RISK MANAGEMENT REPORT

CLP's Risk Management Philosophy

We are committed to continually improving our risk management framework, capabilities, and culture across the Group so as to ensure the long-term growth and sustainability of our business. Risk is inherent in CLP's business and the markets in which it operates. The challenge is to identify risks and then manage these so that they can be reduced, transferred, avoided or understood. This demands a proactive approach to risk management and an effective group-wide risk management framework. CLP's overall risk management process is overseen by its Board as an element of solid corporate governance. However, risk management is the responsibility of everyone within CLP. Rather than being a standalone process, risk management is integrated into business processes including strategy development, business planning, investment decisions, capital allocation and day-to-day operations.

At a corporate level, CLP focuses on the assessment of material risks at the Group, business and functional levels in order to better equip itself to pursue the Group's strategic and business objectives. At an operational level, CLP aims to identify, assess, evaluate and mitigate operational hazards and risks in order to create a safe, healthy, efficient and environmentally-friendly workplace for its employees and contractors while ensuring public safety and health, and minimising environmental impact.

CLP's Risk Appetite and Risk Profiling Criteria

CLP's risk appetite represents the amount of risk the Group is willing to undertake in pursuit of its strategic and business objectives. In line with CLP's Value Framework and expectations of its stakeholders, CLP will only take reasonable risks that (1) fit its strategy, (2) can be understood and managed, and (3) do not expose the Group to:

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

Based on the above, CLP has established its risk profiling criteria in the form of a risk matrix to help assess and prioritise risks at the Group level. Business units are required to adopt the same risk matrix structure in order to establish their own risk profiling criteria in determining consequence and likelihood of identified risks with reference to their own materiality and circumstances.

Major Risk Management Initiatives in 2013

At the Group level, we continued to improve our group-wide risk management framework, streamline the communication of risk information to Senior Management, facilitate risk management implementation across the Group and share good practices. In addition, we conducted post-implementation review of the Boxing biomass project.

At the business unit or subsidiary company level,

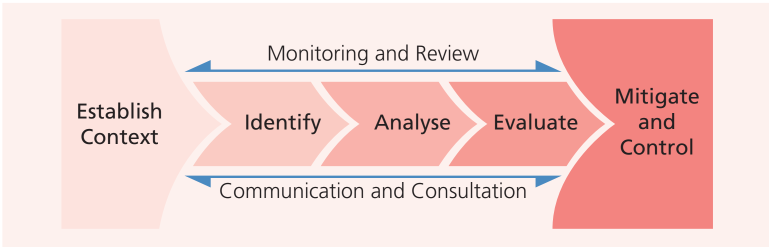
- CLP Power Hong Kong is setting up its company-wide Risk Management Framework and Guidelines to reinforce its effective and consistent implementation across its own units.
- China business unit conducted sharing and communication session on risk management with all majority-owned assets, and started drafting China Risk Management Framework and Guidelines, pending finalisation in coming quarters.
- To strengthen its energy risk management capability, EnergyAustralia has begun introducing a separate book structure for Retail, Wholesale and Strategic Value. This initiative includes integrating trading strategy across the entire value chain by defining time and price determinants of all commodities and revising risk limits to provide flexibility to respond to market signals.
- To drive ownership and accountability, EnergyAustralia has transitioned the update and maintenance of business specific risk profiles into its business units. The roll up and reporting of enterprise-wide risks are still managed centrally at EnergyAustralia's corporate office, focusing on quantifying financial risk exposure across risk scenarios and closer integration with the business planning process.
- To better manage credit risk and quantify the cost of credit, EnergyAustralia has developed a tool to assign ratings to all EnergyAustralia counterparties.

CLP's Risk Management Framework

CLP's risk management framework comprises two key elements: risk governance structure and risk management process.

Risk Governance Structure

Risk Management Process



CLP's Risk Governance Structure	
• Facilitates risk identification and escalation whilst providing assurance to the Board. • Assigns clear roles and responsibilities and facilitates implementation with guidelines and tools. • Consists of 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, 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. • At CLP Power Hong Kong, EnergyAustralia, CLP India and China business units, Risk Management Committees or parallel Executive Committees oversee their risk management frameworks and activities. Group Risk Management participates in these committees or reviews risk reports of the business units. • In other business and functional units, executives meet regularly to review their risk profiles and risk management activities. • Risk managers or coordinators at business and functional units have been appointed to facilitate communication, experience sharing and risk reporting.

CLP's 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 level, control gaps and priorities, and developing control and mitigation plans. This is a continuous process with periodic monitoring and review in place.

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, compile a Quarterly Group Risk Management Report for discussion at the Group Executive Committee, chaired by the CEO. The Committee reviews and scrutinises the material risks and ensures the appropriate controls and mitigation measures are in place or in progress. 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 Group Executive Committee, the Quarterly Group Risk Management Report is submitted to the Audit Committee with a summary of the material risks circulated to the Board. "Deep dive" presentations on selected risks are presented to the Audit Committee for more detailed review.
Risk Review Process for Investment Decisions	• All new investments must be endorsed by the 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 facilitates the project owner to conduct a detailed project risk assessment with proper documentation. Detailed checklists and worksheets are adopted for identifying risks/mitigations and assessing risk level. Material risks and associated mitigations are highlighted and discussed at the Investment Committee.
Risk Management 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 profiling criteria as the quarterly risk review process. Plans to mitigate the identified risks are developed for implementation and budget purposes. The material risks set out on pages 138 to 141 of this Annual Report have been extracted from our 2013 business planning process.

Material Risks of the Group

Our 2013 business planning process has identified the following as material risks of the Group.

Regulatory risk across the Group

While governments and regulators continue to pursue low-carbon generations and energy efficiency, consumers are increasingly price sensitive under current economic environment. All CLP's businesses operate under various local and national regulatory regimes and are continually facing the risk of tightening regulation or adverse regulatory changes.

Risk Description	Changes from last year	Key Risk Mitigations
Regulatory and political risk of Hong Kong business		
Rising costs and tariff increases have become a regulatory challenge for the Hong Kong 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.	SoC Interim Review, and 2014-2018 Development Plan and 2014 Tariff Review concluded based on constructive dialogue with the Government	• Implement an optimal fuel mix strategy to minimise the tariff impact arising from increasing gas consumption necessary to meet emissions standards. • Help customers mitigate tariff impact. • Enhance energy efficiency and conservation initiatives. • Prepare for the discussion on future market development with Government and the public. • Implement enhanced Stakeholder Engagement Plan to facilitate sensible and informed discussion on regulatory issues and post-2018 regulatory regime. • Publicity and brand building to reinforce appreciation of CLP's performance and the value of its service to customers. • Exercise stringent cost management as well as strengthen cost justification and transparency.
Lack of competitively priced gas impacting implementation of PPA at Paguthan		
The current PPA protects Paguthan's revenue as long as the plant is available for despatch. Paguthan has been declaring availability mainly based on gas contracts. For supply of expensive re-gassified LNG, Paguthan has entered into spot gas contracts under which supplies are made on a "reasonable endeavour" basis. Given the non-availability of gas at affordable prices, the off-taker is unwilling to schedule despatches. This has resulted in off-taker seeking PPA re-negotiation and asking for a reduction in CLP's capacity payments.	PPA negotiations ongoing to give off-taker some relief	• Executed spot gas supply and transportation contracts for 2014. • Efforts are being made to extend the existing spot gas contracts or enter into new contracts for the remaining terms of PPA. • Option to use naphtha for declaring plant capacity mitigates revenue risk to the extent of normative availability, i.e. capacity charges get paid in full without incentive.

Potential financial impact on Jhajjar power plant due to state-owned counterparties' inability to perform obligations including PPA off-takers and coal supplier		
Domestic coal supply, which is currently about 50% of Annual Contracted Quantity (ACQ), is unlikely to ramp up by more than 10% of ACQ per annum for the next 3 to 4 years due to nationwide coal shortages. Government approved a mechanism for power plant to import the deficit in domestic coal supplies with the costs being passed through. However, supplementing shortage through imported coal may not always materialise in a timely manner. Jhajjar Power Limited is obtaining a judgment on the PPA disputes with the off-takers that confirms its position on commercial operation date which in turn results in the appropriate capacity charge revenue as envisaged under the PPA.	⬇ Improving coal supply situation and power generation	• Efforts are being made to increase domestic coal supply from reliable sources and by other options such as e-auction and higher-graded coal. • Obtain approval to use more than 1.7 million tonnes per annum of imported coal with increased blending ratio. • Establish JPL's right to procure enough imported coal to supplement domestic coal deficit so as to deliver agreed contractual performance under the PPA. • Establish a procurement framework to reduce uncertainties in coal sourcing. • Extensive engagement with off-takers on PPA disputes, supported by improved plant performance and coal supply, to prevent any new disputes from emerging. • Ongoing disputes are to be resolved through Central Electricity Regulatory Commission adjudication process.
Difficulty in meeting tightening Hong Kong environmental policy and regulations		
The HKSAR Government has proposed changing the fuel mix for power generation. However, decisions have yet to be made. There may not be sufficient time for CLP to provide clean generation facilities or import clean power while the public may be reluctant to shoulder costs of environmental initiatives.	⬅➡ Public consultation on future fuel mix for electricity generation in Hong Kong to be held by Government soon	• Monitor climate change and fuel mix related consultation and policy development. • Implement projects under the approved 2014-18 Development Plan that fulfill the commitments in our Energy Vision. • Engage constructively with Government for regulatory clarity and mutually acceptable solutions. • Work with Government on reviewing air pollutant emission caps from 2019 onwards and ensure such emission caps are consistent with our plant operations capability and results of the public consultation on fuel mix. • Engage stakeholders and disseminate messages of the need for a balance between environment, cost, security of supply and reliability. • Enhance operational performance of emissions control equipment and efficiency of generating units.

⬆ Risk level increased ⬇ Risk level decreased ⬅➡ Risk level remains broadly the same

Liquidity Impact on Executing Business Strategy

A major acquisition in Hong Kong for additional stakes in CAPCO and PSDC has been announced. S&P also announced on 18 October 2013 lowering EnergyAustralia credit rating by one notch to BBB- Negative down from BBB Negative reflecting changes in the local market. Even though the Group has maintained adequate liquidity and firepower for operation and growth, the global financial markets remain uncertain with event risks overhanging which may disrupt the market, reduce liquidity and raise funding costs.

Risk Description	Changes from last year	Key Risk Mitigations
Liquidity risk of inadequate funding for business operations and growth		
Inability to obtain adequate and cost-effective funding on time could adversely impact CLP's operations, weaken financial flexibility to respond to investment opportunity and/or lower credit ratings.	⬇ EnergyAustralia completed refinancing and CLP Holdings has maintained sufficient firepower	• Maintain strong investment grade credit ratings. • Early solicitation of adequate and cost-effective funding in advance of use and replenishment of firepower after significant transactions. • Further diversify funding sources and maintain an appropriate mix of committed credit facilities. • Continue debt funding diversification (sources, lenders, instruments, tenor, and currency) to avoid concentration risk. • Reviewing funding options including slowdown in expansion, sell-down of selective assets, raising hybrid capital or equity to maintain adequate firepower.
EnergyAustralia credit rating downgraded resulting in increased difficulty in securing (re)financing and additional costs to funding. There may be flow-on effects in EnergyAustralia maintaining its bank covenant ratios		
EnergyAustralia may continue to underperform against various financial performance measures or ratios which reflect its balance sheet, cashflow and income situation.	⬆ One notch downgrade in October 2013	• Revisit EnergyAustralia's capital structure. • Review business strategies to recover business and bring back investment returns. • Ongoing monitoring and reporting of debt profile and financial ratios to various risk committees on a monthly basis. • Ongoing communication with credit rating agencies to address concerns. • Lock in long-term funding to ensure liquidity. • Deferral of discretionary operating and capital spending. • Optimal treatment of revenue from sale of carbon units.

⬆ Risk level increased ⬇ Risk level decreased ⬅ ➡ Risk level remains broadly the same

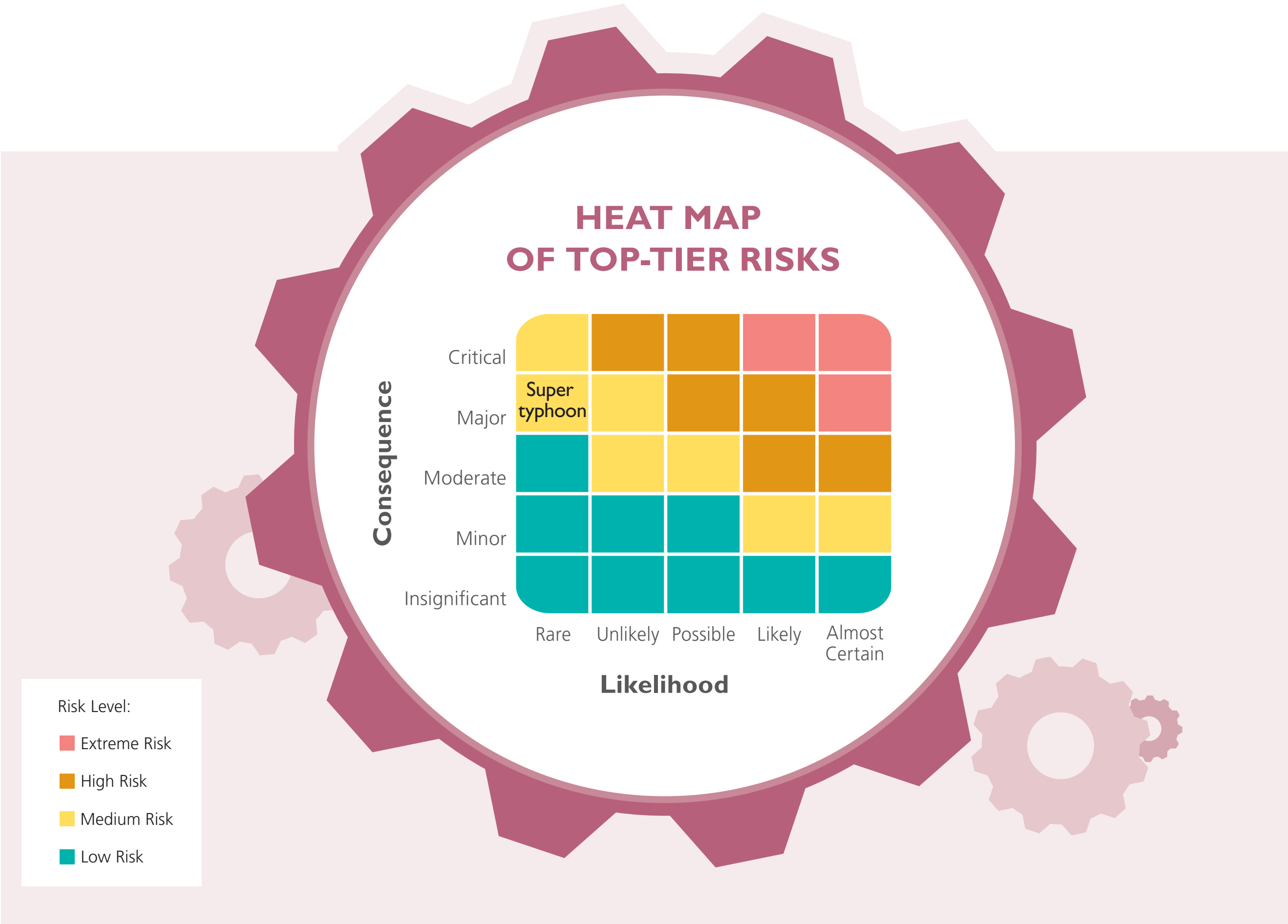
Business challenges of EnergyAustralia

EnergyAustralia's business and financial risk profiles have weakened because of declining electricity demand, discounting of retail electricity and gas pricing, and soft wholesale electricity price trends. Concurrently, EnergyAustralia has focused resources on stabilising its new retail billing platform (C1) which will be critical to the successful integration of Ausgrid customers and the achievement of EnergyAustralia's cost reduction objectives.

Risk Description	Changes from last year	Key Risk Mitigations
Inability to fully integrate Ausgrid customers on schedule due to C1 performance and other system issues resulting in an inability to effectively manage the combined business and increased costs to transition		
The new C1 retail billing platform is a very large and complex system with deployment impacting all of retail operations. The ongoing stability of C1 is critical to the ability to integrate Ausgrid customers into C1 on schedule. The operational performance of C1 has improved to a level comparable to that of before C1 went live in September 2012. Focus has now shifted to enhancing C1's performance in preparation for the EnergyAustralia Integration Programme and the transition of 1.4 million customers from Ausgrid over to C1 by the end of November 2014.	Issues with C1 operational performance	• Organisational and process changes to support improved governance, strengthen business engagement, accelerate critical decision making, align more closely with specific user requirements, and lock down the critical path etc. • A risk-based approach to planning the new critical chain allows for an extended period of testing to reduce schedule risk and increase the quality of the solution. • A test-driven approach to expedite discovery and remediation of requirements gaps, functional and data defects. • Key dependency on C1 stabilisation is on track to provide a stable C1 platform for migration. • Preparation for stress and volume testing is underway. Detailed System Integration Testing is currently scheduled to commence in early 2014. • Ability to extend Transition Service Agreement with Ausgrid in the event of delay in integration project schedule.
Significant energy market changes in Australia resulting in overall market demand reduction, reduced pool prices, loss of revenue, compounded by the pending carbon tax repeal, impacting profitability and growth of EnergyAustralia		
Current economic environment is negatively impacting residential and commercial/industrial demand. The closure of a major aluminum smelter in Victoria is likely to result in a drop in demand. Carbon tax repeal, if implemented, will result in loss of compensation partially offset by increased margin, primarily from Yallourn.	Carbon tax repeal pending	• Ability to withdraw capacity together with a flexible fuel supply position where necessary to cater for reduced demand. • Cost optimisation initiative to address cost base and productivity. • Marketing campaigns differentiating residential price points to attract more customers. • Developing growth plan for products and services beyond grid energy supply. • Monitoring of all large exposures to single commercial/industrial customers or to single industry sectors.

Risk level increased Risk level decreased Risk level remains broadly the same

Case Study: Readiness for Super Typhoon Affecting Hong Kong



- Super typhoon risk assessed in terms of its consequence and likelihood.
- Formulated strategies and contingency plans to safeguard the general public as well as supply reliability.
- Key mitigations:
  - strengthening identified structures in power stations
  - reinforcement of slopes and transmission towers
  - regular typhoon drills and crisis management exercises
  - install flooding barriers and boards at vulnerable flooding areas in power stations, and flooding alarms and water gates at low-lying substations
  - Emergency Management Team
- During the passage of Super Typhoon Usagi in September 2013, CLP Power Hong Kong activated the Emergency Management Team, engaged customers proactively in mitigating risks of operational disruption, and enhanced public awareness of CLP's emergency support.

How CLP Monitors Emerging Risks

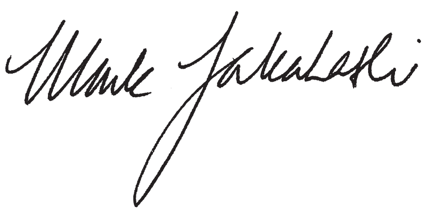
In addition to reviewing risks identified by our business and functional units through a bottom-up approach, emerging risks are also monitored and discussed at the Group level.

What are emerging risks?	• Risks that are recognised but frequency and impact usually unknown • Risks that not currently identified but may emerge
Typical attributes of emerging risks	• Results from changes in the economic, social, legal, or physical environment or advances in technology • Difficult to identify or predict with certainty • Potential significant impact • Cause and effect may be difficult to link
Examples	• Super typhoon (see case study on page 142) • Climate change related policies and regulations • Cyber attack • Shale gas
How emerging risks are identified	• Review publicly available surveys and studies • Stay abreast of geopolitical, economic, technological, and social developments • Keep track of trends in the industry • Seek inputs from the Board, management and other key stakeholders
How emerging risks are monitored	• Compile list of relevant emerging risks on a quarterly basis for discussion at the Group Executive Committee and sharing across the Group

Outlook and Major Initiatives for 2014

- Continue to enhance group-wide risk management framework and its implementation in line with industry best practices.
- Continue to assist business units in roll-out of their own frameworks in line with group-wide framework and guidelines.
- CLP Power Hong Kong will continue to migrate to the online risk management platform after successful implementation in one of its business units with active engagement of front-line managers and staff.
- China business unit will formalise and roll-out its risk management procedures across subsidiary and majority-owned entities.
- CLP India will reassess various insurance covers for projects under construction or commissioned, and continue to carry out post implementation review of commissioned wind projects.
- EA will continue to enhance and implement the various supporting frameworks and processes of investment governance, insurance, energy and credit risk management, and to have its respective business units manage their own risk registers and report accordingly.

An increasingly challenging business environment and a diversified business which is subject to a wide range of current and emerging risks demands continuous and close attention based on effective risk management governance and processes.



Mark Takahashi

Group Director & Chief Financial Officer

Hong Kong, 27 February 2014

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 financial services, including banking, funds management and general insurance.

The Board has given the Committee written terms of reference prepared by reference to the HKICPA's "Guide for Effective Audit Committees" and the Hong Kong Stock Exchange's Appendix 14 to the Listing Rules "Corporate Governance Code and Corporate Governance Report" (the Stock Exchange Code). 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. There is an open invitation between the Committee and the EnergyAustralia Audit & Risk Committee to attend each other's meetings. Individual attendance of members at the meetings held in 2013 is set out in the Corporate Governance Report on page 121. Members of the EnergyAustralia Audit & Risk Committee participated in two of the meetings of the Committee held in 2013 and members of the Committee participated in one EnergyAustralia Audit & Risk Committee meeting within 2013 and also the meeting held in February 2014.

Responsibilities

The Committee is accountable to the Board, to whom minutes of all meetings are sent. The Chairman reports to the Board on Committee's review of significant internal control issues and the Company's annual / interim results. In addition, 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 2013 and the date of this Report (the Relevant Period), the Audit Committee met seven times and 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. The work performed by the Committee during the Relevant Period are summarised in the following paragraphs.

Internal Control

The Committee reviewed the CLP Group's internal control review approach and the Business Practice Review Process for 2013 (excluding EnergyAustralia which will commence its Business Practice Review in 2014). It also reviewed the Group's top-tier risks on a quarterly basis.

The Committee has received regular updates from EnergyAustralia on its new Customer Management and Billing System – Customer First (C1), EnergyAustralia Integration Project, status of key control testing and outstanding audit issues. In June 2013 Group Internal Audit (GIA) undertook and completed a Post Implementation Review of C1. A significant number of control issues in C1 were identified. The issues were reviewed by the CLP Holdings Audit Committee as well as the EnergyAustralia Audit & Risk Committee and are being actively addressed by management, including performing alternate substantive procedures to obtain an appropriate level of assurance over revenue related data, balances and transactions for 2013. Save for the control issues identified in C1 and Customer Operations, no other significant areas of concern that might affect shareholders were identified during the twelve months ended 31 December 2013.

A General Representation Letter, which was signed jointly by the CEO and the CFO regarding compliance with internal control systems, disciplines and procedures for the year ended 31 December 2012 and separately for 2013 Interim as well as for the year ended 31 December 2013, was given to the Audit Committee to assure that adequate internal controls are in place and followed.

Based on the information received from management, the external auditor and GIA, the Committee believes that overall financial and operating controls for the Group during 2013 continue to be effective and adequate. Further information about control standards, checks and balances and control processes is set out in the Corporate Governance Report on pages 129 to 131. The Audit Committee confirms that it has discharged its responsibilities in accordance with the requirements of the CLP Code and is satisfied that the Group has complied with all the Code Provisions of the Stock Exchange Code with respect to internal controls.

Accounting Principles and Reporting Practices

The Committee reviewed the CLP Group's accounting principles and practices and the changes in accounting policies arising from revised financial reporting standards.

The Committee reviewed the 2012 and 2013 Annual Reports including the Corporate Governance Report, the Directors' Report and Financial Statements for the years ended 31 December 2012 and 2013 and the relevant annual results announcement, with a recommendation to the Board for approval. The Committee also reviewed the 2013 Interim Report including the CLP Group Interim Financial Statements for the six months ended 30 June 2013 and the interim results announcement, with a recommendation to the Board for approval.

The Audit Committee paid particular regard to judgmental issues in respect of the Company's Financial Statements for the years ended 31 December 2012 and 2013 and for the six months ended 30 June 2013. Amongst other inputs, the management reports to the Committee and the audit reports submitted by external auditor summarised significant matters of the CLP Group for the years ended 31 December 2012 and 2013 and for the six months ended 30 June 2013, 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 acquisition accounting for acquiring a further 30% interest in Castle Peak Power Company Limited and remaining 51% interest in Hong Kong Pumped Storage Development Company, Limited (if the transaction is completed), as well as the impairment reviews of EnergyAustralia's cash generating units and of CLP India's Paguthan Plant. The Audit Committee held an additional meeting on 10 January 2014 in advance of the Audit Committee's regular review of the Financial Statements on 17 February 2014. It reviewed the likely critical judgmental issues of CLP Group including EnergyAustralia's critical judgmental issues, which earlier had been presented to, and reviewed by, EnergyAustralia's Audit & Risk Committee.

Internal and External Auditing

The Committee reviewed the overall internal audit results for 2012 and 2013 and all the internal audit reports submitted in 2013.

During the twelve month period ended 31 December 2013, the Committee was advised that four reports (out of a total of 28) submitted by GIA regarding Accounts Payable, Remuneration & Rewards, Customer Operations and

Independent Non-executive Directors receive an update on Fangchenggang at the Power Station

Customer Sales at EnergyAustralia carried an unsatisfactory audit opinion. The issues arising from these audits are being addressed by management.

The Committee reviewed the staffing and resources of the Group's Internal Audit department and the audit plans for 2013 and 2014, with areas of emphasis identified.

The Committee reviewed the audit fees payable to the external auditor, PricewaterhouseCoopers (PwC), for the years ended 31 December 2012 and 2013 for approval by the Board, with a recommendation for their reappointment for 2013. PwC were reappointed independent auditor of the Company by shareholders at the AGM held on 30 April 2013. PwC audit all companies in the CLP Group which require statutory audit opinions. Their audit strategy for the year ended 31 December 2013 was reviewed by the Committee.

The Committee has reviewed the proposed engagement of the external auditor in respect of audit-related and permissible non-audit services. Details of fees paid to PwC for their audit-related and permissible non-audit services are set out in the Corporate Governance Report on page 128. Having reviewed PwC's performance during 2013 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.

Compliance

The Committee reviewed the compliance by the Company with the Stock Exchange Code throughout the years ended 31 December 2012 and 2013 and throughout the six months ended 30 June 2013. CLP complies with all the Code Provisions, with one deviation from Recommended Best Practices, which is explained in the Corporate Governance Report on page 116 of this Annual Report.

The Committee also reviewed the Company's compliance with the Listing Rules, Companies Ordinance and Securities and Futures Ordinance throughout the years ended 31 December 2012 and 2013. No breaches were identified.

Every six months, the Committee reviewed 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 33 Contingent Liabilities to the Financial Statements.

During the Relevant Period, the Committee has also reviewed the implementation of Compliance Management System of EnergyAustralia. This system is regularly reviewed by EnergyAustralia Audit & Risk Committee.

Corporate Governance

The terms of reference of the Audit Committee cover all of the corporate governance functions set out in the Hong Kong Stock Exchange's 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, including the Shareholders' Communication Policy, Code of Conduct, Whistleblowing Policy and Procedure for Gifts & Entertainment;
- the adequacy of training programmes and the budget of the accounting and financial reporting functions;
- new policies and practices on corporate governance matters and making recommendations to the Board;
- Code of Conduct issues identified in 2013. None of the 12 breaches of the Code was material to the Group's financial statements or overall operations. One case involved a senior manager of a subsidiary;
- the Investigations Guidelines for Senior Executives;
- management development, succession planning and training for key finance, accounting and internal audit positions;
- recommendations of 2012 Board Evaluation Report of relevance to the Audit Committee;
- cyber security; and
- Management's Ethical and Controls Commitment Survey Results.

Audit Committee Effectiveness

The Company Secretary has evaluated the performance and effectiveness of the Audit Committee in 2013. The scope of the evaluation was reviewed by internal and external auditors. The CLP Holdings Board has endorsed the evaluation of the Company Secretary to the effect that the Audit Committee was performing its responsibilities in an effective manner and in accordance with its terms of reference.

Vernon Moore
Chairman, Audit Committee
Hong Kong, 27 February 2014

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. Effective from 30 September 2013, the Committee was chaired by Mr Richard Lancaster after he succeeded Mr Andrew Brandler as the CEO of the Company. Mr Brandler remained as a member of the Committee. Other members of the Committee include Mr Nicholas C. Allen, Mrs Fanny Law, Dr Jeanne Ng and Professor Judy Tsui.

Summary of Work Done

Between 1 January 2013 and 27 February 2014 (the Relevant Period), the Committee reviewed this Committee Report and:

- CLP's Sustainability Framework – implementation in 2013 and 2014 review;
- CLP's ESG performance in 2013;
- ESG Data Management and Reporting Strategy (2014-2016);
- Climate Vision 2050 Performance and Review 2013;
- the progress of implementation of CLP's Responsible Procurement Policy and 2013 roadmap;
- the 2012 CLP Group online Sustainability Report and feedback received from stakeholders; SR
- PricewaterhouseCoopers' Report on the assurance process review of selected data in the 2012 Sustainability Report;
- the follow-up actions arising from the Board Evaluation Report 2012;
- 2012 and 2013 Group's community investment activities and future plans;
- Group Environmental Strategy – Progress Update;
- CLP Group Community Investment, Sponsorship and Donation Policy;
- CLP Stakeholder Engagement Strategy; and
- the revised Sustainability Committee Terms of Reference.

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 under each of the 15 goals as a contribution to the Group's sustainability objective as part of its business planning process;
- each target should make an efficient, 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 set during the annual business planning process are assessed at year end, 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.

The ESG Reporting Guide, as Appendix 27 to the Listing Rules (the ESG Guide), was published by the Hong Kong Stock Exchange (HKEx). It 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 ESG 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 Reporting, which predates the introduction of the ESG Guide, is wider than that of the ESG Guide. Our Sustainability Reporting was constructed around the GRI Guidelines and evolved to incorporate those areas, objectives and goals which we considered most relevant to our business as articulated in our Sustainability Framework.

There is a table, available on our Sustainability Report landing page, which refers the reader to the relevant sections of our Sustainability Report where we set out in detail the manner in which CLP has met, and in many respects exceeded, the terms of the ESG Guide. There are a few matters where the subject areas, aspects, general disclosure and KPIs in the ESG Guide go beyond our reporting in this Annual Report and Sustainability Report. Where this is the case we have explained the differences, and the reasons, in the table available on our Sustainability Report landing page. The Five-year Summary of statistics on the Group's environmental and social performance on pages 258 and 259 of this Annual Report includes cross-references to the HKEx's KPIs.

During the Relevant Period, we have established an ESG Reporting Steering Committee to help facilitate discussion and decision making on KPI measurement and reporting. CLP's sustainability goals, key aspects of delivery against these goals in 2013 and some examples of the relevant KPIs to measure the delivering of these goals are summarised in the table on pages 148 and 149. Full details of the KPIs are available on the online Sustainability Report. SR

Critical Area – Objective	Goals	2013 Highlights	Examples of Relevant KPIs
People – meet the evolving expectations of our stakeholders	• Zero injuries in all our workplaces • Support a healthy workforce • Develop committed and motivated employees • Meet or exceed customer expectations • Earn and maintain community acceptance • Operate our business ethically	• One contractor fatality in India, otherwise strong safety performance • Many initiatives across the Group supporting healthy lifestyle and work life balance initiatives • Relatively positive employee opinion survey results and relatively low turnover rates reflect committed and motivated employees • Excellent customer service performance in Hong Kong; some improvement required in Australia due to implementation issues of the new C1 • Numerous and varied community engagement initiatives organised and supported throughout the Group • A small number of breaches of the Code of Conduct, none of which were material to the Group's financial statements or overall operations	• Health & safety (e.g. number of fatalities, disabling injury incidence rate, total injury frequency rate, loss time injury incidence rate) • Employee turnover (e.g. voluntary turnover rates) • Level of employee engagement (e.g. number of meetings with the Managing Director / General Manager events, feedback from survey) • Customer satisfaction (e.g. 12-month average customer satisfaction percentage, same day reconnection percentage, percentage of calls answered within 30 seconds) • Community engagement & investment (e.g. number of engagements, number of programmes sponsored) • Ethical behaviour (e.g. number of breaches of the Code of Conduct, recap Value Framework in Business Practices Review) • Supply chain management (e.g. Responsible Procurement Policy Statement requirements included in supplier selection and monitoring)
Business Performance – continually increase business value	• Create long-term shareholder value • Adapt proactively to a changing business environment • Enhance individual and organisational capability	• Consistent increase in ordinary dividends, linked to the underlying earnings performance of the business • Comprehensive risk management processes in place as well as many opportunities for new energy efficiency products and services and more advanced generation technologies pursued • Several staff training initiatives pursued and succession planning initiatives implemented	• Business performance (e.g. earnings, liquidity, credit ratings) • Management of risks and opportunities (e.g. mitigation progress of identified risks, number of engagements with governments, number of partnerships / projects to support research and development of new technologies) • Development and training (e.g. number of training man-days, succession index)

Online Sustainability Report

Critical Area – Objective	Goals	2013 Highlights	Examples of Relevant KPIs
Energy Supply – deliver world-class products and services	• Supply energy reliably • Be operationally efficient • Adopt emerging technology in a timely manner	• A wide variety of quantitative operational performance targets set and largely achieved across the Group • Several Smart Grid pilot projects ongoing in Hong Kong and Australia and power station energy efficiency improvement programmes executed • Different types of new and more efficient power generation technologies investigated and pursued	• Service performance (e.g. unplanned customer minutes lost, average service availability, average supply restoration) • Operational performance of assets (e.g. equivalent forced outage rate, energy efficiency targets) • Incremental efficiency improvements of existing assets; pursue new products and opportunities • Investigate and consider adopting new technologies
Environment – minimise environmental impacts	• Move towards zero emissions • Move towards a more sustainable rate of resource use • Move towards no net loss of biodiversity	• Group carbon emissions intensity increased in 2013 relative to 2012 due mainly to the acquisition of coal-fired power stations in Australia and increased output from our Jhajjar coal plant in India compared to 2012, rather than any large changes in the operation of our existing generation portfolio. • Many initiatives to decrease water use and waste production across the Group • Biodiversity efforts conform to local regulations and comply with Group's Environmental Impact Assessment policy	• Reducing emissions (e.g. operational efficiency improvements, use of lower emitting fuel) • Reducing resource use (e.g. water and waste recycling) • Minimising our impact on biodiversity (e.g. including biodiversity impact assessments in environmental impact assessments, land rehabilitation)

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. In particular, the Committee will continue to review the development and implementation of the strategic goals set out in the Sustainability Framework, which are based on the values CLP has long committed and expressed in its Value Framework, to ensure that such strategic goals are embraced by employees of different business units and integrated into the business planning process for the sustainable development of the Company.

Richard Lancaster
Chairman, Sustainability Committee
Hong Kong, 27 February 2014

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. It also provides forward guidance on EnergyAustralia's remuneration policy through interactions between the Committee and the EnergyAustralia Nomination & Remuneration Committee. Between 1 January 2013 and 27 February 2014 (the Relevant Period), the Committee approved the 2012 and 2013 HR&RC Reports, and reviewed:

- the Group performance for 2012 and 2013 and Group targets for 2013 and 2014;
- 2012 and 2013 organisation performance for CLP India and targets for 2014;
- 2013 organisation performance for CLP Power Hong Kong and targets for 2014;
- 2013 remuneration review for EnergyAustralia;
- the base pay for 2013 and 2014 for Hong Kong payroll staff, CLP India and China;
- the Senior Executive remuneration (Hong Kong and India), including annual incentive payments for 2012 and 2013 and annual pay for 2013 and 2014;
- CEO's remuneration;
- proposed change to Senior Executive Long Term Incentive scheme;
- subsidiary performance targets for Annual Incentive purposes and proposed timetable for 2013 CLP Group performance and 2014 remuneration review;
- proposed final payment arrangements for Mr Andrew Brandler;
- governance of executive remuneration in EnergyAustralia;
- proposed response to preliminary proposals from EnergyAustralia on Executive Remuneration;
- request for extension of Deeds of Indemnity, Insurance and Access to Officers of EnergyAustralia;
- EnergyAustralia Nomination & Remuneration Committee decisions on 20 February 2014;
- Non-executive Directors' fees;
- the follow-up actions arising from the Board Evaluation Report 2012;
- update on Human Resources Policy matters and gender diversity in the Hong Kong workforce;
- proposal for nomination to Senior Management;
- implementation plan of proposed Senior Management changes; and
- training and continuous professional development of Senior Management.

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 the 2013 Review are placed on CLP's website.

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 AGM. Whilst maintaining the same methodology, the Board recommended 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 below were proposed by Management, reviewed by J.S. Gale & Co and approved by our shareholders at the AGM 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.

Fees for Non-executive Directors

	Fees per annum (w.e.f. 1 May 2015) HK$	Fees per annum (w.e.f. 1 May 2014) HK$	Fees per annum (w.e.f. 1 May 2013) HK$	Fees per annum (before 1 May 2013) 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.

6. Non-executive Directors – Remuneration in 2013

The fees paid to each of our Non-executive Directors in 2013 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, compared to 2012, was primarily due to an increase in the levels of Non-executive Directors' fees which took effect on 1 May 2013 and the full year service of some of the Independent Non-executive Directors who were appointed in 2012.

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 2013**	Total 2012
Non-executive Directors									
The Hon Sir Michael Kadoorie	582,553.42[c]	–	14,000.00[c]	–	–	–	–	596,553.42	574,000.00
Mr William Mocatta[1]	457,720.54[vc]	–	–	391,610.96[c]	39,430.14	14,000.00[c]	–	902,761.64	880,475.00
Mr R. J. McAulay	416,109.59	–	–	–	–	–	–	416,109.59	400,000.00
Mr J. A. H. Leigh	416,109.59	–	–	–	–	–	–	416,109.59	400,000.00
Mr I. D. Boyce	416,109.59	–	–	281,610.96	–	–	–	697,720.55	680,000.00
Dr Y. B. Lee	416,109.59	–	–	–	–	–	–	416,109.59	400,000.00
Mr Paul A. Theys	416,109.59	–	–	–	–	–	–	416,109.59	400,000.00
Mr Peter P. W. Tse[2]	131,506.85	–	–	–	–	–	–	131,506.85	251,366.00
Independent Non-executive Directors									
Mr V. F. Moore	416,109.59	344,064.38[c]	–	281,610.96	39,430.14	–	–	1,081,215.07	1,030,000.00
Professor Judy Tsui	416,109.59	246,345.20	–	–	–	–	59,631.50	722,086.29	680,000.00
Sir Rod Eddington	416,109.59	–	–	281,610.96	39,430.14	–	–	737,150.69	715,000.00
Mr Nicholas C. Allen	416,109.59	246,345.20	10,000.00	281,610.96	39,430.14	–	59,631.50	1,053,127.39	1,005,000.00
Mr Vincent Cheng	416,109.59	–	10,000.00	281,610.96	52,182.19[c]	–	–	759,902.74	731,011.00
Mrs Fanny Law	416,109.59	246,345.20	–	–	–	–	59,631.50	722,086.29	488,634.00
Ms Irene Lee	416,109.59	246,345.20	–	281,610.96	–	–	–	944,065.75	192,869.00
Dr Rajiv Lall[3]	163,791.78	–	–	109,091.51	–	–	–	272,883.29	–
Mr Hansen C. H. Loh[4]	–	–	–	–	–	–	–	–	200,055.00
							Total	10,285,498.33	9,028,410.00

Notes:

(1) Mr William Mocatta also received HK$303,000 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 2012, he received HK$322,000 as fees for his service on the boards of these companies.

(2) Mr Peter P. W. Tse retired as a Non-executive Director after the conclusion of the 2013 AGM held on 30 April 2013. Mr Tse has extended the property consultancy services contract with CLP Properties Limited for one year from 16 May 2013 at a fee based on actual time incurred at an hourly rate of HK$4,000. This service contract can be terminated by CLP Properties Limited or Mr Tse by giving one month's notice. During the year, Mr Tse has received HK$1,013,600 for providing consultancy services on property matters under this contract.

(3) Dr Rajiv Lall was appointed as an Independent Non-executive Director and a member of the Finance & General Committee with effect from 13 August 2013.

(4) The fee paid to Mr Hansen C. H. Loh (a former Director) is included in the table, solely for the purpose of comparing the total fees paid to Non-executive Directors in 2012 with those in 2013.

7. Executive Directors – Remuneration in 2013

The remuneration paid to the Executive Directors of the Company in 2013 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
2013					
CEO (Mr Richard Lancaster) (Note B)	3.4	1.7	–	0.4	5.5
Executive Director (Mr Andrew Brandler) (Note C)	6.7	6.9	19.3	0.8	33.7
Group Executive Director – Strategy (Mr Peter W. Greenwood) (Note D)	2.5	5.4	5.2	0.3	13.4
	12.6	14.0	24.5	1.5	52.6
2012					
CEO (Mr Andrew Brandler)	7.5	7.1	2.8	0.9	18.3
Group Executive Director (Mr Peter P. W. Tse) (Note E)	2.0	3.6	8.9	0.2	14.7
Group Executive Director – Strategy	5.6	5.2	–	0.7	11.5
	15.1	15.9	11.7	1.8	44.5

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 2013 was reviewed and approved by the HR&RC after 31 December 2013. 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 2013 for the last year in excess of the previous accruals made.

(b) The long-term incentive is the incentive for 2010, paid in 2013 when the vesting conditions had been satisfied (the comparative figures are the incentive for 2009 paid in 2012). About 30% of the amount of 2010 long-term incentive payments results from the appreciation of CLP Holdings' share price between 2010 and 2012, with dividends reinvested.

(c) Payment of the annual incentive and granting of the long-term incentive awards relating to 2013 performance will be made in March 2014. These payments and awards are subject to the prior approval of the HR&RC. Details of these will be published on the CLP website at the time that the 2013 Annual Report is published.

Note B:

Mr Richard Lancaster was appointed an Executive Director of the Company with effect from 3 June 2013 and was appointed as the CEO to succeed Mr Andrew Brandler with effect from 30 September 2013. The remuneration covered the period from 3 June 2013 to 31 December 2013.

Note C:

After stepping down as the CEO on 30 September 2013, Mr Andrew Brandler continued to serve on the Board as a Director of the Company. Mr Brandler was also employed in a limited capacity by the Company until 31 March 2014 in order to be available to provide advice to the new CEO and support a smooth transition. During the period from 30 September 2013 to 31 March 2014, Mr Brandler is entitled to a revised monthly remuneration of HK$189,000 and monthly contributions by the Company to CLP Group Provident Fund based on this monthly amount together with other non-remuneration related employment benefits. The revised monthly remuneration is equivalent to the Directors' fees payable on a pro rata basis for service on the boards and committees of the Company and EnergyAustralia on which Mr Brandler will continue to serve. Mr Brandler's entitlement to annual incentive for 2013 ceased on 30 September 2013 and there will be no long-term incentive award made in 2014 for Mr Brandler. This employment arrangement can be extended or terminated by mutual agreement on the provision of one month notice. The annual incentive for the years 2012 and 2013, and the long-term incentive for the years 2010, 2011, 2012 and 2013 were HK$6.9 million and HK$19.3 million respectively. The annual incentive for the year 2013 were made on a pro rata basis up to 29 September 2013.

Note D:

Mr Peter W. Greenwood retired from his position as Group Executive Director – Strategy and also as a Director of the Company on 19 May 2013. The annual incentive for the years 2012 and 2013 was HK$5.4 million. This figure included the additional discretionary annual incentive for year 2013 of HK$2 million. The long-term incentive for the years 2010, 2011, 2012 and 2013 was HK$5.2 million. The annual and long-term incentives for the year 2013 were made on a pro rata basis in respect of Mr Greenwood's service up to 19 May 2013.

Note E:

Mr Peter Tse retired as an Executive Director with effect from 16 May 2012 and retired as a Director after the conclusion of the 2013 AGM held on 30 April 2013.

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 2013

The total remuneration of Non-executive and Executive Directors in 2013 was:

	2013 HK$M	2012 HK$M
Fees	10	9
Base compensation, allowances and benefits in kind	13	15
Performance bonus *		
– Annual incentive	14	16
– Long-term incentive	24	12
Provident fund contributions	2	2
	63	54

* Refer to Note A on performance bonus on page 154.

Of the total remuneration paid to Directors, HK$8 million (2012: HK$7 million) has been charged to the SoC operation.

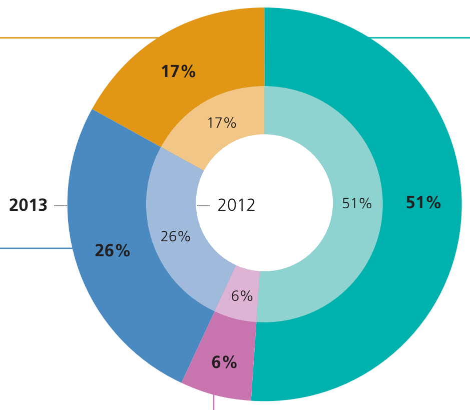
9. Senior Management – Principles of Remuneration

For the purposes of this Section, Senior Management means the managers whose details are set out on page 113. In determining the remuneration of members of Senior Management, the remuneration data of comparable positions in the market, including local and international companies of comparable size, complexity and business scope, are referenced. This is consistent with our remuneration policy to align with companies with whom CLP competes for human resources. Achievement of performance plays a significant part in individual rewards as part of our policy to attract, motivate and retain high performing individuals. The remuneration policies applied to Senior Management including the levels of performance bonus (with exception of Richard McIndoe whose performance bonus is approved by the Board of EnergyAustralia) 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, social, 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 reflect 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 2012 and 2013.

Senior Management's Remuneration* (excluding Mr McIndoe)



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.

Pension Arrangement

The members of Senior Management are eligible to join the Group's defined contribution 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 2013.

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 2013. 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 the overall assessment of organisational and individual performance.

A payout was made in 2013, based on a balanced overall assessment of the 2012 performance of the Group and the individuals concerned. The average payout to Senior Management (including Executive Directors) in 2013 was 80% of the 2012 base compensation, compared to 96% of the 2011 base compensation paid 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 2013. The composition of the LTI award:

Target LTI award set at the beginning of 2013

×

Performance multiplier (Performance for the year preceding that in which the award is made)

=

Actual LTI award:
a) A minimum of 75% of the award 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

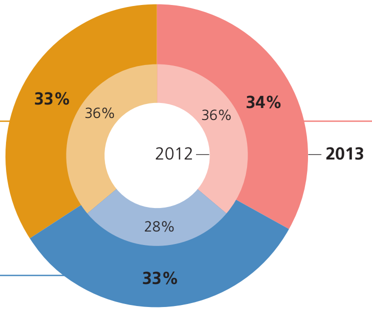
→ Payment of LTI award will be made in 2016

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.

* Mrs Betty Yuen has different arrangements affecting the proportion of target total remuneration with which each component represented in 2012 and 2013. The proportions of her 2012 and 2013 target total remuneration are Base Compensation (61%), Annual Incentive (31%) and Pension (8%) since she no longer participated in the LTI after she had assumed the part time role of Vice Chairman – CLP Power Hong Kong.

In 2013, with the approval of the Board of EnergyAustralia, Mr McIndoe was assigned a "target" annual incentive (AI) of 100% of Fixed Annual Remuneration (FAR) with a cap at 150% of FAR (please refer below for details). For comparison, Mr McIndoe's entitlement of "target" AI was 75% of FAR with a cap at 150% of FAR in 2012. His remuneration components including the proportion of target total remuneration with which each component represented in 2012 and 2013 are explained below.

Mr McIndoe's Remuneration



Fixed Annual Remuneration

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 100% of FAR, which accounted for 33% of his total remuneration in 2013. 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 150% of the "target" annual incentive i.e. 150% of FAR. The actual payout of Mr McIndoe's Annual Incentive will be approved by the Board of EnergyAustralia.

Long-term Incentive

For 2013, Mr McIndoe was assigned an LTI Award of 100% of FAR.

The final 2013 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 calculation of the value of the final 2013 LTI payment:

Final Payment = LTI Award Value × LTI Vesting Factor

The LTI Vesting Factor is calculated according to the table set out below:

	LTI Vesting Factor
Actual performance equal to or greater than (target performance x 110%)	100%
Actual performance equal to or greater than target performance and less than (target performance x 110%)	Progressive on a straight-line basis from 50% to 100%
Actual performance below target performance	Zero

Upon determination of the Final Award Value, 100% of that value (subject to the discretion of the Nomination & Remuneration Committee of EnergyAustralia) will be paid to Mr McIndoe in April 2016 (the Vesting Date).

10. Senior Management – Remuneration in 2013

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	Other Payments HK$M	Total HK$M
2013						
Group Director & Chief Financial Officer (Mr Mark Takahashi)	4.9	3.6	2.8	0.6	–	11.9
Vice Chairman – CLP Power Hong Kong (Mrs Betty Yuen)	3.5	3.3[(a)]	–	0.4	–	7.2 #
Group Director – Operations (Mr Peter Littlewood)	4.1	3.2	2.3	0.5	–	10.1
Group Director – Managing Director Hong Kong (Mr Richard Lancaster)[(b)]	2.1	2.2	3.0[(c)]	0.3	–	7.6 ##
Managing Director – CLP Power Hong Kong (Mr Paul Poon)[(d)]	1.1	0.6	–	0.1	–	1.8 ###
Managing Director – EnergyAustralia (Mr Richard McIndoe)	11.4	(1.2)[(e)]	3.3	0.1	2.0[(f)]	15.6
Managing Director – China (Mr Chan Siu Hung)[(g)]	0.4	0.2	–	–	–	0.6
Managing Director – India (Mr Rajiv Mishra)	3.2	2.2	2.0	0.4	–	7.8
Group General Counsel & Chief Administrative Officer (Mr David Simmonds)[(g)]	0.4	0.2	–	0.1	–	0.7
Chief Corporate Development Officer (Ms Quince Chong)[(g)]	0.4	0.2	–	0.1	–	0.7
Director – Group Human Resources (Mr Roy Massey)[(h)]	0.2	0.1	–	–	–	0.3
	31.7	14.6	13.4	2.6	2.0	64.3
2012						
Group Director & Chief Financial Officer	4.6	4.2	1.5	0.6	–	10.9
Vice Chairman – CLP Power Hong Kong	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	9.3	10.1	2.1	0.3	5.6[(i)]	27.4
Group Director – Operations	3.9	3.7	1.1	0.5	–	9.2
Managing Director – India	3.3	2.9	0.7	0.4	–	7.3
	29.1	28.9	8.6	2.8	5.6	75.0

Notes:

(a) These figures included additional discretionary annual incentives of HK$0.75 million and HK$1 million paid to Mrs Betty Yuen in 2013 and 2012 respectively.

(b) Mr Richard Lancaster has been appointed as Executive Director from 3 June 2013 and was appointed as the Chief Executive Officer from 30 September 2013. The remuneration covered the period from 1 January to 2 June 2013.

(c) This figure included the additional discretionary long-term incentive for year 2010 of HK$709,554 paid to Mr Lancaster in 2013.

(d) Mr Paul Poon has become member of Senior Management from 30 September 2013 and his remuneration covered the period from that date to 31 December 2013.

(e) No accrual has been made for the annual incentive for year 2013. The negative figure represents the reversal of over-accrual made in 2012.

(f) Australia tax equalisation for the long-term incentive for year 2010.

(g) Mr Chan Siu Hung, Mr David Simmonds and Ms Quince Chong have become members of Senior Management from 19 November 2013 and their remuneration covered the period from that date to 31 December 2013.

(h) Mr Roy Massey has become member of Senior Management from 9 December 2013 and his remuneration covered the period from that date to 31 December 2013.

(i) 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%) was the tax payment to the tax authority of the country where the executive was based during secondment.

* Refer to Note A on performance bonus on page 154.
\# HK$1 million (2012: HK$1 million) has been charged to the Non-SoC operation.
\## HK$1 million (2012: HK$1 million) has been charged to the Non-SoC operation.
\### HK$1 million has been charged to the Non-SoC operation.

The five highest paid individuals in the Group included three Directors (2012: three Directors), one member of Senior Management (2012: one member) and one former senior executive of the Group (2012: one senior executive). The total remuneration of the five highest paid individuals in the Group is shown below:

	2013 HK$M	2012 HK$M
Base compensation, allowances and benefits in kind	28	29
Performance bonus *		
– Annual incentive	17	29
– Long-term incentive	36	14
Provident fund contributions	2	2
Final payment ψ	3	–
Other payments @	2	9
	88	83

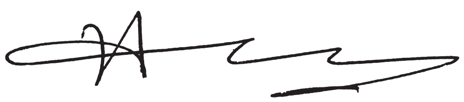
* Refer to Note A on performance bonus on page 154.
ψ The final payment is not part of the remuneration arrangement of the Group, but may be payable, on approval by the HR&RC Chairman or CEO where appropriate.
@ Other payments included tax equalisation and other payments.

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

	Number of Individuals			Number of Individuals	
	2013	2012		2013	2012
HK$11,000,001 – HK$11,500,000	–	1	HK$11,500,001 – HK$12,000,000	–	1
HK$12,000,001 – HK$12,500,000	–	–	HK$12,500,001 – HK$13,000,000	1	–
HK$13,000,001 – HK$13,500,000	2	–	HK$14,500,001 – HK$15,000,000	–	1
HK$15,500,001 – HK$16,000,000	1	–	HK$18,000,001 – HK$18,500,000	–	1
HK$27,000,001 – HK$27,500,000	–	1	HK$33,500,001 – HK$34,000,000	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, 27 February 2014

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report together with the audited Financial Statements for the year ended 31 December 2013.

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 14 to the Financial Statements.

Consolidated Financial Statements

The consolidated Financial Statements incorporate the Financial Statements of the Company and its subsidiaries (collectively referred to as the Group) together with the Group's interests in joint ventures, joint operations and associate. Details of the joint ventures and associate are provided under Notes 15 and 16 to the Financial Statements.

Earnings and Dividends

The earnings of the Group for the year are set out under the consolidated statement of profit or loss.

The Directors have declared and paid the first to third interim dividends of HK$1.59 (2012: HK$1.59) per share totalling HK$4,017 million (2012: HK$3,825 million) during the year.

The Directors declared the fourth interim dividend of HK$0.98 (2012: HK$0.98) per share totalling HK$2,476 million (2012: HK$2,476 million).

This fourth interim dividend will be paid on 25 March 2014.

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 46 to 81 of this Annual Report.

Share Capital

There was no movement in the share capital of the Company during the year. There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the year.

Reserves

Distributable reserves of the Company amounted to HK$27,751 million as at 31 December 2013 (2012: HK$26,860 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 29 to the Financial Statements.

Fixed Assets

Additions to the fixed assets of the Group for the year totalled HK$12,049 million, comprising HK$8,547 million in owned assets (transmission and distribution equipment, land and buildings) and HK$3,502 million in leased assets. In 2012, a total addition of HK$11,129 million was recorded, made up of HK$9,135 million for owned assets and HK$1,994 million for leased assets. Details of movements in the fixed assets of the Group are shown under Note 12 to the Financial Statements.

Bank Loans and Other Borrowings

The total borrowings of the Group as at 31 December 2013 amounted to HK$56,051 million (2012: HK$66,198 million). Particulars of borrowings are set out in Note 23 to the Financial Statements.

Financial Assistance and Guarantees to Affiliated Companies

The financial assistance given to affiliated companies and the guarantees given for facilities granted to affiliated companies aggregated to 4.6% of the Group's total assets as at 31 December 2013.

Finance Costs Capitalised

Finance costs amounting to HK$271 million (2012: HK$384 million) were capitalised by the Group during the year as set out in Note 7 to the Financial Statements.

Donations

Donations by the Group for charitable and other purposes amounted to HK$8,449,000 (2012: HK$4,216,000).

Five-year Summary

A summary of the results for the year and of the assets and liabilities of the Group as at 31 December 2013 and for the previous four financial years are on pages 256 and 257 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 113 of this Annual Report. Details of their remuneration are set out in the Human Resources & Remuneration Committee Report at page 150 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 56.87% of the Group's total purchases during the year. The five largest suppliers are set out below in descending order:

1. 19.48% from Castle Peak Power Company Limited (CAPCO) of which Mr David Moore, Mr William Mocatta and Mr Richard Lancaster are directors. CAPCO is currently 40% owned by CLP Power Hong Kong Limited (CLP Power Hong Kong) and supplies electricity to CLP Power Hong Kong only. Pursuant to the CAPCO Acquisition Agreement signed on 19 November 2013 and approved by shareholders at the Extraordinary General Meeting (EGM) held on 22 January 2014, CLP Power Hong Kong will acquire a further 30% interest in CAPCO upon completion of the CAPCO Acquisition as defined in the Circular to shareholders dated 10 December 2013. CLP Power Hong Kong is a wholly-owned subsidiary of the Company.
2. 15.05% 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.
3. 13.31% 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.
4. 5.60% from Delta Electricity in which the Group has no interest. During the year, the Group made capital expenditure and periodic payments to Delta Electricity to cover its costs of operating and maintaining the Mount Piper and Wallerawang power stations. No further commitments to such capital or operating expenditure were made to Delta Electricity after completion of the Group's acquisition of the two power stations in September 2013.
5. 3.43% from Guangdong Nuclear Investment Company, Limited in which the Group has no interest.

As at 31 December 2013, 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 Mr Richard Kendall Lancaster and Dr Rajiv Behari Lall, the Directors of the Company, whose names appear on pages 110 and 111 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 150 of this Annual Report.

Mr Tse Pak Wing Peter retired as a Non-executive Director of the Company after the conclusion of the 2013 AGM held on 30 April 2013.

Mr Peter William Greenwood retired as an Executive Director on 19 May 2013.

Mr Richard Lancaster was appointed an Executive Director of the Company with effect from 3 June 2013 and was appointed the CEO to succeed Mr Andrew Clifford Winawer Brandler with effect from 30 September 2013. After stepping down as the CEO on 30 September 2013, Mr Andrew Brandler continued to serve on the Board as a Director of the Company.

Dr Rajiv Lall was appointed as an Independent Non-executive Director of the Company with effect from 13 August 2013.

Mr Richard Lancaster and Dr Rajiv Lall, being Executive Director and Independent Non-executive Director appointed during the year by the Board, retired at the EGM held on 22 January 2014, being the first general meeting after their appointment, in accordance with the CLP Code on Corporate Governance. They were elected by shareholders at the EGM.

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 J. A. H. Leigh, Professor Judy Tsui, Sir Rod Eddington, Mr R. J. McAulay, Mr I. D. Boyce and Dr Y. B. Lee will retire by rotation at the 2014 AGM. Professor Judy Tsui, who has been an Independent Non-executive Director of the Company since 2005, would like to focus on work related to her employment issues. Mr I. D. Boyce, after having served on the Board for over 14 years, has decided to retire in May 2014 and live overseas. Accordingly, both Professor Tsui and Mr Boyce have decided not to stand for re-election at the AGM. All the other 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 2013 were as follows:
Mr I. D. Boyce, alternate to Mr R. J. McAulay and Mr William Mocatta (for the year)
Mr James F. Muschalik, alternate to Mr Paul A. Theys (from 1 January 2013 to 12 August 2013)
Mr David William Moore, alternate to Mr Paul A. Theys (appointed with effect from 13 August 2013)

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 2013, 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 2013 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)	479,372,780	18.97416
Mr William Mocatta	Note (b)	400,000	0.01583
Mr R. J. McAulay	Note (c)	288,811,649	11.43152
Mr J. A. H. Leigh	Note (d)	224,314,077	8.87863
Dr Y. B. Lee	Note (e)	15,806	0.00063
Mrs Fanny Law	Personal	16,800	0.00066
Mr Nicholas C. Allen	Note (f)	12,000	0.00047
Mr Richard Lancaster (Chief Executive Officer)	Personal	600	0.00002
Mr Andrew Brandler	Note (g)	10,600	0.00042

Notes:

(a) The Hon Sir Michael Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 479,372,780 shares in the Company. These shares were held in the following capacity:

  (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) 233,044,212 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.

  (iv) 170,180,670 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.

  (v) 2,000,000 shares were ultimately held by each of three discretionary trusts, all of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.

  For the purpose of the Securities and Futures Ordinance, the spouse of The Hon Sir Michael Kadoorie was taken to have a discloseable duty in Hong Kong in relation to the shares referred to in (ii) to (v) above. The spouse of The Hon Sir Michael Kadoorie was therefore deemed to be interested in 479,372,780 shares in the Company representing approximately 18.97% of the issued share capital of the Company, of which 1,243 shares were held by her in a personal capacity and an aggregate of 479,371,537 shares were attributed to her pursuant to the Securities and Futures Ordinance for disclosure purposes. Nevertheless, she has no interest, legal or beneficial, in these 479,371,537 shares attributed to her for disclosure purposes.

(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 288,811,649 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) 218,651,853 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 224,314,077 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) 218,651,853 shares were ultimately held by a discretionary trust. Mr J. A. H. Leigh was deemed to be interested in such 218,651,853 shares in his capacity as one of the trustees of a trust which was deemed to be interested in such 218,651,853 shares.

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

(f) 12,000 shares were held in a beneficial owner capacity and jointly with spouse.

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

Messrs I. D. Boyce, V. F. Moore, Paul A. Theys, Vincent Cheng, Ms Irene Lee, Professor Judy Tsui, Sir Rod Eddington and Dr Rajiv Lall who are Directors of the Company, and Mr David Moore 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 2013. 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 2013.

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 2013.

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 2013, 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.

I. 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 2013:

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	546,198,166	Note (a)	21.62
Guardian Limited	Beneficiary / Interests of controlled corporations	224,214,077	Note (h)	8.87
Harneys Trustees Limited	Interests of controlled corporations	416,860,706	Note (c)	16.50
Lawrencium Holdings Limited	Beneficiary	170,180,670	Note (b)	6.74
Lawrencium Mikado Holdings Limited	Beneficiary	235,044,212	Note (b)	9.30
The Magna Foundation	Beneficiary	235,044,212	Note (b)	9.30
Mikado Investments (PTC) Limited	Trustee / Interest of controlled corporation	235,044,212	Note (a)	9.30
The Mikado Private Trust Company Limited	Trustee / Interests of controlled corporations	409,224,882	Note (b)	16.20
New Mikado Holding Inc.	Trustee	235,044,212	Note (a)	9.30
Oak CLP Limited	Beneficiary	218,651,853	Note (d)	8.65
Oak (Unit Trust) Holdings Limited	Trustee	218,651,853	Note (a)	8.65
The Oak Private Trust Company Limited	Trustee / Interests of controlled corporations	233,371,475	Note (d)	9.24
The Hon Sir Michael Kadoorie	Note (e)	479,372,780	Note (e)	18.97
Mr R. J. McAulay	Note (f)	288,811,649	Note (f)	11.43
Mr J. A. H. Leigh	Notes (g) & (h)	224,314,077	Notes (g) & (h)	8.88
Mr R. Parsons	Trustee	224,214,077	Note (h)	8.87

Notes:

(a) Bermuda Trust Company Limited was deemed to be interested in the shares in which New Mikado Holding Inc., Mikado Investments (PTC) Limited, Oak (Unit Trust) Holdings Limited, The Oak Private Trust Company Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and / or by virtue of having direct or indirect control over such companies. The interests of Bermuda Trust Company Limited in the shares of the Company include the shares held by discretionary trusts of which The Hon Sir Michael Kadoorie and / or Mr 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 224,214,077 shares in which Guardian Limited was interested was duplicated within the interests attributed to each of Mr J. A. H. Leigh and Mr R. Parsons.

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

As at 31 December 2013, 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 2013, the Company had not been notified of any persons other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance.

Related Party Transactions

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

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report at page 114 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.

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
Vice Chairman
Hong Kong, 27 February 2014