

# Shareholder Value and Engagement

At the end of 2012, CLP had over 20,000 registered shareholders. The actual number of investors in CLP shares will be much greater, taking into account those people and organisations who 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 33.38%. Even so, CLP is not a family-controlled company. The remaining 66.62% 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.

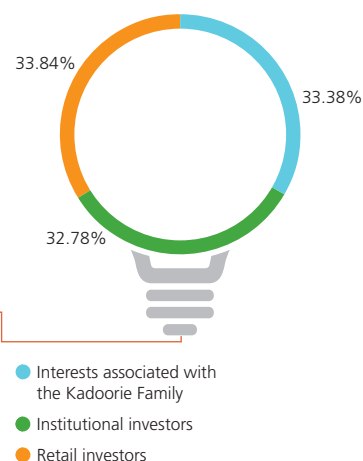
## Shareholdings as at 31 December 2012

Size of Registered Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
500 or below	2,275	10.88	686,990	0.03
501 – 1,000	3,750	17.93	2,948,170	0.12
1,001 – 10,000	9,894	47.32	42,501,443	1.68
10,001 – 100,000	4,453	21.30	129,828,191	5.14
100,001 – 500,000	436	2.09	89,197,667	3.53
Above 500,000	101 <sup>(1)</sup>	0.48	2,261,288,109	89.50
<b>Total</b>	<b>20,909</b>	<b>100.00</b>	<b>2,526,450,570<sup>(2)</sup></b>	<b>100.00</b>

Notes:

- (1) Information on the ten largest registered shareholders in the Company is set out on our website. [▶](#)
- (2) 51.24% of all our issued shares were held through CCASS.

### Shareholding by Category

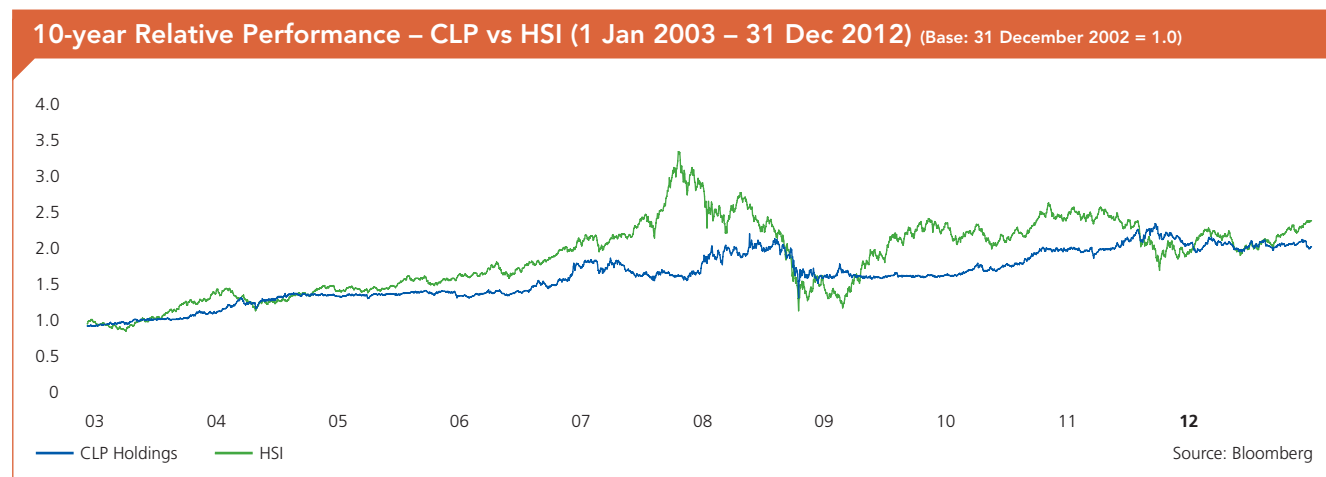


The scale of our shareholders' investment is reflected in a market capitalisation of CLP Holdings of HK\$164 billion as at 31 December 2012. This ranks us as the 29th largest of the 1,368 issuers listed on the Main Board of the Hong Kong Stock Exchange. Our shares are part of the Hang Seng Index (HSI) – the index of Hong Kong's leading listed companies, representing 1.74% by weighting of that Index.

Our shareholders own the Company. They have placed their trust and confidence in its Board, Management and staff. We have a duty to communicate to them openly and honestly on the performance of their investment, listen to their views and address their concerns. We have a duty to deliver value to them through capital appreciation (the performance of CLP's share price over time) and the payment of dividends.

### Shareholder Value through Share Price Performance

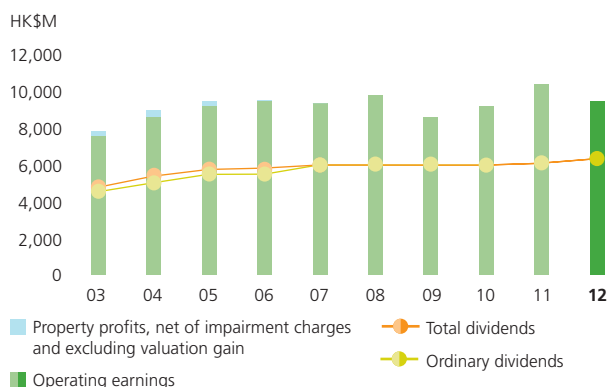
Over the past 10 years, CLP shares have enjoyed a relatively stable price appreciation, reflecting CLP's characteristics as a defensive stock, often held on a long-term basis by shareholders seeking reliable and stable returns. In 2012, CLP's share price remained fairly stable and traded in a narrow range, whilst the HSI experienced a volatile year, largely resulting from continuing market concerns over the spread of the Eurozone debt crisis to the United States' economy, as well as the potential slowdown in economic growth in China. The average closing price of CLP Holdings' shares was HK\$65.60, with the highest closing price of HK\$68.95 recorded on 8 March 2012 and the lowest closing price of HK\$62.30 recorded on 19 January 2012. The share placing announced on 13 December 2012 followed a closing price of HK\$67.20 the previous day, 97.5% of the 12-month closing high.



### Shareholder Value through Dividend Payments

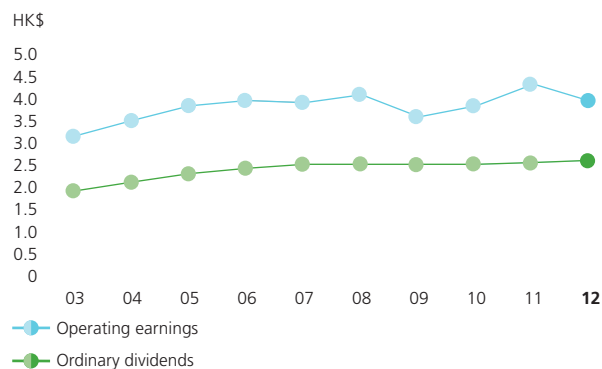
Our longstanding policy is to provide consistent increases in ordinary dividends, linked to the underlying earnings performance of the business. Our shareholders, whether institutional or retail investors, have repeatedly emphasised to us the importance they attach to a consistent and substantial dividend 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 maintained over the past 50 years. Our policy on dividends is unchanged by the recent share placing.

### Earnings and Dividends (2003 – 2012)



Note: Earnings for 2003 to 2005 have been restated for the effect of the adoption of HK(IFRIC)-Int 4.

### Earnings and Dividends Per Share (2003 – 2012)



Note: Earnings for 2003 to 2005 have been restated for the effect of the adoption of HK(IFRIC)-Int 4.

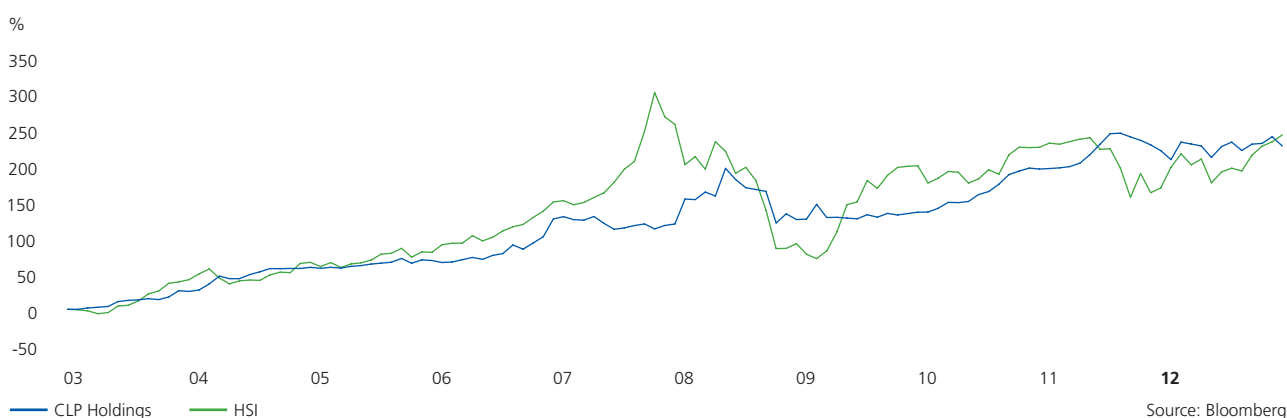
From 2003 to 2012, CLP's ordinary dividend payments were between 60% and 66% of operating earnings, except for 2009 when our payout ratio rose to 70% of operating earnings, due to a significant decline in earnings caused by the substantial reduction in the permitted return under the SoC. Earnings from the property development at Hok Un and the other property disposals were generally paid out as special dividends.

This year, the Board declared a fourth interim dividend payable on 21 March 2013 of HK\$0.98 per share, an increase of HK\$0.02 over the fourth interim dividend paid in 2012. Together with three interim dividends per share of HK\$0.53 each paid during 2012, the total ordinary dividend for the year will be HK\$2.57 per share, compared to HK\$2.52 in respect of the previous year. This represents a dividend payout ratio for the year of 66% of operating earnings.

## Shareholder Value through 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 the HSI. During the 10-year period from 2003 to 2012, CLP provided an annualised rate of return of 12.56%, as compared to 13.08% for the HSI.

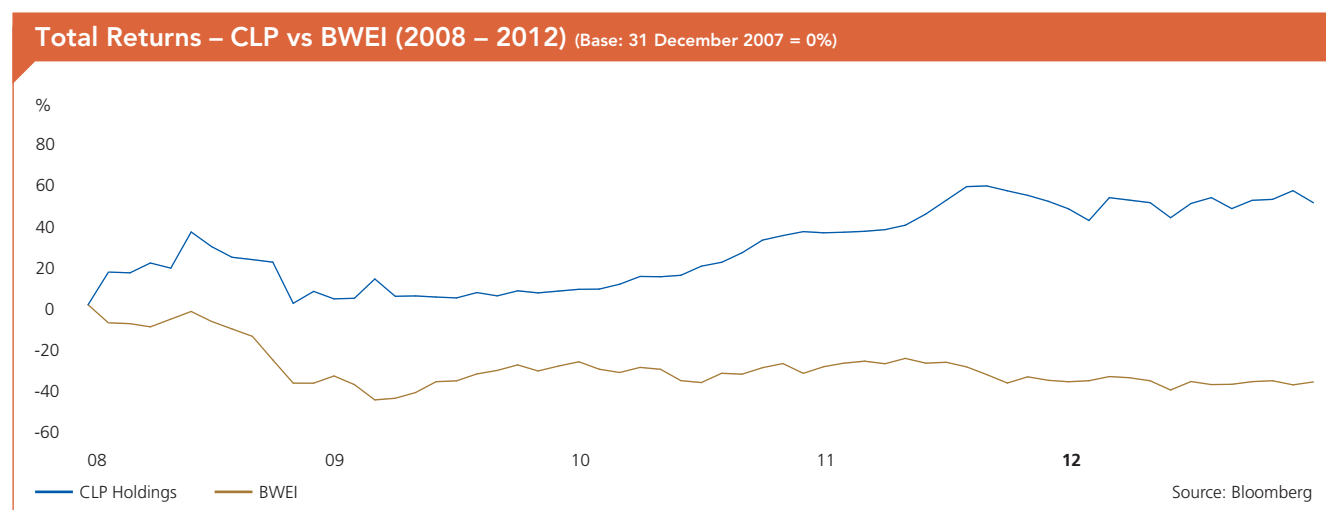
### Total Returns – CLP vs HSI (2003 – 2012) (Base: 31 December 2002 = 0%)



Source: Bloomberg

## Shareholder Value and Engagement

CLP is included in a number of global utilities/electricity indices. CLP has consistently outperformed these indices. For instance, CLP represents 1.64% of the Bloomberg World Electric Index (BWEI), which comprises 116 worldwide electricity stocks. In recent years CLP has outperformed the BWEI in terms of price and total returns.



### Total Investment Worth of Different Types of Investment

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 with every other investment choice available to our shareholders. However, the majority of our registered shareholders have a Hong Kong presence of some sort (97.89% have their registered address in Hong Kong), and will tend to hold CLP shares as a conservative component within their investment portfolio. In this year's Annual Report, as in previous years, we look at the performance of some comparable investments which our shareholders might make. We have assumed that during the period of 1, 5 and 10 years prior to 31 December 2012, an investor has put HK\$1,000 into each of these investments every year. We have 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. For long-term investors, CLP's shares have remained an attractive investment.

	Total Investment Worth at 31 December 2012		
	1-Year Period HK\$	5-Year Period HK\$	10-Year Period HK\$
CLP Shares	1,020	6,470	17,817
Tracker Fund of Hong Kong Shares	1,267	6,147	17,123
Power Assets Holdings Shares	1,200	8,069	22,352
Hong Kong and China Gas Shares	1,330	8,396	23,193
HK\$ 1-Year Fixed Deposits	1,008	5,160	11,017

Adapted from Bloomberg/Reuters

Shareholders will expect that the quality of the information they receive and CLP's commitment to the ongoing delivery of shareholder value are supported by strong and comprehensive systems and processes. Our Corporate Governance Report, from pages 93 to 110, explains how we fulfill this duty.

## Share Placing

A number of shareholders have expressed concern that the 5% share placing in December 2012 did not give them an opportunity to subscribe for the new shares and that their existing shareholdings have been diluted by the issue of new shares. One shareholder, for example, asked if this was the way CLP rewarded its long-term supporters (in response, we sent a personal reply and invited her to meet). These concerns are entirely understandable and ones we took carefully into account when deciding to proceed with the placing. As regards the first of these points, we used a placing rather than a rights issue (which would have given every shareholder an opportunity to subscribe for shares) because of the small percentage of new shares which was being issued and to achieve certainty of proceeds within a relative short timeframe by making use of the stable price performance of our shares and a reasonably supportive market.

The issue of 5% new shares results in only a fractional dilution of the holdings of existing investors. It is also worth noting, given that many of our shareholders are long-term investors in CLP, that between 1998 and 2008 CLP reduced its share capital in issue through share repurchases representing 5.45% of its issued share capital. Moreover, the average price for share repurchases was HK\$30.92, compared with the share placement price of HK\$63.25.

The placing of an additional 5% of CLP Holdings' existing issued share capital announced on 13 December 2012 has generally been well received by our shareholders and the market as a whole. The placement price of HK\$63.25 represented a discount of only 5.88% to the closing price of the previous trading day of HK\$67.20 per share (or a discount of 5.96% to the average closing price over the previous five trading days of HK\$67.26 per share).

The general mandate to issue shares equal to up to 5% of the share capital of CLP Holdings in issue has always received strong support from our shareholders (76% of shareholders voted in favour of the mandate at our 2012 AGM). In return for that support, we have consistently undertaken to use the general mandate sparingly. This remains our intention. We have reaffirmed this commitment in our briefings to investors following the placement.

On 13 December 2012, CLP announced a share placement with an expected dilutive effect on minority interests. What action will CLP take to safeguard the interests of small shareholders? What will the proceeds from this issue be used for?

Your concerns have been shared by other shareholders. However, we only undertook the placing because we believed that it was in the interests of all CLP's shareholders, whether or not they could purchase additional shares in the placing. The proceeds, which amount to HK\$7.56 billion, are intended to be used to meet expected investment needs across our business in line with our strategy, including, but not limited to:

- ongoing investment in the Hong Kong electricity business, such as in infrastructure related to gas supply from the Mainland; and
- additional generating capacity in those markets where CLP is already present, such as the expansion of Fangchenggang and the development of renewable energy projects.

The productive investment of the money raised by the placing will support future business growth. This will benefit all shareholders, including our many long-term individual investors.




**Mr. Lu Chap Pun Patrick**  
Shareholder



**Andrew Brandler**  
Chief Executive Officer

### Communication with Shareholders


The importance to CLP of an effective dialogue with shareholders and investors has been recognised by the establishment by the Board of a Shareholders' Communication Policy, which is published on our website. This Policy forms the basis for extensive and ongoing engagement with our shareholders and the investment community. 

This Annual Report itself is one of our major channels of communication to our shareholders and the investment community. There are many others; some of those we used in 2012 are listed below.

#### Providing information to our shareholders and the investment community through means such as

- Our Annual Report, online Sustainability Report and Quarterly Statements – all of which provide information far in excess of legal and regulatory requirements. 
- Our AGM – in the past 5 years, the attendance of shareholders at our AGMs has averaged about 900 (923 in 2012). This is an unusually high number for a Hong Kong company, including by comparison with other companies having a much larger number of registered shareholders.
- Management attended over 220 investor meetings, including participation in 11 investor conferences, and 12 non-deal roadshows to North America, Europe, Australia and Asia.
- Analysts briefings on the Company's interim and annual results, as well as on our overseas businesses. Presentation materials are available on our website. 
- Financial statistics for the recent years, latest investor information (such as share price, dividend information, calendar of important dates, etc.) are posted on our website and regularly updated. 
- 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 and updating latest industry development from the investment community 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. 
- Comments, queries and research reports from analysts.
- Shareholders' hotline, investor relations' hotline and email 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 will seek to address this in subsequent corporate communications to all our shareholders.
- Shareholders' visits to our facilities. We believe that our Shareholders' Visit Programme, initiated in 2003, is unique amongst Hong Kong companies. Between November 2012 and April 2013 we expect to welcome about 3,000 shareholders and their guests, during 80 tours to our facilities at Black Point Power Station, Nuclear Resources Centre, Eco Home and Smart Grid Experience Centre. About 150 CLP colleagues, including our Chairman and most of our Directors, have volunteered to participate as lunch hosts and ambassadors of the programme.



Communication with our shareholders is a two-way process. We listen carefully to the views and feedback we receive. Over the past year, the issues which have been the main subjects of shareholders' queries and concerns have been:

- tariff increases and the regulatory environment for our Hong Kong electricity business;
- the performance, outlook and potential listing of EnergyAustralia;
- our investment strategy in the Chinese mainland;
- coal supply issues affecting our Jhajjar Power Station in India;
- the implications of the 5% share placing we undertook in December 2012; and
- the ongoing delivery of value to shareholders, in particular our dividend policy.

In this Annual Report we have made a particular effort to address each of these areas. For example, the Chairman's Statement focuses on our Hong Kong electricity business, whilst the CEO's Strategic Review, and the coverage of our Australian, Chinese mainland and Indian investments from pages 45 to 61, offer an extensive description of the performance and outlook for these three markets. In this section of the Annual Report, we have discussed the two remaining areas of primary investor interest, namely the share placing and future delivery of shareholder value.



This year marked the 10th anniversary of our Shareholders' Visit Programme – Mr. Vernon Moore, Independent Non-executive Director, hosting one of the visits

13 DEC		2013 Third Interim Dividend payable
4 DEC		2013 Third Interim Dividend Book Close Day
28 OCT		2013 Third Interim Dividend announced
13 SEP		2013 Second Interim Dividend payable
4 SEP		2013 Second Interim Dividend Book Close Day
12 AUG		2013 Interim Results and Second Interim Dividend announced
14 JUN		2013 First Interim Dividend payable
4 JUN		2013 First Interim Dividend Book Close Day
20 MAY		2013 First Interim Dividend announced
30 APR		2013 AGM
29–30 APR		Voting at AGM Book Close Days
21 MAR		2012 Fourth Interim Dividend payable
12 MAR		2012 Fourth Interim Dividend Book Close Day
11 MAR		2012 Annual Report uploaded on website
25 FEB		2012 Annual Results and Fourth Interim Dividend announced

Shareholders' Dates 2013

Any changes to these dates will be published on our website. 