

Shareholder Value

CLP has a responsibility to deliver meaningful and sustainable value to our shareholders.

The Company's overriding financial objective for shareholders is to maximise total return over time – as measured by the combination of capital appreciation and dividend income. At the same time, the Company recognises that our shareholders will be looking to us, as an electric utility, for consistent and stable growth of dividend income, particularly during periods of wider economic uncertainty.

The Group aims to increase returns to shareholders by growing profits, making investments that have rates of return above the cost of capital, and by returning surplus cash to investors through dividends and share repurchases.

By optimising its capital structure, the Group can increase returns on equity. A prudent debt-to-total-capital ratio is maintained. Based on the Group's strong cash flow and healthy interest coverage, the Group has earned high long-term credit ratings and can access the international capital markets as required.

Cash generation is used to fund capital investment, pay dividends and, when appropriate, repurchase shares. The Group's dividend policy is to provide shareholders with



relatively consistent increases in ordinary dividends linked to the underlying earnings performance of the business.

During the year ended 31 December 2001, total shareholders return amounted to -2.92%. By comparison, the total returns for the Hong Kong Tracker Fund and Hang Seng Utilities

Index were -22.41% and -0.33% respectively. CLP's total shareholders return for the five years ended 2001 was 34.47%.

A shareholder who owned 1,000 CLP shares throughout 2001 would have received HK\$1,692 in dividends during the year, a yield of 5.31%, but seen the market value of the shares decline by 8.23%.

