

By delivering economic value to our capital providers, as well as social and environmental value to all our stakeholders, we can create a sustainable business with a positive outlook.

Delivering Shareholder Value

In the previous sections of this Annual Report, we have explained the operating and financial performance of CLP, including each of the five major business streams within the Group. In this section, we want to explain what this means for our shareholders – how we have delivered value to them.

In the modern corporate world, it is fashionable to speak of “stakeholders” in a company, rather than just shareholders. This is entirely right – CLP, like any other large undertaking, can only survive and prosper through building and maintaining mutually beneficial relationships with everyone with whom we do business or who is impacted by the way that we do business. These stakeholders can range from governments, suppliers, non-governmental organisations, the media to the public at large. However, amongst all these stakeholders, shareholders hold a unique position – they have invested in CLP, they own the Company and the directors, management and all CLP colleagues have a particular responsibility to them for the effective stewardship of their assets. We need to earn and keep our shareholders’ confidence by running their business well (which we have aimed to explain elsewhere in this Annual Report), delivering value to them and reporting and communicating openly and honestly about their Company.

The scale of our shareholders’ investment in CLP is reflected in a market capitalisation of CLP Holdings of HK\$152 billion as at 31 December 2010. This ranks us as the 29th largest company out of the 1,244 issuers listed on the Main Board of the Hong Kong Stock Exchange. The Company’s shares are a constituent of the Hang Seng Index (HSI) – the index of Hong Kong’s leading listed companies, representing 1.88% by weighting of that Index. CLP is also part of the Hang Seng Utilities Index (HSUI) along with Power Assets Holdings (formerly known as Hongkong Electric Holdings), Hong Kong and China Gas and China Resources Power Holdings, representing 39.63% by weighting of that Index.

Who are our Shareholders?

At the end of 2010, CLP had over 20,000 registered shareholders. The actual number of investors in CLP shares will be much greater, taking into account all those people and organisations that have an indirect interest in our shares through intermediaries such as nominees, investment funds and the Central Clearing and Settlement System (CCASS) of Hong Kong.

Our largest single shareholder is the Kadoorie Family (and interests associated with the Family) who have a combined shareholding of 34.87%. Even so, CLP is not a family-controlled company. The remaining 65.13% of our shares are held by a wide range of institutional investors, including those based in North America, Europe and Asia, as well as a considerable number of retail investors, who are mostly resident in Hong Kong.

Shareholdings as at 31 December 2010

Size of Registered Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital	Shareholding by Category
500 or below	2,102	10.16	615,010	0.02	<p>30.81% 34.87% 34.32%</p> <ul style="list-style-type: none"> Interests associated with the Kadoorie Family Institutional investors Retail investors
501 – 1,000	3,652	17.65	2,824,051	0.12	
1,001 – 10,000	9,817	47.44	42,273,163	1.76	
10,001 – 100,000	4,569	22.08	132,519,003	5.51	
100,001 – 500,000	443	2.14	89,276,858	3.71	
Above 500,000	109 ¹	0.53	2,138,635,315	88.88	
Total	20,692	100.00	2,406,143,400²	100.00	

Notes:

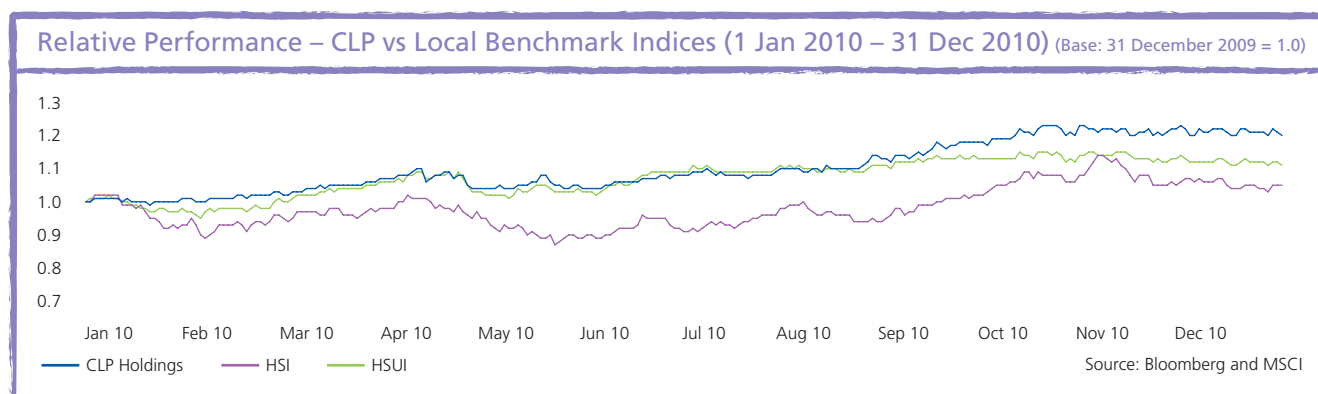
- Information on the ten largest registered shareholders in the Company is set out on our website.
- 48.21% of all our issued shares were held through CCASS.

From publicly available information and as far as our directors are aware, CLP Holdings has maintained a sufficient public float of its share capital in the Hong Kong stock market throughout the financial year ended 31 December 2010 and has continued to maintain such a float as at 24 February 2011.

Delivering Shareholder Value ~ Share Price Performance

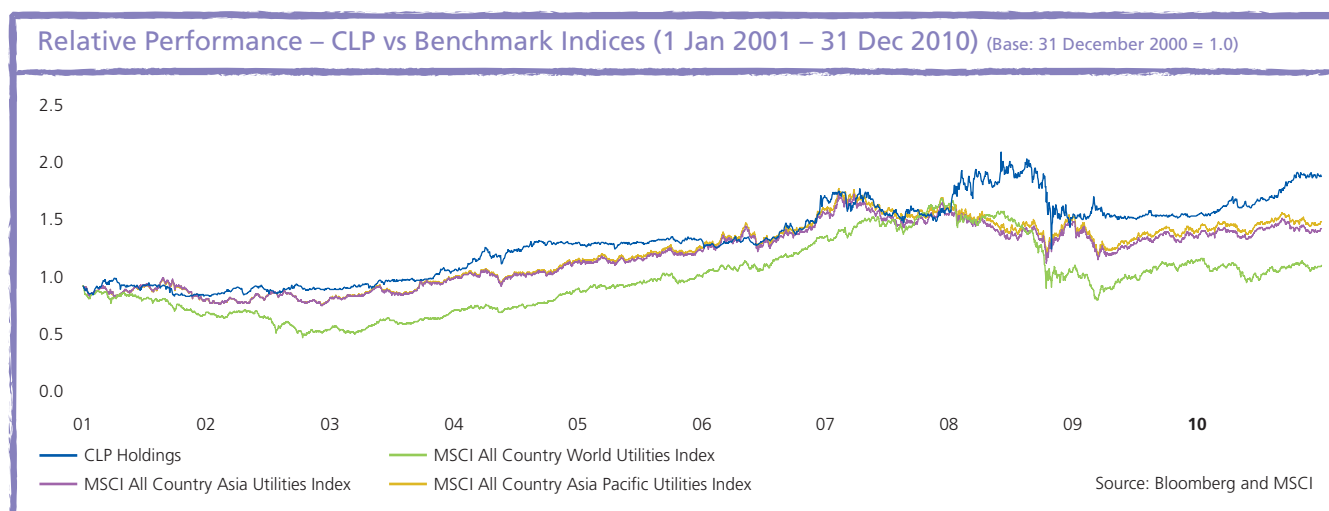
We deliver value to our shareholders in two ways: capital appreciation (in the form of the performance of our share price over time) and the payment of dividends.

During 2010, CLP shares have steadily out-performed the HSI. CLP shares have traded in a price range of HK\$51.80 to HK\$65.00, with the highest closing price of HK\$64.65 recorded on 21 October 2010 and the lowest closing price being HK\$52.15 recorded on 21 January 2010.



CLP is a Hong Kong-listed stock, with the overwhelming majority of the shareholders having a Hong Kong registered address and with a major part of our earnings coming from our Hong Kong electricity business. Even so, whilst investors may predominately measure CLP's share price performance against other Hong Kong stocks, we know that many shareholders will compare CLP's performance against that of other utility companies, both in Asia and world-wide. This will be increasingly the case as our business grows in markets outside Hong Kong with investors having a choice of shares, those of CLP or other power companies, which they can hold to gain access to those markets.

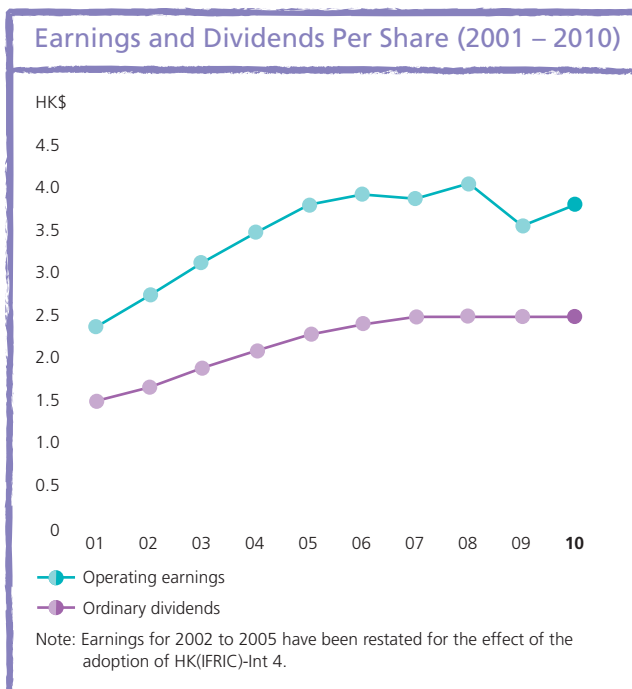
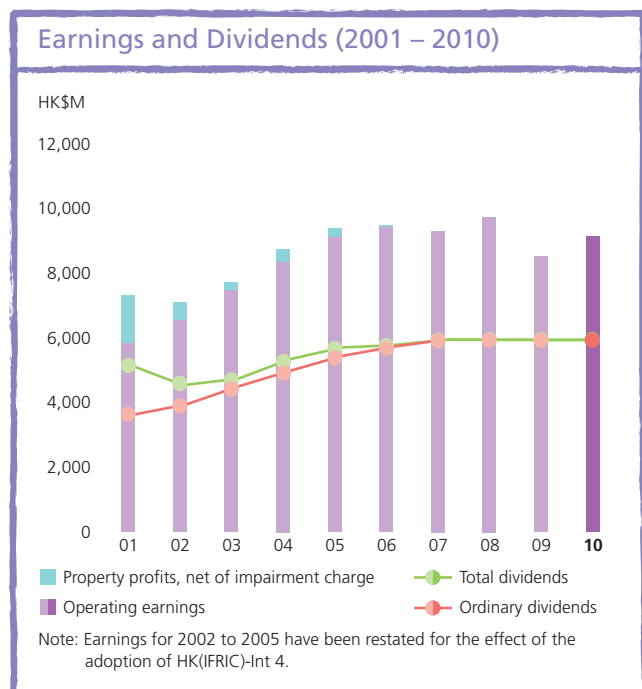
CLP continues to deliver a strong share price performance, relative to benchmark utilities indices. Since 2002, when we saw a decline in investor confidence in utility stocks relative to other growth opportunities, CLP has consistently out-performed these indices. This, in substantial measure, may be due to our longstanding policy of steady dividend payments. Generally speaking, and especially during the global credit crisis in 2008, CLP's share performance has been strong in economic downturns, demonstrating the defensive qualities of CLP stock.



Delivering Shareholder Value

Delivering Shareholder Value ~ Dividends

Our longstanding policy is to provide consistent increases in ordinary dividends, linked to the underlying earnings performance of the business. Our shareholders, whether institutional or retail investors, have repeatedly emphasised to us the importance they attach to a consistent and substantial dividend stream from their investment in CLP shares. The following charts demonstrate that we have maintained a stable dividend stream despite fluctuations in earnings in recent years. In fact, our annual dividends have not decreased since 1960 – a solid record kept for the past 50 years.



From 1999 to 2008, CLP's ordinary dividend payments were between 60% and 64% of operating earnings. Earnings from the property development at Hok Un and the other property disposal were generally paid out as special dividends. In 2009 our payout ratio rose to 70% of operating earnings, due to a significant decline in earnings compared to 2008, mostly caused by the



As a long-term CLP shareholder, I wish to know whether CLP may consider increasing dividends when it pays out dividends in the coming year?

First of all, I should thank you for your trust and confidence placed in CLP for being our long-term shareholder – in fact I understand you've been a shareholder since you were born. In the past decade, our ordinary dividend payout amount per share has steadily increased from HK\$1.42 in 2000 to HK\$2.48 in 2010. We have achieved this steady growth in line with a generally increasing operating earnings profile and a dividend payout ratio approximately equal to 60% of operating earnings supplemented by special dividends from extraordinary income as appropriate. With the reduction in the Hong Kong SoC permitted return in 2008, our earnings have reduced. Nevertheless, we have kept the dividend payments steady by increasing our dividend payout ratio.

Moving forward, a major financial objective would be to increase our dividend payments in line with the underlying earnings performance of the business. This very important objective will need to be balanced with our desire to maintain a strong financial position to provide appropriate financing flexibility for investment opportunities and unforeseen events.



substantial reduction in the permitted return under the SoC. This year, with a significant increase in operating earnings, the Board considers that it would be prudent and appropriate, while maintaining a stable dividend stream, to bring the payout ratio back towards the level maintained over the past decade. Accordingly, the Board has recommended a fourth interim dividend payable on 28 March 2011 of HK\$0.92 per share. Together with three interim dividends per share of HK\$0.52 each paid during 2010, the total ordinary dividend will be HK\$2.48 per share, the same as for 2009. This represents a dividend payout ratio for the year of 65% of operating earnings. The tax consolidation benefit from Australia of HK\$989 million recorded in the current year brings no immediate cash inflow to the Group, and therefore is not paid out as dividend.

The Board expects that four interim dividends will be payable for 2010. Previously we have paid three interim dividends (June, September and December) and a final dividend (in April, after the Annual General Meeting). The final dividend has always been the largest of our four dividend payments (for example, it represented approximately 37% of our total dividends paid for 2009). In January 2011, we advised shareholders of our intention to better organise our dividend payments to them. Instead of three interim dividends and the final dividend, we are going to move to pay four interim dividends (in June, September, December and March). The advantage will be that shareholders will receive the fourth interim dividend in March, as opposed to the final dividend in April. The timing of payments to shareholders will also be more evenly spread over the year – in March, June, September and December. The fourth interim dividend will, in effect, replace the final dividend (except it will be paid a month earlier). This improved payment arrangement will not affect the total amount of dividends paid to shareholders. The total amount of dividends paid to shareholders over any given year in four interim dividends will be the same as it would have been with three interim dividends and a final dividend.

We believe that shareholders will welcome the more even timing of dividend payments over the year and the earlier payment of the fourth dividend. Other well-known companies such as HSBC and Hang Seng Bank already use this approach. We will be introducing this change as from the fourth interim dividend for 2010 (which will be paid on or about 28 March 2011). Our dividend policy and practice is an important matter for the shareholders. Even though this is a positive change for shareholders we believe we should give them an opportunity to express their views. We will, therefore, consult shareholders at our Annual General Meeting in May 2011 on whether we should continue with this new approach in future years.

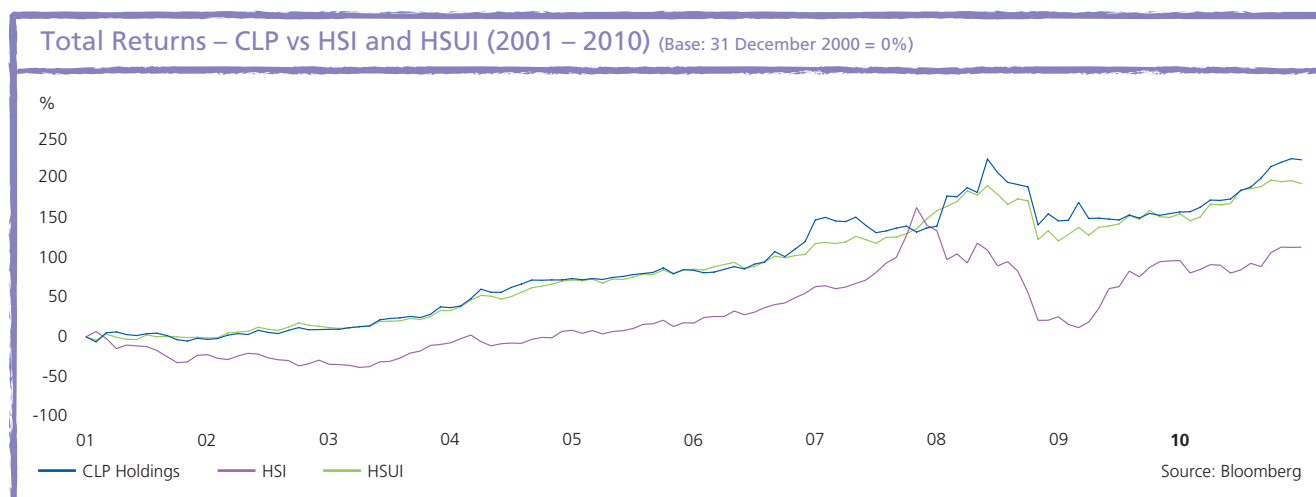


Mr. Nicholas Allen, one of our independent directors, hosting a shareholders' visit

Delivering Shareholder Value

Delivering Shareholder Value – Total Returns

Total returns to shareholders come from the combination of share price appreciation and dividend payments over time. During the past ten years CLP has provided stable growth in total returns when compared with both the HSI and HSUI. During the period from 2001 to 2010, CLP provided an annualised rate of return of 12.42%, as compared to 7.84% and 11.33% for the HSI and the HSUI respectively.



As a publicly listed company, we recognise that our shareholders have many investment choices available to them, ranging from other listed shares to bank deposits. We cannot offer a comparison of the total returns from holding CLP shares compared to every other investment available to our shareholders or which they might choose to make. However, the overwhelming majority of our registered shareholders have a Hong Kong presence of some sort (97.78% have their registered address in Hong Kong) and will tend to be either conservative investors or have CLP shares as a conservative component within their investment portfolio. In this year's Annual Report, as in previous years, we have looked at the performance of some comparable investments which our shareholders might make. To do this, we have assumed, as an illustration, that during the period of 1, 5 and 10 years prior to 31 December 2010, an investor has put HK\$1,000 into each of these investments every year. We then compared the total worth of these investments (including bonus shares and with dividends or interest reinvested) at the end of each of the three periods.

Total Investment Worth of Different Types of Investment

Type of Investment	Total Investment Worth at 31 December 2010		
	1-Year Period HK\$	5-Year Period HK\$	10-Year Period HK\$
CLP Shares	1,255	6,981	20,718
Power Assets Holdings (formerly known as Hongkong Electric Holdings) Shares	1,215	6,887	18,990
Hong Kong and China Gas Shares	1,053	6,959	20,713
Tracker Fund of Hong Kong Shares	1,082	6,756	18,945
HK\$ 1-Year Fixed Deposits	1,005	5,353	11,382

Adapted from Bloomberg / Reuters

Shareholders ~ Communication

We are aware that to maintain the trust and confidence of our shareholders we must do our best to ensure that our shareholders are properly informed of the performance of CLP, that there is clarity about CLP's future direction and confidence about the stewardship of CLP's assets on behalf of its shareholders. This Annual Report itself is one of our major channels of communication to our shareholders. There are many others, some of which are listed below.

Our communication with shareholders is not a monologue; it is a dialogue. CLP belongs to its shareholders. They have the right to express their opinions and we have a duty to listen. In 2010 this involved:

Providing information


to our shareholders through means such as

- Our Annual Report, Sustainability Report and Quarterly Statements – all of which provide information far in excess of legal and regulatory requirements. 
- Our AGM, attended by Directors and Senior Managers. In the past 5 years, the attendance of shareholders at our AGMs has averaged about 790 (982 in 2010). This is an unusually high number for a Hong Kong company, including by comparison with other companies with a much higher number of registered shareholders.
- During the year, Management attended over 200 investor meetings, including participation in 16 investor conferences, and 10 non-deal roadshows to North America, Europe and Asia.
- Briefings to analysts on the Company's interim and annual results, as well as overseas business. These are broadcast on our website. 
- The CLP website, which includes information on the Company's corporate governance principles and practices, updates on the Group's affairs and other information for shareholders. 



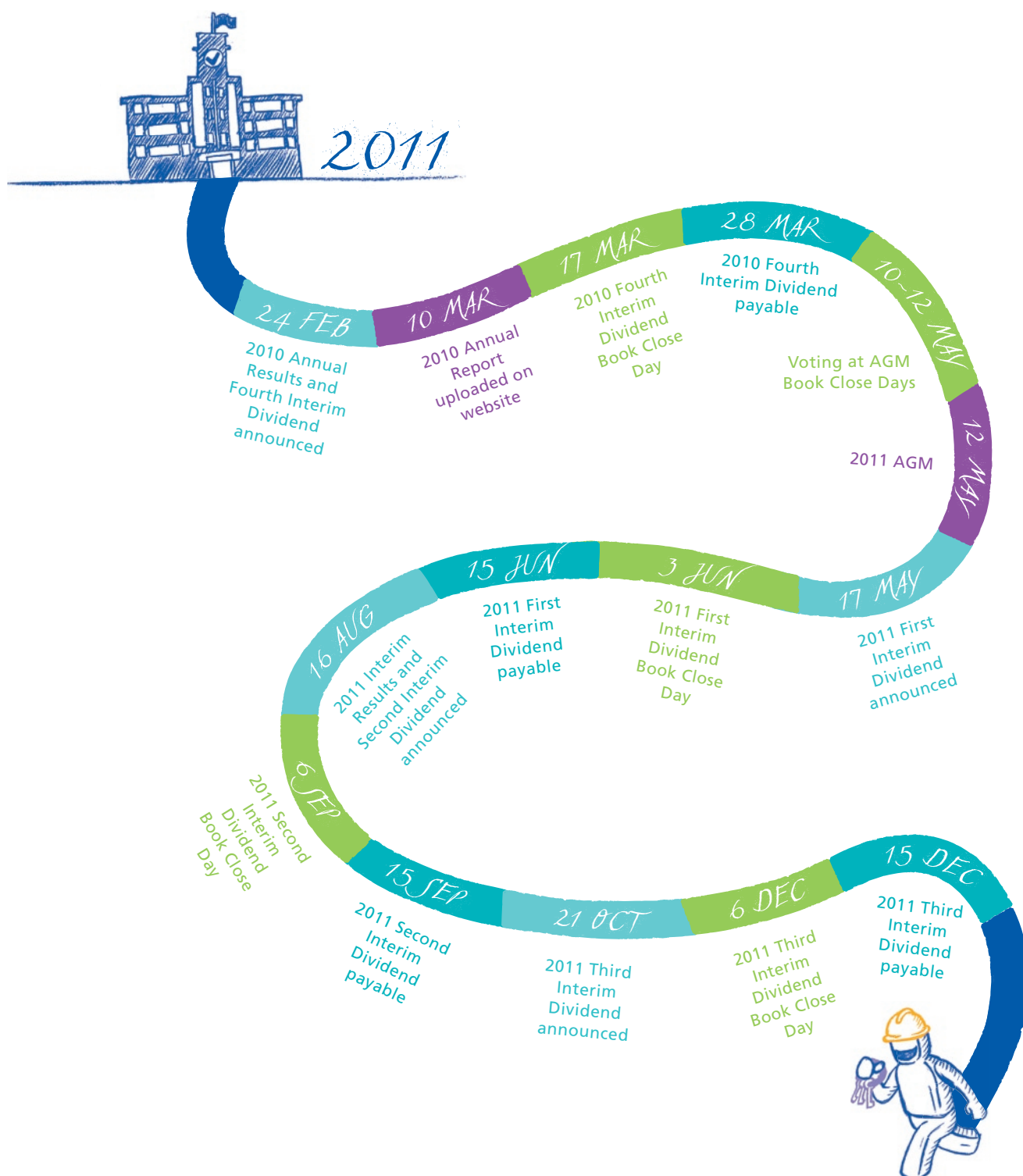
Encouraging feedback

from our shareholders through means such as

- Face to face dialogue, including the "Shareholders' Corner" at our AGM.
- Feedback forms sent out with our Annual Report to obtain shareholders' views on the Report and on additional information that they would like to receive in the following year's Annual Report, together with questions that they would like to have answered in the "Frequently Asked Questions" section of our website. We consider the feedback received and post answers on the website. We also send direct replies to shareholders in response to the specific questions that they raise. 
- The comments, queries and reports from market analysts.
- Shareholders' hotline and e-mail contacts.
- Shareholder correspondence – our aim is to provide a substantive reply within seven days to written shareholder queries. If those queries raise a matter of more general interest to shareholders, we take this into account and seek to address this in subsequent corporate communications to all our shareholders.
- Shareholders' visits to our facilities. Our Shareholders' Visit Programme initiated in 2003 has been a notable success. Between November 2010 and May 2011 we expect to welcome about 3,200 shareholders and their guests, during 72 tours to our facilities at Castle Peak Power Station, Eco Home and Energy Efficiency Exhibition Centre. On these occasions, we seek views on the performance of CLP. About 70 CLP colleagues, including Directors, have volunteered to participate as lunch hosts of the programme.

Shareholders - Calendar

Important dates for shareholders in 2011 are set out below. Any changes will be published on our website. 



Let us have your views

Any shareholders who have questions or comments on what we are doing on his, her or their behalf, are most welcome to contact us at any time (page 214 explains how). As has been the case for many years past, we will provide an answer to all questions (and post it on our website if this would be of wider interest to shareholders or other stakeholders). Each year the choice of the "Questions and Answers" in our Annual Report reflects the issues which have been raised most frequently with us in the past year. In the case of comments, we will take your views into account. More importantly, we will act upon them whenever this will improve our performance to the benefit of CLP and all the shareholders. 