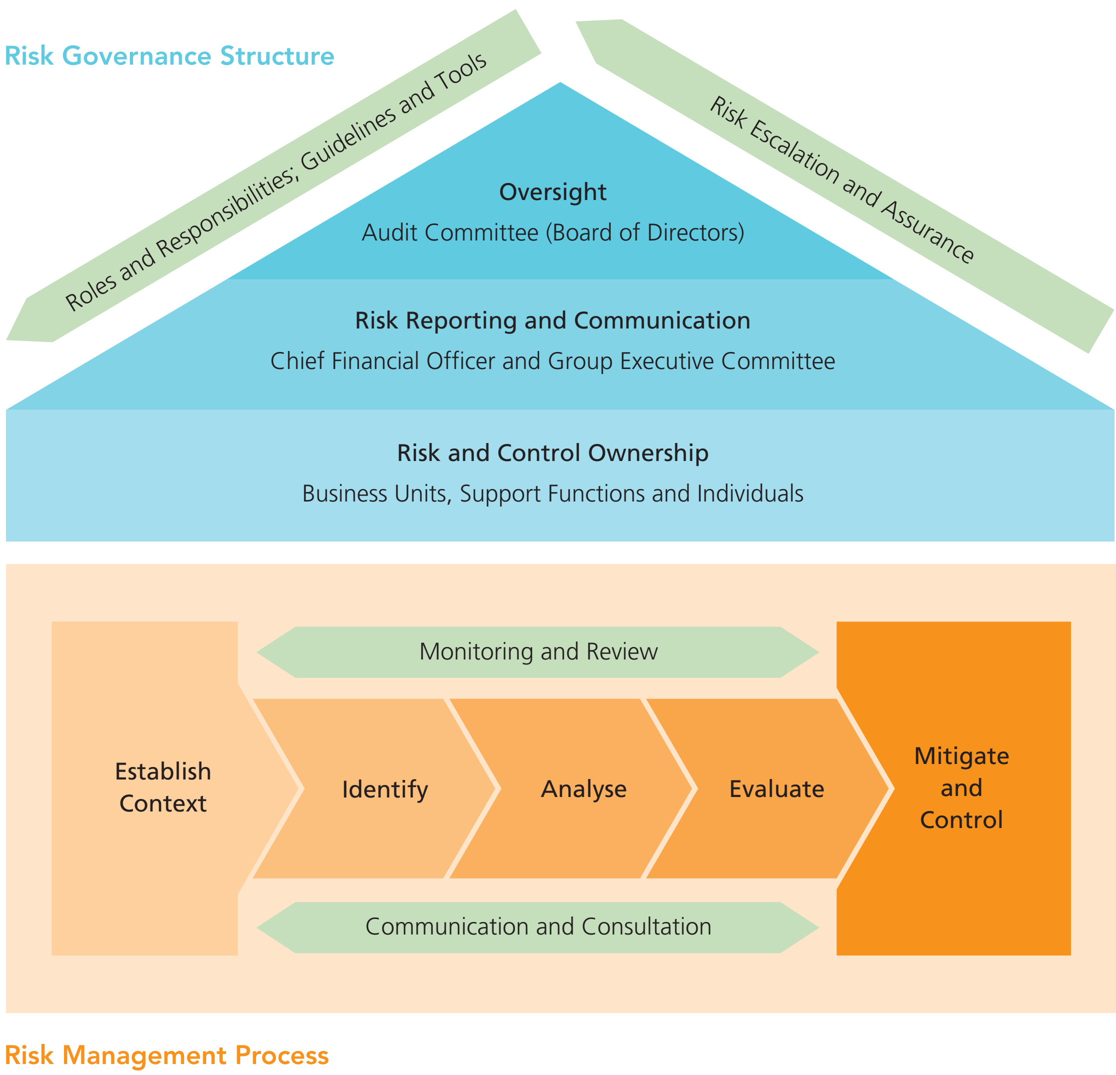
Our overall risk management process is overseen by our Board as an element of solid corporate governance. However, risk management is the responsibility of everyone within CLP. It is embedded in our strategy development, business planning, investment decisions, capital allocation and day-to-day operations.

At an operational level, we aim to identify, analyse, evaluate and mitigate operational hazards and risks in order to create a safe, healthy, efficient and environmentally-friendly workplace for our employees and contractors.

At a corporate level, we focus on the assessment of material risks at the Group, business and functional levels in order to better equip ourselves to pursue the Group's strategic and business objectives.

Our Risk Management Framework

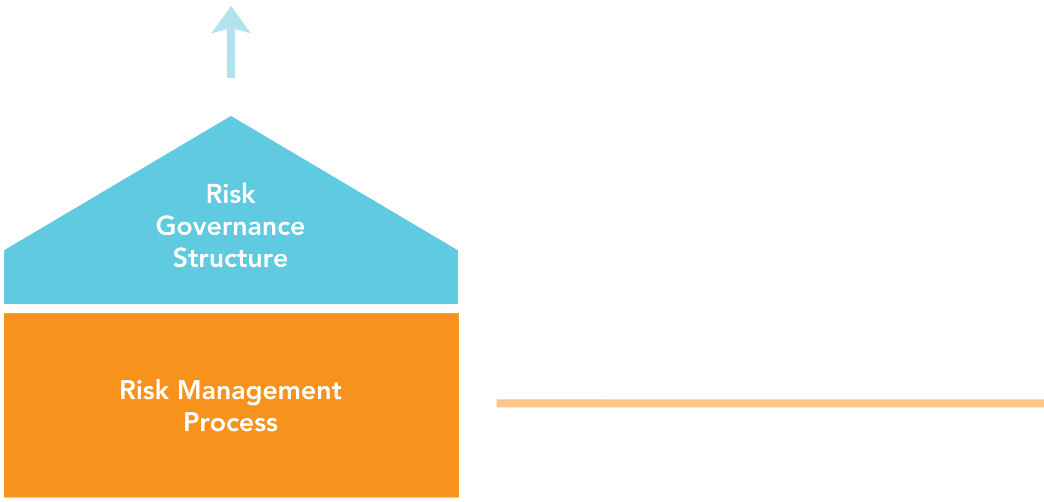
Our risk management framework comprises two key elements: **Risk Governance Structure** and **Risk Management Process**.



Our Risk Governance Structure

- Facilitates risk identification and escalation whilst providing assurance to the Board.
- Assigns clear roles and responsibilities and facilitates implementation with guidelines and tools.
- Consists of three different layers of roles and responsibilities as explained below.

Oversight	**Audit Committee, acting on behalf of the Board** • Oversees material risks that warrant attention and supervises risk management process as part of good corporate governance.
Risk Reporting and Communication	**Chief Financial Officer and Group Executive Committee** • Supported by the Group Risk Management function, communicate and assess the Group's risk profile and material risks at the Group level. • Track progress of mitigation plans and activities of material risks and report on detailed examinations of specific risks as required.
Risk and Control Ownership	**Business Units, Support Functions and Individuals** • Facilitated and coordinated by Group Risk Management, ensure that risk management processes and mitigation plans follow good practices and guidelines established by the Group. • Carry out risk management activities and reporting according to our risk management framework in their day-to-day operations. • CLP Power Hong Kong, EnergyAustralia (EA) and CLP India have comprehensive risk management frameworks of varying degrees of maturity. Risk Management Committees or parallel Executive Committees oversee their risk management policies and activities. Representatives from Group Risk Management participate in these committees. • In other business and functional units, executives meet regularly to review their risk profiles and risk management activities. • Risk managers or coordinators at functional units have been appointed to facilitate communication, experience sharing and risk reporting for specific functions at the Group level.



Our Risk Management Process

- Is embedded in our strategy development, business planning, investment decisions, capital allocation and day-to-day operations.
- Is in line with leading industry standards and practices, including ISO 31000 : 2009 Risk Management - Principles and Guidelines.
- Involves establishing the context, identifying risks, assessing their consequences and likelihood, evaluating risk levels, control gaps and priorities, and developing control and mitigation plans. This is a continuous process with periodic monitoring and review in place.

Our Quarterly Risk Review Process at Group Level	• Every quarter, our business and functional units are required to submit their material risks identified through their risk management process to Group Risk Management. • Group Risk Management, through aggregation, filtering and prioritising processes, compiles a Quarterly Group Risk Management Report for discussion at the Group Executive Committee (GEC), chaired by the CEO. The Committee reviews and scrutinises the material risks and ensures the appropriate controls and mitigation measures are in place or in progress. Emerging risks, which might have a material impact on the Group over a longer timeframe, are monitored and discussed at the Committee. • Following review by the GEC, the Quarterly Group Risk Management Report is submitted to the Audit Committee with a summary of the material risks circulated to the Board. "Deep dive" presentations on selected risks are given to the Audit Committee for more detailed review.
Our Risk Review Process for Investment Decisions	• All new investments must be endorsed by Management's Investment Committee, chaired by the CEO, before seeking approval from the Board or Finance & General Committee. • We require independent functional review and sign-off of any investment proposal before submission to the Investment Committee. Group Risk Management sign-off is part of the investment review process. • Group Risk Management requires that the project owner conducts a risk assessment with proper documentation. Detailed checklists and worksheets are adopted for identifying risks/mitigations and assessing risk level. Material risks and associated mitigations are highlighted and discussed at the Investment Committee.
Our Risk Management in the Business Planning Process	• In our annual business planning process, business units are required to identify all material risks that may impact their achievement of business objectives. Identified risks are evaluated based on the same set of risk criteria as the quarterly risk review process. Plans to mitigate the identified risks are developed for implementation and budget allocation purposes. The material risks set out later have been extracted from our 2012 business planning process.

Evolution of Risk Management

The Group Risk Management function is tasked with enhancing risk management activities, both at the Group and business unit level by bridging any gaps, sharing best practices within the Group, and streamlining the communication of risk information to Senior Management.

Major Initiatives in 2012	
Continued to improve our group-wide risk management framework	• Reviewed and updated the Group risk matrix which defines our risk assessment criteria at Group level. • Improved Quarterly Group Risk Management Report for discussion at the GEC and submission to the Audit Committee. • Facilitated efficient identification of emerging risks by reviewing third-party surveys and information and submitting emerging risks of potential relevance to CLP for discussion at the GEC on a quarterly basis. • Established Group Risk Management's role in reviewing risk management policies of business units.
Facilitated risk management implementation across the Group and shared good practices	• Assisted CLP Power Hong Kong in aligning its risk matrix with the Group and facilitating the aggregation and escalation processes. • Assisted China business unit in developing its risk management framework and processes including risk matrix and risk register template, risk reporting, and risk review by China business unit executives. • Reviewed EA's enhanced risk management policy and framework (see below). Provided risk management oversight through participation in risk management committees of business units or executive meetings on a risk agenda. • Conducted comprehensive risk review of all projects coming to the Investment Committee.
Major risk management initiatives at business unit level	• CLP Power Hong Kong reinforced its risk compilation and review process focusing on cross functional engagement and integration, and participation of senior executives. • EA has strengthened its own corporate governance. Instead of having all executive directors as in the past, the Board now consists of five independent non-executive directors, three CLP executives and one EA executive. In order to assist the Board in fulfilling its risk mitigation role, two standing Board committees, namely the Audit & Risk Committee and the Nomination & Remuneration Committee have been established. All members of these Board committees are non-executive directors (with the exception of one EA director who is also a CLP executive on each committee) and bring in a wide range of experience and expertise. • EA introduced an enhanced risk management framework and supporting tools, developed risk profiles for each of its business units, finalised its investment governance, business continuity and crisis management frameworks and plans, and further developed its energy risk management capabilities and reporting. • CLP India extended its risk management practice to statutory compliance and designed and implemented the Compliance Management System, a framework to track and report its statutory compliance requirements. • China business unit developed and implemented its risk management framework among all majority-owned assets, whereby a bottom-up assessment of risks is conducted and is reviewed by Management of the business on a quarterly basis. The business unit is also beginning to adopt the online risk management platform for reporting and documentation.

Material Risks of the Group

Our 2012 business planning process has identified the following as material risks of the Group.

Regulatory Risk across the Group

Globally, we have seen both a rise in governments' desire to intervene more directly in the privately-owned power sector, with strengthened regulatory control, and public support for such measures. The global financial crisis has brought increased public focus on the affordability of government and/or regulated services, including electricity. Pressure on electricity tariffs is affecting the financial standing and outlook of the power sector. All CLP's businesses operate under various local and national regulatory regimes and are currently facing the risk of adverse regulatory changes.

Risk Identification	Risk Assessment	Key Risk Mitigations
Regulatory and political risk of Hong Kong (HK) business	Rising costs and tariff increases have become a regulatory challenge for the HK business. We are not only encountering short-term risk with Government's difficulty in explaining the cost implications of its own policy decisions, but also long-term risk of adverse regulatory changes to the SoC. Whilst we have improved communication, explaining the link between higher tariffs and the rising cost of gas purchases, many stakeholders continue to express concern about higher tariffs.	• Implement Stakeholder Engagement Plan. • Strengthen cost justification and transparency. • Explore further stringent control over operating costs. • Enhance capital project development and prioritisation process. • Publicity and brand building to reinforce appreciation of CLP's performance and the value of its service to customers. • Help customers mitigate tariff impact. • Prepare for the discussion on future market developments with Government and the public.
Financial distress of Jhajjar power plant due to operational and commercial challenges resulting from State-owned counter-parties' inability to perform obligations, including off-takers and coal supplier	Coal India may not be able to deliver the full Annual Contracted Quantity of domestic coal as per fuel supply agreement due to nationwide coal shortages. This could result in lower availability and heat rate impacting revenue and profitability. Imported coal can alleviate shortage but its higher cost may not always be acceptable to off-takers. Poor domestic coal supply quality, resulting in technical problems and damage to the plant. With the plant now in operation, the off-takers may seek to vary their obligations by raising interpretation issues and commercial disputes over the PPA terms, resulting in delays in receivables, uncertainties and legal costs.	• Revised fuel supply agreement with minimum supply obligation improving to 80% over next three years with higher penalty for coal supply deficit is being executed with Coal India. • To supplement the coal supplies, off-takers have agreed in principle to an increased blending ratio and use of 1.7 million tonnes of imported coal for the financial year 2013-14. This will allow Jhajjar to achieve availability of 80% provided domestic coal supply materialises in line with the revised fuel supply agreement. • Augmenting plant and operational practices to deal effectively with the poor quality coal. • Extensive engagement with off-takers on PPA disputes, supported by improved plant performance and coal supply. Continuous efforts being made to resolve current differences over interpretations of PPA terms and obligations.

Risk Identification	Risk Assessment	Key Risk Mitigations
Difficulty in meeting tightening HK environmental policy and regulations	The HK Government has proposed changing the fuel mix for power generation. In the latest Policy Address, Government has committed to set out clear objectives and a roadmap to achieve cleaner air, better fuel mix, energy conservation and emissions reduction. Government also agreed with the Guangdong Government on a new plan to reduce air emissions.	• Monitor climate change and fuel mix related consultation and policy development. • Obtain approvals and implement projects for the 2014 – 2018 Development Plan that fulfill the commitments in our Energy Vision. • Engage constructively with Government for regulatory clarity and mutually acceptable solutions. • Engage stakeholders and disseminate message of the need for a balance between environment, cost, security of supply and reliability.
Unfavourable retail pricing regulation in Australia impacting EA's business	Retail electricity prices for small customers remain regulated in Australia, except in Victoria, where they were deregulated in 2009. South Australia announced in December 2012 that it would also remove price regulation from February 2013. EA faces considerable risk to margins and expansion from unfavourable regulatory pricing decisions that do not reflect the full costs and risks of supply. A trend in the current round of regulatory pricing determinations is to reduce the wholesale cost allowances in regulated prices to reflect currently subdued wholesale market prices, rather than the long run cost of wholesale supply.	• More diverse or innovative energy products and higher quality services. • Enhance our ability to attract and retain quality customers by strengthening our business continuity, disaster recovery and retail back-office capabilities. • Continue coordinated regular proactive engagement with State and National regulators, industry bodies and policy makers to build on relationships and to effectively advocate our position and influence regulatory change. • In the current period of regulatory uncertainty, it is difficult to quantify the financial exposure to EA's business, although we continue to take this risk into account in our decisions at both the strategic and operational levels.
Delay in payments by India distribution companies	Poor financial health generally of the sector, which is propped up by State Government subsidies, may impact us on a state-by-state basis in terms of off-takers' ability to meet PPA obligations resulting in pressure on working capital. Along with two wind power projects, Theni in Tamil Nadu and Sipla in Rajasthan, Jhajjar in Haryana is also experiencing delays in receivables. The credit ratings of the off-takers for Jhajjar and the Theni wind farm have recently been downgraded.	• Increase due diligence on counterparty risk for new projects. • Invest only in projects in States implementing credible reform programmes and backed by State balance sheets. • Monitor and assess the financial health of State Utilities. • The Cabinet Committee of Economic Affairs has recently approved the debt restructuring package for State-owned electricity bureaux. We understand that those in Tamil Nadu, Haryana and Rajasthan have opted for the debt restructuring package.

Fuel Challenges

Our portfolio, which mainly comprises base load thermal generation with gas and coal as primary fuels, is exposed to disruptions in fuel supply as well as fuel price fluctuations. With a balanced demand and supply situation in 2012, the coal supply risk has been reducing for HK and the Chinese mainland. For example, the global Newcastle Coal Index and domestic Qinhuangdao Coal Index have both dropped by about 20% since January 2012. Gas availability for HK and India remains a challenge.

Risk Identification	Risk Assessment	Key Risk Mitigations
Adverse impact on Paguthan due to gas price and availability issues in India	The lack of cheap domestic gas availability, leading to high electricity tariffs from gas compared to thermal units, is resulting in either poor or no dispatch from Paguthan. Pending a significant ramp up in domestic gas supplies, Paguthan plans to offer availability on spot gas. With limited prospects of securing reasonable quantities of domestic gas for next two to three years, the ongoing low level of power dispatch may continue. Under the PPA, Paguthan receives capacity charges based on availability. However, profitability could decline owing to higher heat rate due to part loading operations. Any extended situation of poor or no dispatch, whilst the off-taker is still paying capacity charges, may have an adverse impact on the off-taker's commitment to respect the PPA.	• Maintain short term or spot gas supply contracts in place ensuring on-time gas deliverability so that any calls for electricity dispatch are fully met by Paguthan. • Work with the Union Government to ensure that supplies under domestic gas allocation improve. • Continue stakeholder engagement with the relevant Government departments to make sure CLP receives the required allocation beyond 2014 when contracts come up for renewal. • Pursue short to medium term gas supply contracts from private suppliers and offer capacity on that basis to mitigate the impact of high tariff to off-taker. • Keep a watch on the market to deal with the prospect of sourcing gas under term contracts and selling electricity on a merchant basis, in the unlikely event of an adverse position arising out of PPA termination.
Gas supply shortage for HK impacting generation and emission compliance	Government approval of the agreement for gas supplies by PetroChina through the West-East Gas Pipeline II (WEPII) is a positive step. This is one of the three gas sources to be developed under the inter-governmental MOU of 2008. Additional requirements for 2015 and 2016 are relatively modest and can be met incrementally by PetroChina supply (and/or additional nuclear). To meet growing demand and declining Yacheng production, we will consider maintaining two pipeline sources if possible, with new supply secured through the existing Yacheng pipeline.	• Ensure timely arrival of the WEPII gas. • Ensure reliable fuel switching capabilities. • Emphasise supply security in development of medium and long term gas strategy. • Secure ability to bring in alternative gas through the HK Branch Line (e.g. PetroChina's Shenzhen LNG Terminal) and existing Yacheng pipeline.

Liquidity Impact on Executing Business Strategy
CLP's firepower faces more constraints after the substantial investments of recent years. EA operates in a highly competitive market. A downgrade of EA's BBB credit rating with Standard & Poors' is a risk because of the additional credit support that would be required from the business as a result of the downgrade.

Risk Identification	Risk Assessment	Key Risk Mitigations
Liquidity constraints impacting ability to execute business strategy	CLP continues to face funding requirements which have been eased by the 5% share placement in December 2012. Overhanging event risks (e.g. U.S. fiscal limit, European sovereign debt, geo-political tensions) may disrupt financial markets and cause liquidity drain and/or cost spikes.	• Maintain strong investment grade credit ratings. • Early solicitation of adequate and cost-effective funding in advance of use. • CLP Power Hong Kong will continue debt funding diversification (sources, investor base, tenor and currency) to avoid concentration risk. • Reviewing funding options including slowdown in expansion, sell-down of selective assets, raising hybrid capital or equity at local levels.
Potential downgrade of EA's credit rating	A downgrade(s) of EA's credit rating would negatively impact the business as: • Significant credit support may be required for external parties. • Funding is likely to be more difficult to acquire and more costly. Diminished support from CLP would cause a reduction in EA's credit rating.	• Revisit EA's capital structure. • Ongoing monitoring and reporting of debt profile (interest coverage, gearing, liquidity) to various risk committees on a monthly basis. • Ongoing communication with credit rating agencies. • Ensure that long term funding is available to provide liquidity in the event of a downgrade. • Revisit discretionary operating and capital spending.

Outlook and Major Initiatives for 2013

- Enhance our risk management framework and assist business units in roll-out and implementation of their own frameworks.
- Conduct post-investment reviews for projects entering commercial operations to enhance investment governance.
- CLP Power Hong Kong will apply ISO 22301 standard to its business continuity planning.
- CLP India will migrate to the online risk management platform from a spreadsheet-based risk register and plans to automate its statutory compliance tracking and reporting process.
- EnergyAustralia will further optimise its various supporting frameworks and processes including investment governance, insurance strategy, and energy and credit risk management.

An increasingly challenging business environment and a diversified business which is subject to a wide range of current and emerging risks will demand continuous and effective risk management governance and processes.

Mark Takahashi
Group Director & Chief Financial Officer
Hong Kong, 25 February 2013

Audit Committee Report

The Audit Committee is appointed by CLP Holdings' Board of Directors and has five 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, including membership of the Hong Kong Institute of Certified Public Accountants (HKICPA), and experience in financial matters. Mrs. Fanny Law has extensive experience in public administration and Ms. Irene Lee has wide experience in investment banking and financial services.

The Board has given the Committee written terms of reference prepared by reference to the HKICPA's "Guide for Effective Audit Committees", and updated by reference to the Hong Kong Stock Exchange's revised Appendix 14 to the Listing Rules "Corporate Governance Code and Corporate Governance Report". Its terms of reference are set out in the CLP Code on Corporate Governance (CLP Code) and on CLP's and the Exchange's websites. The Committee meets regularly, at least five times per annum, so that full attention can be given to the matters submitted. Special meetings may be called by its 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, to whom minutes of all meetings are sent. The Chairman gives an annual report to the Board on the Committee's activities. The Committee's primary responsibilities 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;
- satisfy itself that good accounting, audit and compliance principles, internal controls and ethical practices are applied on a consistent basis throughout the CLP Group; and
- perform the corporate governance duties described further in this Report and fulfill the functions conferred on the Committee pursuant to the CLP Code.

Summary of Work Done

Between 1 January 2012 and the date of this Report (the "Relevant Period"), 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 2012, 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 2012. Individual attendance of members at the five meetings held in 2012 is set out in the Corporate Governance Report on page 99. The work performed by the Committee in 2012 included reviews of:

- the 2011 Annual Report including the Corporate Governance Report, the Directors' Report and Financial Statements for the year ended 31 December 2011 and the annual results announcement, with a recommendation to the Board for approval;
- the 2012 Interim Report including the CLP Group Interim Financial Statements for the six months ended 30 June 2012 and the interim results announcement, with a recommendation to the Board for approval;
- legal cases in which CLP Holdings or any member of the CLP Group was a named defendant. None of these cases was material, save as disclosed under Note 31 Contingent Liabilities to the Financial Statements*;
- 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 2011*;
- the audit fees payable to the external auditor for the year ended 31 December 2011 for approval by the Board, with a recommendation for their reappointment for 2012, subject to approval by shareholders* (given on 8 May 2012);
- the audit strategy submitted by the external auditor, PricewaterhouseCoopers (PwC) for the year ended 31 December 2012;
- the proposed engagement of the external auditor in respect of audit-related and permissible non-audit services*;
- 30 reports on the CLP Group's affairs submitted by Group Internal Audit during 2011. Of these, two carried an unsatisfactory audit opinion. The issues arising from these audits have been, or are being, addressed;
- the staffing and resources of the Group's Internal Audit department and the Group internal audit review of 2011 and audit plan for 2012, with areas of emphasis identified;
- internal control review approach for 2012;

- the use of insurance as a risk management tool;
- cyber security;
- Audit Protocol between CLP Holdings and EnergyAustralia;
- status of EnergyAustralia's customer management systems;
- independent assurance of non-financial data;
- General Representation Letter process; and
- CLP Group Quarterly Risk Management Report.*

On 18 February 2013, the Audit Committee reviewed this Annual Report, including the Corporate Governance Report, the Directors' Report and Financial Statements for the year ended 31 December 2012 and the annual results announcement with a recommendation to the Board for approval. The Committee was advised that one out of 28 reports on the Group's affairs submitted by Group Internal Audit during the Relevant Period carried an unsatisfactory audit opinion, and that the issues arising from this are being addressed. The Committee reviewed the follow-up actions arising from Board Evaluation Report 2012, changes in accounting policies arising from revised financial reporting standards, the internal audit review for 2012 and audit plan for 2013, 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. The Committee's other work at that meeting included that marked "*" in the above list and in the Corporate Governance section below, save that in each case the work related to the year ended 31 December 2012.

Financial Statements – Judgmental Issues

The Audit Committee paid particular regard to judgmental issues in respect of the Company's Financial Statements for the years ended 31 December 2011 and 2012 and for the six months ended 30 June 2012. Amongst other inputs, the management reports to the Committee and the audit reports submitted by external auditor summarised matters of the CLP Group for the years ended 31 December 2011 and 2012 and for the six months ended 30 June 2012, such as in respect of auditing and accounting matters, taxation issues and internal controls, together with the manner in which they had been addressed.

During the Relevant Period the major judgmental issues included, by way of example, the accounting treatment of the flooding at Yallourn and changes in the tax consolidation rules in Australia, as well as the deferred taxation in India and the impairment review of Jhajjar Power Station. In August 2012 members of the Committee visited Australia and reviewed at

Mrs. Fanny Law and Mr. Nicholas Allen of the Committee inspecting rocks in coal supplied to Jhajjar, which has affected plant operations first-hand the situation at Yallourn. For the purposes of their review of the Financial Statements ended 31 December 2012 the Audit Committee visited India at the end of January 2013 and met local management and local external auditors to consider judgmental issues regarding the accounting treatment of the Company's investments and activities in India.

Internal Control

Based on the information received from management, external auditor and Group Internal Audit, the Committee believes that overall financial and operating controls for the Group during 2012 continue to be effective and adequate. Issues which have been raised by external or internal auditors during 2012 have been, or are being, satisfactorily addressed by management. Further information about control standards, checks and balances and control processes is set out in the Corporate Governance Report on pages 106 to 108. 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.

Corporate Governance

The terms of reference of the Audit Committee were expanded in February 2012 to ensure that these covered all of the corporate governance functions set out in the Hong Kong Stock Exchange's revised Corporate Governance Code and which may be delegated by the Board to the Audit Committee. In addition to its existing role in corporate governance, the Committee reviews:

- existing policies and practices and monitoring their effectiveness (such as the Shareholders' Communication Policy, Code of Conduct, Whistleblowing Policy and Policy and Guidelines on Gifts and Entertainment);
- the adequacy of training programmes and the budget of the accounting and financial reporting functions; and
- new policies and practices on corporate governance matters and making recommendations to the Board.

With respect to corporate governance, the work undertaken by the Committee during the Relevant Period included the matters previously mentioned and the review of:

- compliance by the Company with the Stock Exchange Code throughout the year ended 31 December 2011 and throughout the six months ended 30 June 2012. CLP complies with all the Code Provisions, with one deviation from Recommended Best Practices, which is explained on page 95 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 2011. No breaches were identified*;
- the alignment of the Code of Conduct across the CLP Group, as well as the findings of ethics and controls surveys 2011;
- Code of Conduct issues identified in 2012. None of the 14 breaches of the Code involved senior managers or was material to the Group's financial statements or overall operations; and
- management development, succession planning and training for key finance, accounting and internal audit positions.

External Auditor

PwC were reappointed independent auditor of the Company at the 2012 AGM. PwC audit all companies in the CLP Group which require statutory audit opinions. Details of fees paid to PwC for their audit and permissible non-audit services are set out in the Corporate Governance Report on page 105. Having reviewed PwC's performance during 2012 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 auditor at the forthcoming AGM. A resolution to that effect has been included in the Notice of AGM.

Vernon Moore

Vernon Moore
Chairman, Audit Committee
Hong Kong, 25 February 2013

Sustainability Committee Report

The Sustainability Committee is appointed by the Board to oversee CLP's position and practices on sustainability issues, principally in relation to social, environmental and ethical matters that affect shareholders and other key stakeholders. The Committee is chaired by Mr. Andrew Brandler and comprises Mr. Nicholas C. Allen, Mr. Peter W. Greenwood, Mrs. Fanny Law, Dr. Jeanne Ng and Professor Judy Tsui.

Summary of Work Done

Between 1 January 2012 and 25 February 2013 (the date of this Report), the Committee reviewed:

- CLP's Sustainability Framework and its implementation in 2012;
- the deployment and progress of CLP's Responsible Procurement Policy Statement;
- the 2011 and 2012 CLP Group online Sustainability Reports and feedback received from stakeholders on the 2011 Report; SR
- PricewaterhouseCoopers' Report on the assurance process review of selected data in the 2011 Sustainability Report;
- CLP's sustainability and disclosure performance in various external environmental, social and governance (ESG) assessments and surveys;
- the follow-up actions arising from the Board Evaluation Report 2012;
- 2011 and 2012 Group's community investment activities and future plans; and
- CLP's participation and role in international engagements (with a summary of the implications of the RIO+20 Conference).

CLP's Sustainability Framework

The Sustainability Framework, which was introduced in 2012, provides the structure for the Committee's work. The Framework includes 15 sustainability goals. The establishment and achievement of these goals rest on an approach whereby:

- each business sets its own targets as a contribution to the Group's sustainability goals, as part of its business planning process;
- each target should make an efficient, positive contribution to business value – this aspect of CLP's activities is treated as part of everyday business operations and, as with everything we do, should increase the value of the business to its shareholders;
- the initial targets will become more demanding over time;
- performance against the targets will be assessed during the annual business planning process at both business unit and Group level and incorporated into the overall annual CLP Group performance assessment process; and
- internal and external reporting are aligned with the Sustainability Framework.

In that last respect, the Committee noted the introduction of the ESG Reporting Guide by the Hong Kong Stock Exchange (HKEx), as Appendix 27 to the Listing Rules, with effect from 1 January 2013. This ESG Reporting Guide sets out ESG subject areas, aspects, general disclosure and key performance indicators (KPIs) which issuers are encouraged to disclose in their Annual Reports or as a separate report. The Guide is organised around four ESG subject areas: work place quality, environmental protection, operating practices and community involvement. These do not precisely correspond to the four critical areas of our own Sustainability Framework, namely: people, business performance, energy supply and environment.

The overall scope of CLP's Sustainability Framework, which predates the introduction of the ESG Reporting Guide, is wider than that of the Guide. In addition, the Sustainability Framework was constructed around those areas, objectives and goals which we considered most relevant to our business. For that reason, we have not adopted the ESG Reporting Guide in the precise terms of Appendix 27 to the Listing Rules. The Appendix to our Sustainability Report sets out in detail the manner in which CLP has met, and in many respects exceeded, the terms of the ESG Reporting Guide. There are a few matters where the subject areas, aspects, general disclosure and KPIs in Appendix 27 go beyond our Sustainability Framework and the scope of reporting in this Annual Report and Sustainability Report. Where this is the case we have explained the differences, and the reasons, in the Appendix to our Substainability Report. The Five-year Summary of statistics on the Group's environmental and social performance on pages 226 and 227 of this Report includes cross-references to the HKEx's KPIs.

Online Sustainability Report

The following table summarises CLP's sustainability goals, key aspects of delivery against these goals in 2012 and the manner in which this relates to KPIs suggested by the HKEx.

Critical Area – Objective	Goals	2012 Highlights	Relevant KPIs
People – meet the evolving expectations of our stakeholders	• Zero injuries • Support a healthy workforce • Develop committed and motivated employees • Meet customer expectations • Earn and maintain community acceptance • Operate our business ethically	• No employee fatalities with overall improved safety performance • Continued strong employee engagement and customer service excellence • Comprehensive portfolio of community programmes • Higher number of breaches of Code of Conduct vs. 2011. None involved senior managers or was material to the Group's financial statements or overall operations	• Working Conditions • Health & Safety • Labour Standards • Supply Chain Management • Product Responsibility • Anti-Corruption • Community Investment
Business Performance – continually increase business value	• Create long-term shareholders return • Adapt proactively to a changing business environment • Enhance individual and organisational capability	• Consistent increases in ordinary dividends linked to the underlying earnings performance of the business • Comprehensive risk management processes in place with strong credit ratings maintained • Focus on staff development and succession planning	• Working Conditions • Development and Training
Energy Supply – deliver world-class products and services	• Supply energy reliably • Be operationally efficient • Adopt emerging technology in a timely manner	• Continued high levels of reliability and service • Prudent monitoring, assessment, piloting and adoption of various emerging technologies	• Environment & Natural Resources
Environment – minimise environmental impacts	• Move towards zero emissions • Move towards a more sustainable rate of resource use • Move towards no net loss of biodiversity	• Carbon intensity performance on-track • Renewable energy and non-carbon emitting capacity targets met • Development of Group Biodiversity Policy underway	• Emissions • Use of Resources • Environment & Natural Resources

The Sustainability Committee will continue to review its role in offering effective support to the Board and oversight to Management in the development, implementation, measurement and reporting of the Sustainability Framework and the Group's performance on social, environmental and ethical matters as a whole.

Andrew Brandler

Andrew Brandler
Chairman, Sustainability Committee
Hong Kong, 25 February 2013

Human Resources & Remuneration Committee Report

1. Introduction

On behalf of the Board, the Human Resources & Remuneration Committee (HR&RC) scrutinises the remuneration policies applied within the CLP Group, including the remuneration of Non-executive and Executive Directors and of Senior Management. Our objective is to ensure that CLP applies properly structured and fair remuneration policies which align the interests of Directors and Senior Management with those of the Company and its shareholders. This Report explains the policies applied to determining remuneration levels and sets out the remuneration paid to Non-executive Directors, Executive Directors and Senior Management. This HR&RC Report has been reviewed and endorsed by the Committee.

The contents of sections 6, 7, 8 and 10, in the highlighted boxes below, comprise the "auditable" part of the HR&RC Report and have been audited by the Company's Auditor.

2. Membership

A majority of the members of the HR&RC are Independent Non-executive Directors. In line with good practice, there are no Executive Directors on the Committee. Mr. Vincent Cheng, an Independent Non-executive Director, is the Chairman of the Committee. Other members of the Committee include Mr. William Mocatta, Mr. V. F. Moore, Sir Rod Eddington and Mr. Nicholas C. Allen.

3. Responsibilities and Work Done

The HR&RC considers major human resources and pay issues, including the approval of this HR&RC Report. Between 1 January 2012 and 25 February 2013 (the date of this Report), the Committee approved the 2011 and 2012 HR&RC Reports, and reviewed:

- the Group performance for 2011 and 2012 and Group targets for 2012 and 2013;
- EnergyAustralia's performance review for 2011;
- CLP India's performance review for 2012;
- base pay review for 2012 and 2013 for Hong Kong payroll staff, CLP India and China and 2012 for EnergyAustralia;
- the Senior Executive Remuneration, including annual incentive payments for 2011 and 2012 and annual pay review for 2012 and 2013;
- CEO's remuneration;
- Executive Remuneration Policy for EnergyAustralia for 2012;
- Remuneration of Managing Director – EnergyAustralia for 2012;
- Remuneration governance for directors and senior executives in EnergyAustralia;
- Non-executive Directors' fees;
- management development and succession planning;
- training and continuous professional development of Senior Management; and
- the follow-up actions arising from the Board Evaluation Report 2012.

4. Remuneration Policies

The main elements of CLP's remuneration policy have been in place for a number of years and are incorporated in the CLP Code 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.

5. Non-executive Directors – Principles of Remuneration

The above policies apply to the remuneration of the Non-executive Directors, with appropriate adjustments to reflect good corporate governance practices, the particular nature of their duties and that they are not Company employees.

In considering the level of remuneration payable to Non-executive Directors, we have referred to the:

- Report of the Committee on the Financial Aspects of Corporate Governance of December 1992 (The Cadbury Report);
- "Review of the Role and Effectiveness of Non-executive Directors" (The Higgs Report) of January 2003; and
- Hong Kong Stock Exchange's Corporate Governance Code and associated Listing Rules.

In light of these considerations, CLP's Non-executive Directors are paid fees in line with market practice, based on a formal independent review undertaken no less frequently than every three years. Those fees were most recently reviewed at the beginning of 2013 (the 2013 Review). The methodology adopted in the 2013 Review is the same as that used in the previous reviews and as explained to shareholders in the CLP Code. The methodology is aligned with the recommendations of the Higgs Report and includes:

- the application of an hourly rate of HK$4,500 as an average of the partner rates charged by legal, accounting and consulting firms in providing professional services to CLP. This hourly rate of HK$4,500 has remained unchanged since the last review in 2010;
- 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.); 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 J.S. Gale & Co, solicitors. Further to CLP's commitment to the adoption of a transparent methodology for determining Non-executive Directors' remuneration, the 2013 Review and the opinion of J.S. Gale & Co on that Review are placed on CLP's website. Compared to the current fees, the increase in fees which is recommended as a result of the 2013 Review is solely attributable to a recorded increase in the time spent by Non-executive Directors, in performing their roles on the Board and Board Committees.

The fee review takes place every three years and the methodology takes into account past and present data, rather than any forward-looking projections. For these reasons, on previous occasions the full amount of the adjustment to annual fees has taken effect upon shareholder approval at the following Annual General Meeting. Whilst maintaining the same methodology, the Board recommends that, instead of taking effect in one go, 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 should determine his or her own remuneration, the levels of fees set out in the table on page 126 were proposed by Management, reviewed by J.S. Gale & Co and will be put for approval by our shareholders at the Annual General Meeting on 30 April 2013. 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 Corporate Governance Code.

Proposed Fees for Non-executive Directors

	Proposed Fees per annum (w.e.f. 1 May 2015) HK$	Proposed Fees per annum (w.e.f. 1 May 2014) HK$	Proposed Fees per annum (w.e.f. 1 May 2013) HK$	Current Fees per annum HK$
Board				
Chairman	666,900	629,200	593,600	560,000
Vice Chairman	524,000	494,300	466,400	440,000
Non-executive Director	476,400	449,400	424,000	400,000
Audit Committee				
Chairman	463,800	407,700	358,300	315,000
Member	334,700	293,200	256,800	225,000
Finance & General Committee				
Chairman	397,500	394,900	392,400	390,000
Member	287,400	284,900	282,400	280,000
Human Resources & Remuneration Committee				
Chairman	85,300	68,900	55,700	45,000
Member	58,800	49,400	41,600	35,000
Sustainability Committee				
Chairman	106,100	94,500	84,200	75,000
Member	78,400	69,600	61,900	55,000
Nomination Committee*				
Chairman	14,000	14,000	14,000	14,000
Member	10,000	10,000	10,000	10,000
Provident & Retirement Fund Committee*				
Chairman	14,000	14,000	14,000	14,000
Member	10,000	10,000	10,000	10,000

* 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 increase in the proposed fees compared to those paid between 2010 and 2013 is in line with a recorded and noticeable 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 previous reviews 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 2016 (despite the rising trend of past years);
- any increase in the hourly rates of professional advisors in the coming years; and
- in benchmarking our own Directors' fees against other companies, any ongoing increase in directors' fees paid by those companies.

6. Non-executive Directors – Remuneration in 2012

The fees paid to each of our Non-executive Directors in 2012 for their service on the CLP Holdings Board and, where applicable, on its Board Committees are set out below. The increase in total Directors' fees reflects the full year service of some of the Independent Non-executive Directors who were appointed in 2011.

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 2012	Total 2011
Non-executive Directors									
The Hon. Sir Michael Kadoorie	560,000(C)	–	14,000(C)	–	–	–	–	574,000	574,000
Mr. William Mocatta[1]	440,000(VC)	–	–	390,000(C)	36,475	14,000(C)	–	880,475	889,000
Mr. R. J. McAulay	400,000	–	–	–	–	–	–	400,000	400,000
Mr. J. A. H. Leigh	400,000	–	–	–	–	–	–	400,000	400,000
Mr. I. D. Boyce	400,000	–	–	280,000	–	–	–	680,000	680,000
Dr. Y. B. Lee	400,000	–	–	–	–	–	–	400,000	400,000
Mr. Paul A. Theys	400,000	–	–	–	–	–	–	400,000	400,000
Mr. Peter P. W. Tse[2]	251,366	–	–	–	–	–	–	251,366	–
Independent Non-executive Directors									
Mr. V. F. Moore	400,000	315,000(C)	–	280,000	35,000	–	–	1,030,000	1,030,000
Professor Judy Tsui	400,000	225,000	–	–	–	–	55,000	680,000	680,000
Sir Rod Eddington	400,000	–	–	280,000	35,000	–	–	715,000	715,000
Mr. Nicholas C. Allen	400,000	225,000	10,000	280,000	35,000	–	55,000	1,005,000	1,001,384
Mr. Vincent Cheng[3]	400,000	–	7,486	280,000	43,525(C)	–	–	731,011	255,425
Mrs. Fanny Law[4]	287,432	161,680	–	–	–	–	39,522	488,634	243,726
Ms. Irene Lee[5]	85,246	47,951	–	59,672	–	–	–	192,869	–
Mr. Hansen C. H. Loh[6]	140,984	56,557	2,514	–	–	–	–	200,055	635,000
The Hon. Sir S. Y. Chung[7]	–	–	–	–	–	–	–	–	148,274
							Total	9,028,410	8,451,809

Notes:

(1) Mr. William Mocatta also received HK$322,000 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 2011, he received HK$303,000 as fees for his service on the boards of these companies.

(2) Mr. Peter P. W. Tse retired as an Executive Director and was re-designated as a Non-executive Director with effect from 16 May 2012. During the year, Mr. Tse has also received HK$550,400 for providing consultancy services on property matters under a contract with CLP Properties Limited. The contract terms have been disclosed in the announcement on 16 May 2012 when Mr. Tse was re-designated as a Non-executive Director.

(3) Mr. Vincent Cheng, an Independent Non-executive Director, was appointed the Chairman of the Human Resources & Remuneration Committee in place of Mr. William Mocatta with effect from 24 February 2012. Mr. Cheng was also appointed a member of the Nomination Committee with effect from 2 April 2012.

(4) Mrs. Fanny Law resigned as an Independent Non-executive Director and a member of the Audit Committee and the Sustainability Committee with effect from 20 April 2012. She was re-appointed as an Independent Non-executive Director and a member of the Audit Committee and the Sustainability Committee with effect from 1 August 2012.

(5) Ms. Irene Lee was appointed an Independent Non-executive Director and a member of the Audit Committee and the Finance & General Committee on 15 October 2012.

(6) Mr. Hansen C. H. Loh retired as a Director after the conclusion of the 2012 AGM held on 8 May 2012. He also resigned as a member of the Audit Committee and Nomination Committee with effect from 2 April 2012.

(7) The fee paid to The Hon. Sir S. Y. Chung (a former Director) is included in the table, solely for the purpose of comparing the total fees paid to Non-executive Directors in 2011 with those in 2012.

7. Executive Directors – Remuneration in 2012

The remuneration paid to the Executive Directors of the Company in 2012 was as follows:

	Base Compensation, Allowances & Benefits HK$M	Performance Bonus (Note A) Annual Incentive HK$M	Performance Bonus (Note A) Long-term Incentive HK$M	Provident Fund Contribution HK$M	Total HK$M
2012					
CEO (Mr. Andrew Brandler)	7.5	7.1	2.8	0.9	18.3
Group Executive Director (Mr. Peter P. W. Tse) (Note B)	2.0	3.6	8.9	0.2	14.7
Group Executive Director – Strategy (Mr. Peter W. Greenwood)	5.6	5.2	–	0.7	11.5
	15.1	15.9	11.7	1.8	44.5
2011					
CEO	7.2	7.0	5.1*	0.8	20.1
Group Executive Director	4.8	4.4	1.7	0.6	11.5
Group Executive Director – Strategy	5.3	5.2	–	0.7	11.2
	17.3	16.6	6.8	2.1	42.8

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 2012 was reviewed and approved by the HR&RC after 31 December 2012. 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 2012 for the last year in excess of the previous accruals made.

(b) The long-term incentive is the incentive for 2009, paid in 2012 when the vesting conditions had been satisfied (the comparative figures are the incentive for 2008 paid in 2011). About 31% of the amount of 2009 long-term incentive payments results from the appreciation of CLP Holdings' share price between 2009 and 2011, with dividends reinvested.

(c) Payment of the annual incentive and granting of the long-term incentive awards relating to 2012 performance will be made in March 2013. These payments and awards are subject to the prior approval of the HR&RC. Details of these will be published on the CLP Group website at the time that the 2012 Annual Report is published.

Note B:

Mr. Peter P. W. Tse retired as an Executive Director and was re-designated as a Non-executive Director with effect from 16 May 2012. The annual incentive of HK$3.6 million for the years 2011 and 2012 was paid to him this year. The long-term incentive of HK$8.9 million for the years 2009, 2010, 2011 and 2012 was paid to him this year. The annual incentive and long-term incentive for the year 2012 were made on a pro rata basis.

* This figure includes an additional discretionary 2008 long-term incentive of HK$2 million paid to Mr. Andrew Brandler in January 2011.

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.

8. Total Directors' Remuneration in 2012

The total remuneration of Non-executive and Executive Directors in 2012 was:

	2012 HK$M	2011 HK$M
Fees	9	8
Base compensation, allowances and benefits in kind	15	17
Performance bonus *		
– Annual incentive	16	17
– Long-term incentive	12	7
Provident fund contributions	2	2
	54	51

* Refer to Note A on performance bonus on page 128.

Of the total remuneration paid to Directors, HK$7 million (2011: HK$6 million) has been charged to the SoC operation.

9. Senior Management – Principles of Remuneration

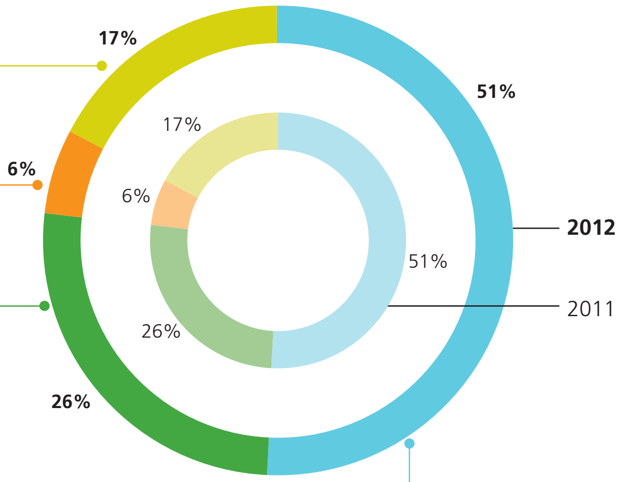
For the purposes of this Section, Senior Management means the managers whose details are set out on page 92. In determining the remuneration of members of Senior Management, the remuneration data of comparable positions in the market, including local and regional companies of comparable size, complexity 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 (with the exception of Richard McIndoe) including the levels of performance bonus, are subject to the approval of the HR&RC. No members of Senior Management serve on the Committee.

Target total remuneration for Executive Directors / Senior Management is determined in relation to the relevant market and internal relativities. A significant proportion of actual total remuneration is performance related, in the form of the annual and long-term incentive schemes. In determining the amount of performance related pay, members of the HR&RC take a broad and balanced view of Group performance in the relevant year. This means that the Committee considers all aspects of our performance including financial, operational, safety, environmental, governance and compliance related. Targets under these headings include making reference to our Group sustainability targets when assessing performance. Both qualitative and quantitative evidence is used to assess performance. However the decision of the committee is based on a balanced overall judgment rather than a mathematical calculation. We have determined not to create a formulaic link between any metrics and performance related pay. In our opinion such an approach fails to capture the complexity of the management task, and also risks encouraging dysfunctional behaviour, as was observed in the banking and financial sector during the global financial crisis.

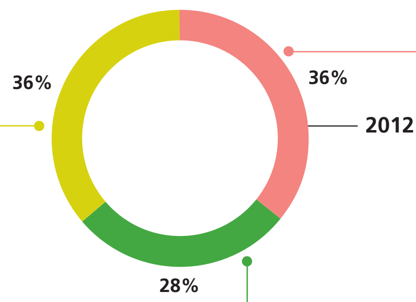
The four components of remuneration of members of Senior Management are explained in the diagram on the following pages, including the proportion of target total remuneration which each component represented in both 2011 and 2012.

In the case of Mr. McIndoe, his employment was transferred from CLP Holdings (as Group Director – Managing Director Australia) to EnergyAustralia (as Managing Director – EnergyAustralia) and he was employed on a local EnergyAustralia contract effective 1 April 2012. His annual incentive and long-term incentive under EnergyAustralia local plans were backdated to 1 January 2012. Mr. McIndoe's remuneration package was aligned with the Australian market and was approved by the HR&RC of CLP Holdings in February 2012. Any subsequent remuneration package changes for Mr. McIndoe will be reviewed by the EnergyAustralia Nomination & Remuneration Committee and approved by the Board of EnergyAustralia.

Senior Management's Remuneration*



Mr. McIndoe's Remuneration**



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, operational and other performance targets, and individual objectives such as the demonstration of key leadership competencies.

Each member of Senior Management is assigned a "target" annual incentive of 50% of Base Compensation, which accounted for 26% of his / her total remuneration in 2012. 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 (although this cap may be exceeded in exceptional cases where a discretionary additional annual incentive is awarded by the Committee), with the actual amount being determined by organisational and individual performance.

A payout was made in 2012, based on an assessment of the 2011 performance of the Group and the individuals concerned. The average payout to this group in 2012 was 94% above the target level based on the above target achievement of financial goals, operational and other performance targets and individual objectives for 2011.

Pension Arrangement

The members of 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 6% of his / her target total remuneration in 2012.

Long-term Incentive

Awards under the Long-term Incentive (LTI) plan are based on organisational and individual performance and support the retention of Senior Management.

Each of the Senior Management members is assigned a "target" LTI of 33.3% of Base Compensation, which accounts for 17% of his / her total remuneration in 2012.

Fixed Annual Remuneration (FAR)

FAR includes base salary and employer contribution to the Australian statutory superannuation scheme. It is reviewed annually taking into consideration the competitive market position, compared to ASX 100 companies, market practice and individual performance.

Annual Incentive

Mr. McIndoe was assigned a "target" annual incentive of 75% of FAR, which accounted for 28% of his total remuneration in 2012. The annual incentive payout depends upon the performance of EnergyAustralia. Key measures include achievement of financial and non-financial goals and the sustainability of value creation.

The target level of performance is set to be stretching. Unless a minimum level of performance against objectives is achieved, no annual incentive will be paid. The amount of annual incentive is capped at twice the "target" annual incentive i.e. 150% of FAR.

Long-Term Incentive

For 2012, Mr. McIndoe was assigned an LTI Award of 100% of FAR. The final 2012 LTI award value to be paid will be decided by the EnergyAustralia Board, depending on the achievement of the LTI Performance Conditions.

The following diagram illustrates the composition of the LTI award for Senior Management other than Richard McIndoe:

Target LTI award set at the beginning of 2012

×

Performance multiplier (weighted combination of individual and organisational performance for the year preceding that in which the award is made)

=

Actual LTI award:
a) A minimum of 75% of the award and up to a maximum of 100% allocated to CLP Holdings phantom shares
b) The remainder of the award up to a maximum of 25% is allocated to a notional cash deposit

→ Payment of LTI award will be made in 2015

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-year vesting period.

* Two individuals have different arrangements affecting the proportion of target total remuneration which each component represented in 2011 and 2012:

(a) Mr. Peter Greenwood (Group Executive Director – Strategy) did not participate in the LTI before 2010. Due to the increases in target LTI for Senior Executives in 2010 and 2011, his remuneration package was restructured to include an element of LTI with effect from 2010 to ensure that he received the same percentage increase in target total remuneration as other Senior Executives. The proportions of his 2011 & 2012 target total remuneration are Base Compensation (56%), Annual Incentive (28%), Pension (7%) and Long-term Incentive (9%).

(b) Mrs. Betty Yuen was appointed as Vice Chairman – CLP Power Hong Kong on 4 January 2010. This role involved a change in responsibility from her previous role as Group Director – Managing Director Hong Kong and is also part time. To reflect this Mrs. Yuen's total remuneration package was revised on 1 January 2010 so that she no longer participated in the LTI. The proportions of her 2011 & 2012 target total remuneration are Base Compensation (61%), Annual Incentive (31%) and Pension (8%).

** In 2011 the components of Mr. McIndoe's remuneration were the same as for the other members of Senior Management.

10. Senior Management – Remuneration in 2012

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

	Base Compensation, Allowances & Benefits HK$M	Performance Bonus * Annual Incentive HK$M	Performance Bonus * Long-term Incentive HK$M	Provident Fund Contribution HK$M	Final Payment ** HK$M	Other Payments HK$M	Total HK$M
2012							
Group Director & Chief Financial Officer (Mr. Mark Takahashi)	4.6	4.2	1.5	0.6	–	–	10.9
Vice Chairman – CLP Power Hong Kong (Mrs. Betty Yuen)	3.3	3.9[(a)]	2.2	0.4	–	–	9.8#
Group Director – Managing Director Hong Kong (Mr. Richard Lancaster)	4.7	4.1	1.0	0.6	–	–	10.4##
Managing Director – EnergyAustralia (Mr. Richard McIndoe)	9.3	10.1	2.1	0.3	–	5.6[(b)]	27.4
Group Director – Operations (Mr. Peter Littlewood)	3.9	3.7	1.1	0.5	–	–	9.2
Managing Director – India (Mr. Rajiv Mishra)	3.3	2.9	0.7	0.4	–	–	7.3
	29.1	28.9	8.6	2.8	–	5.6	75.0
2011							
Group Director & Chief Financial Officer	4.4	4.2	1.4	0.5	–	–	10.5
Vice Chairman – CLP Power Hong Kong	3.1	3.9[(a)]	4.2[(c)]	0.4	–	–	11.6#
Group Director – Managing Director Hong Kong	4.4	4.2	0.8	0.6	–	–	10.0##
Group Director – Managing Director Australia (Mr. Richard McIndoe)	5.6	5.0	2.1	0.6	–	8.5[(b)]	21.8
Group Director – Operations	3.7	3.6	1.2	0.5	–	–	9.0
Managing Director – India	3.3	3.1	2.0[(c)]	0.4	–	–	8.8
Managing Director – China (Dr. Ko Yu Ming)[(d)]	2.1	2.9	5.3	0.3	7.4	–	18.0
Managing Director – Southeast Asia (Mr. Mark Jobling)[(d)]	1.6	2.9	5.3	0.2	10.0	–	20.0
Director – Group Corporate Finance and Development (Mr. Stefan Robertsson)[(d)]	2.1	2.3	1.0	0.2	–	–	5.6
	30.3	32.1	23.3	3.7	17.4	8.5	115.3

Notes:

(a) These figures include additional discretionary annual incentives of HK$1 million paid to Mrs. Betty Yuen in each year of 2011 and 2012.

(b) Payment for tax equalisation, housing allowance and children's education allowances, if any, for secondment to Australia. For 2012, the figure is for the period from 1 January 2012 to 31 March 2012. Out of this payment, HK$5.2 million (93%) (2011: HK$7.0 million (83%)) was the tax payment to the tax authority of the country where the executive was based during secondment.

(c) These figures include additional discretionary 2008 long-term incentives of HK$2 million and HK$0.8 million paid to Mrs. Betty Yuen and Mr. Rajiv Mishra respectively in 2011.

(d) The remuneration paid to Dr. Y. M. Ko, Mr. Mark Jobling and Mr. Stefan Robertsson were included in the table, solely for the purpose of comparing the total remuneration paid to Senior Management in 2011 with those in 2012.

* Refer to Note A on performance bonus on page 128.

** The final payment is not part of the remuneration arrangement of the Group, but may be payable, on approval by the HR&RC Chairman or CEO where appropriate.

HK$1 million (2011: HK$1 million) has been charged to the Non-SoC operation.

HK$1 million (2011: HK$1 million) has been charged to the Non-SoC operation.

The five highest paid individuals in the Group included three Directors (2011: one Director), one member of Senior Management (2011: three members) and a senior executive of the Group (2011: a former senior executive of the Group). The total remuneration of the five highest paid individuals in the Group is shown below:

	2012 HK$M	2011 HK$M
Base compensation, allowances and benefits in kind	29	21
Performance bonus *		
– Annual incentive	29	23
– Long-term incentive	14	23
Provident fund contributions	2	2
Final payment ψ	–	30
Other payments @	9	9
	83	108

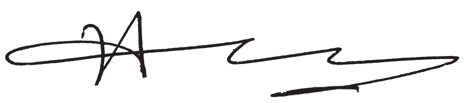
* Refer to Note A on performance bonus on page 128.
ψ Refer to Note ** above on final payment.
@ Refer to Note (b) above on other payments which also include a lump sum payment to a senior executive upon his joining the Group.

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

	Number of Individuals			Number of Individuals	
	2012	2011		2012	2011
HK$11,000,001 – HK$11,500,000	1	–	HK$11,500,001 – HK$12,000,000	1	–
HK$14,500,001 – HK$15,000,000	1	–	HK$17,500,001 – HK$18,000,000	–	1
HK$18,000,001 – HK$18,500,000	1	–	HK$19,500,001 – HK$20,000,000	–	1
HK$20,000,001 – HK$20,500,000	–	1	HK$21,500,001 – HK$22,000,000	–	1
HK$27,000,001 – HK$27,500,000	1	–	HK$28,000,001 – HK$28,500,000	–	1

11. 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, 25 February 2013

Directors' Report

The Directors have pleasure in submitting their Report together with the audited Financial Statements for the year ended 31 December 2012.

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 12 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, jointly controlled assets and associated companies. Details of the jointly controlled entities and associated companies are provided under Notes 13 and 14 to the Financial Statements.

Earnings and Dividends

	2012 HK$M	2011 HK$M
Total earnings for the year	8,312	9,288
Less: first to third interim dividends of HK$1.59 (2011: HK$1.56) per share paid	(3,825)	(3,753)
Balance after first to third interim dividends	4,487	5,535
The Directors recommend that this balance be dealt with as follows:		
Fourth interim dividend of HK$0.98 (2011: HK$0.96) per share	2,476	2,310
Retained profits for the year	2,011	3,225
	4,487	5,535

This fourth interim dividend will be paid on 21 March 2013.

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 38 to 63 of this Annual Report.

Share Capital

In December 2012, the Company placed 5% of its issued share capital pursuant to the general mandate to issue shares obtained from shareholders at the 2012 AGM. Details of the placing are provided on page 21 of this Annual Report. Details of movements in the share capital of the Company during the year are also set out in Note 26 to the Financial Statements.

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$26,860 million as at 31 December 2012 (2011: HK$27,707 million). Movements in the reserves of the Group and the Company during the year are set out under the consolidated statement of changes in equity and Note 27 to the Financial Statements.

Fixed Assets

Additions to the fixed assets of the Group for the year totalled HK$11,129 million, comprising HK$9,135 million in owned assets (transmission and distribution equipment, land and buildings) and HK$1,994 million in leased assets. In 2011, a total addition of HK$15,675 million was recorded, made up of HK$12,982 million for owned assets and HK$2,693 million for leased assets. Details of movements in the fixed assets of the Group are shown under Note 10 to the Financial Statements.

Bank Loans and Other Borrowings

The total borrowings of the Group as at 31 December 2012 amounted to HK$66,198 million (2011: HK$65,521 million). Particulars of borrowings are set out in Note 21 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 4.2% of the Group's total assets as at 31 December 2012.

Finance Costs Capitalised

Finance costs amounting to HK$384 million (2011: HK$699 million) were capitalised by the Group during the year as set out in Note 5 to the Financial Statements.

Donations

Donations by the Group for charitable and other purposes amounted to HK$4,216,000 (2011: HK$4,331,000).

Five-year Summary

A summary of the results for the year and of the assets and liabilities of the Group as at 31 December 2012 and for the previous four financial years are on pages 224 and 225 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 92 of this Annual Report. Details of their remuneration are set out in the Human Resources & Remuneration Committee Report at page 124 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 58.22% of the Group's total purchases during the year. The five largest suppliers are set out below in descending order:

1. 19.59% from Castle Peak Power Company Limited (CAPCO) of which Mr. James F. Muschalik, Mr. William Mocatta and Mr. Andrew Brandler are directors. CAPCO is 40% owned by CLP Power Hong Kong Limited (CLP Power) and supplies electricity to CLP Power only. CLP Power is a wholly-owned subsidiary of the Company.
2. 14.86% 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 and the Central Coast and Hunter regions of NSW. EnergyAustralia also pays charges to Ausgrid for certain core services in relation to the operation of EnergyAustralia Retail under the Transition Services Agreement between EnergyAustralia and Ausgrid.
3. 13.60% 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.
4. 6.70% from Delta Electricity in which the Group has no interest. The Group makes periodic payments to Delta Electricity to cover its costs of operating and maintaining the stations at Mount Piper and Wallerawang, including capital expenditure.
5. 3.47% from Guangdong Nuclear Investment Company, Limited in which the Group has no interest.

As at 31 December 2012, Bermuda Trust Company Limited, Guardian Limited, Harneys 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, New Mikado Holding Inc. (formerly known as Mikado Holding Inc.), Oak CLP Limited, Oak (Unit Trust) Holdings Limited, The Oak Private Trust Company Limited, The Hon. Sir Michael Kadoorie, Lady Kadoorie, Mr. R. J. McAulay, Mr. J. A. H. Leigh and Mr. R. Parsons who are substantial shareholders of the Company, had indirect interests in CAPCO, which interests arose from the Company's interests in CAPCO.

Directors

With the exception of Ms. Irene Lee and Mrs. Fanny Law, the Directors of the Company, whose names appear on pages 90 and 91 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 Human Resources & Remuneration Committee Report at page 124 of this Annual Report.

Mr. Hansen C. H. Loh retired as an Independent Non-executive Director of the Company after the conclusion of the 2012 AGM held on 8 May 2012.

Mr. Peter P. W. Tse retired as an Executive Director and was re-designated as a Non-executive Director with effect from 16 May 2012.

Mrs. Fanny Law resigned as an Independent Non-executive Director with effect from 20 April 2012 to take up a full-time appointment as the Head of the Fourth-term Chief Executive-elect's Office of the Hong Kong Special Administrative Region under a short-term employment contract. Upon conclusion of the contract on 1 July 2012, Mrs. Law was re-appointed as an Independent Non-executive Director with effect from 1 August 2012.

Ms. Irene Lee was appointed as an Independent Non-executive Director of the Company with effect from 15 October 2012.

Ms. Irene Lee and Mrs. Fanny Law, both being Independent Non-executive Directors appointed during the year by the Board, retire at the AGM in accordance with Article 109 of the Company's Articles of Association and, being eligible, offer themselves 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, Mr. Peter P. W. Tse, Mr. Andrew Brandler, Mr. Paul A. Theys, The Hon. Sir Michael Kadoorie and Mr. Nicholas C. Allen retire by rotation. With the exception of Mr. Peter P. W. Tse, 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.

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 2012 were as follows:

Mr. I. D. Boyce, alternate to Mr. R. J. McAulay and Mr. William Mocatta (for the year)
Mr. Neo Kim Teck, alternate to Mr. Paul A. Theys (from 1 January 2012 to 19 January 2012)
Mr. James F. Muschalik, alternate to Mr. Paul A. Theys (appointed with effect from 20 January 2012)

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 2012, 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 2012 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)	459,672,780	18.19441
Mr. William Mocatta	Note (b)	400,000	0.01583
Mr. R. J. McAulay	Note (c)	275,411,649	10.90113
Mr. J. A. H. Leigh	Note (d)	210,914,077	8.34824
Mr. Andrew Brandler (Chief Executive Officer)	Note (e)	10,600	0.00042
Mr. Peter P. W. Tse	Note (f)	20,600	0.00082
Dr. Y. B. Lee	Note (g)	15,806	0.00063
Mr. Peter W. Greenwood	Beneficial owner	600	0.00002
Mrs. Fanny Law	Personal	16,800	0.00066

Notes:

(a) The Hon. Sir Michael Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 459,672,780 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) 236,044,212 shares were ultimately held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the beneficiaries and the founder.

iv) 150,480,670 shares were ultimately held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the beneficiaries and the founder.

v) 3,000,000 shares were ultimately held by two discretionary trusts, both 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 (v) above. The spouse of The Hon. Sir Michael Kadoorie was therefore deemed to be interested in 459,672,780 shares in the Company representing approximately 18.19% 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 459,671,537 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 459,671,537 shares attributed to her for disclosure purposes.

(b) 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:

i) 250,000 shares were held in the capacity as the founder of a discretionary trust.

ii) 150,000 shares were held by a trust of which Mr. William Mocatta is one of the beneficiaries.

(c) Mr. R. J. McAulay was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 275,411,649 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) 205,251,853 shares were ultimately held by a discretionary trust, of which Mr. R. J. McAulay, his wife and members of his family are discretionary objects.

(d) Mr. J. A. H. Leigh was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 210,914,077 shares in the Company. These shares were held in the following capacity:

i) 100,000 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) 205,251,853 shares were ultimately held by a discretionary trust. Mr. J. A. H. Leigh was deemed to be interested in such 205,251,853 shares in his capacity as one of the trustees of a trust which was deemed to be interested in such 205,251,853 shares.

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

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

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

Messrs. I. D. Boyce, V. F. Moore, Paul A. Theys, Nicholas C. Allen, Vincent Cheng, Ms. Irene Lee, Professor Judy Tsui and Sir Rod Eddington who are Directors of the Company, and Mr. James F. Muschalik 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 2012. 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 2012.

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 2012.

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 2012, 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 following table and explanatory notes.

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 2012:

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	533,798,166	Note (a)	21.13
Guardian Limited	Beneficiary / Interests of controlled corporations	210,814,077	Note (h)	8.34
Harneys Trustees Limited	Interests of controlled corporations	397,160,706	Note (c)	15.72
Lawrencium Holdings Limited	Beneficiary	150,480,670	Note (b)	5.96
Lawrencium Mikado Holdings Limited	Beneficiary	236,044,212	Note (b)	9.34
The Magna Foundation	Beneficiary	236,044,212	Note (b)	9.34
Mikado Investments (PTC) Limited (formerly known as Mikado Investments Limited)	Interest of controlled corporation / Trustee	236,044,212	Note (a)	9.34
The Mikado Private Trust Company Limited	Trustee / Interests of controlled corporations	389,524,882	Note (b)	15.42
New Mikado Holding Inc. (formerly known as Mikado Holding Inc.)	Trustee	236,044,212	Note (a)	9.34
Oak CLP Limited	Beneficiary	205,251,853	Note (d)	8.12
Oak (Unit Trust) Holdings Limited	Trustee	205,251,853	Note (a)	8.12
The Oak Private Trust Company Limited	Trustee / Interests of controlled corporations	219,971,475	Note (d)	8.71
The Hon. Sir Michael Kadoorie	Note (e)	459,672,780	Note (e)	18.19
Mr. R. J. McAulay	Note (f)	275,411,649	Note (f)	10.90
Mr. J. A. H. Leigh	Notes (g) & (h)	210,914,077	Notes (g) & (h)	8.35
Mr. R. Parsons	Trustee	210,814,077	Note (h)	8.34

Notes:

(a) 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, The Oak Private Trust Company Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and / or by virtue of having direct or indirect control over such companies. The interests of Bermuda Trust Company Limited in the shares of the Company include the shares held by discretionary trusts of which The Hon. Sir Michael Kadoorie and / or Mr. R. J. McAulay are among the discretionary objects as disclosed in "Interests of Directors and Chief Executive Officer".

(b) 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".

(c) 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.

(d) The Oak Private Trust Company Limited was deemed to be interested in the shares in which Oak CLP Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and / or by virtue of having direct or indirect control over such companies. The interests of The Oak Private Trust Company Limited in the shares of the Company include the shares held by a discretionary trust of which Mr. R. J. McAulay is one of the discretionary objects as disclosed in "Interests of Directors and Chief Executive Officer".

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

(f) See Note (c) under "Interests of Directors and Chief Executive Officer".

(g) See Note (d) 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 210,814,077 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 2012, 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 2012, 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 30 to the Financial Statements. None constitutes a discloseable connected transaction as defined under the Listing Rules.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report at page 93 of this Annual Report, whilst our online Sustainability Report describes the Company's actions and initiatives with particular emphasis on the social and environmental aspects of our activities. SR

Auditor

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

William Mocatta
Vice Chairman
Hong Kong, 25 February 2013