

SHAREHOLDER VALUE AND ENGAGEMENT

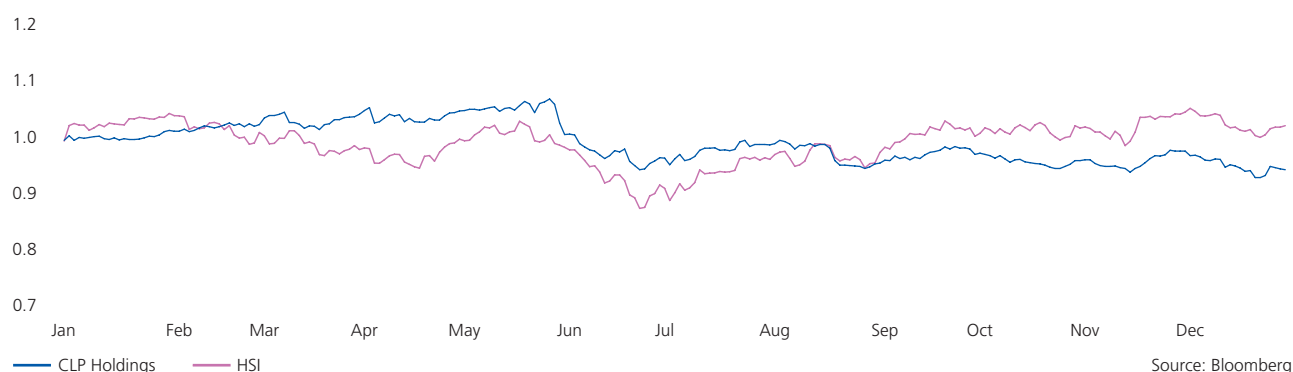
Our shareholders own the Company. They have placed their trust and confidence in our Board, Management and staff. We have a duty to deliver value to them through capital appreciation (the performance of CLP's share price over time) and the payment of dividends. We also have a duty to communicate to them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

Delivering Value to Shareholders

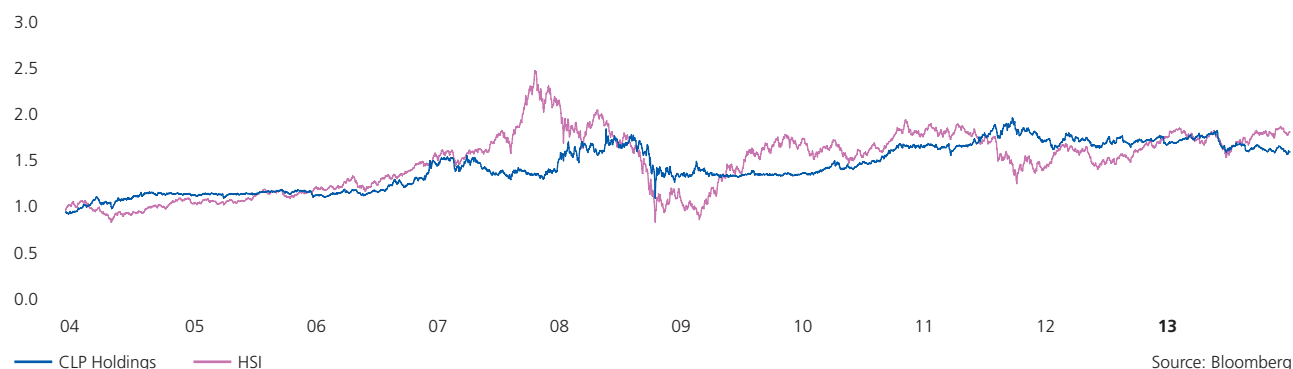
Through Share Price Performance

During 2013, CLP's share price outperformed the Hang Seng Index (HSI) during the first half of the year, but diverged as the Hong Kong equities market rebounded in the latter part of the year. The average closing price of CLP's shares was HK\$64.55, with the highest closing price of HK\$69.85 recorded on 28 May and the lowest closing price of HK\$60.35 recorded on 19 December and 20 December.

1-year Relative Performance – CLP vs HSI (1 Jan 2013 – 31 Dec 2013) (Base: 31 December 2012 = 1.0)



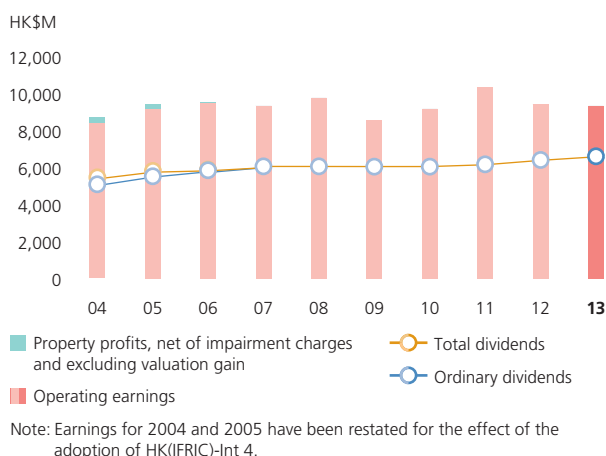
10-year Relative Performance – CLP vs HSI (1 Jan 2004 – 31 Dec 2013) (Base: 31 December 2003 = 1.0)



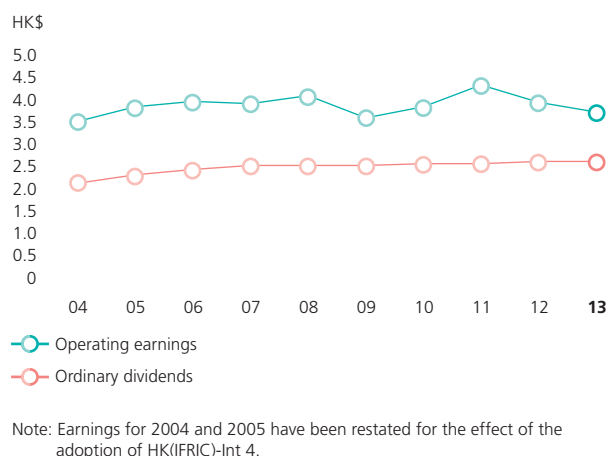
Through Dividend Payments

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 53 years.

Earnings and Dividends (2004 – 2013)



Earnings and Dividends Per Share (2004 – 2013)



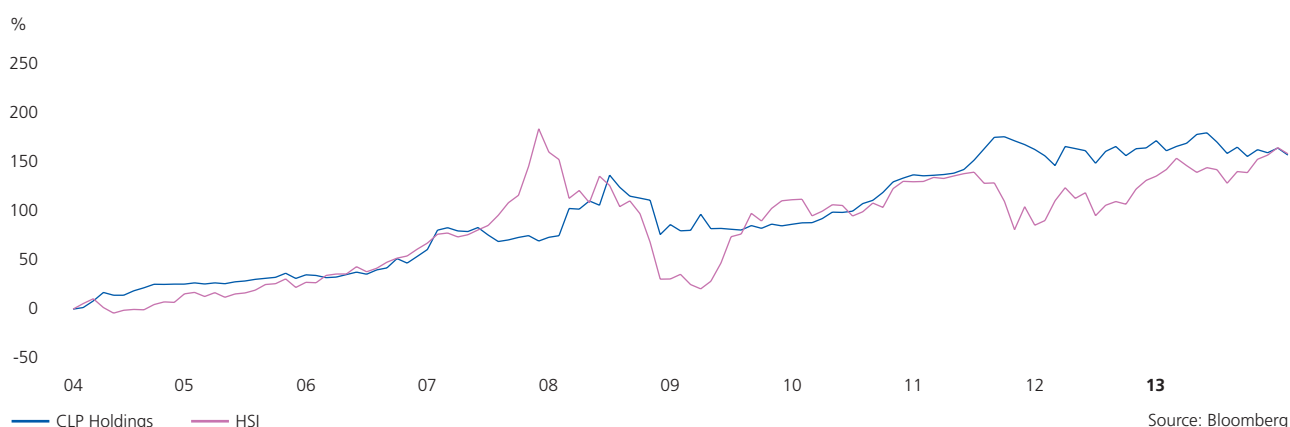
From 2004 to 2012, CLP's ordinary dividend payments were between 60% and 66% of operating earnings, except for 2009 when our payout ratio rose to 70% of operating earnings, due to a significant decline in earnings caused by the reduction in the permitted rate of return under the SoC. Earnings from the property development at Hok Un and the other property disposals were generally paid out as special dividends.

This year the Board has considered various factors in determining the dividend payments, which include stable operating earnings of the Group, significant reduction in total earnings due to non-cash impairment charges, shareholders' demand for stable dividend stream and CLP's healthy liquidity position. Accordingly, the Board declared a fourth interim dividend of HK\$0.98 per share, same as 2012. Together with three interim dividends per share of HK\$0.53 each paid during 2013, the dividend payout ratio of 2013 has risen to 70% of operating earnings.

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. During the 10-year period from 2004 to 2013, CLP provided an annualised rate of return of 9.91%, as compared to 9.96% for the HSI.

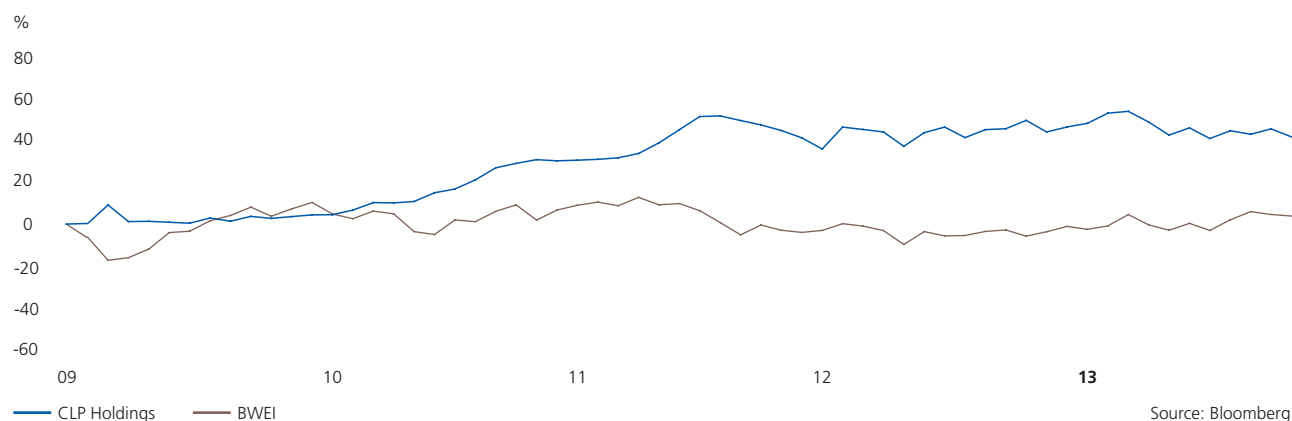
Total Returns – CLP vs HSI (2004 – 2013) (Base: 31 December 2003 = 0%)



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CLP is included in a number of global utilities / electricity indices. For instance, CLP represents 1.51% of the Bloomberg World Electric Index (BWEI), which comprises 119 worldwide electricity stocks. In recent years CLP has outperformed the BWEI in terms of price and total returns.

Total Returns – CLP vs BWEI (2009 – 2013) (Base: 31 December 2008 = 0%)



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 (98% 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 2013, 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.

Investment Returns

	Total Investment Worth at 31 December 2013		
	1-Year Period HK\$	5-Year Period HK\$	10-Year Period HK\$
CLP	983	5,874	15,287
Tracker Fund of Hong Kong	1,059	6,561	15,658
Power Assets Holdings	966	6,990	19,044
Hong Kong and China Gas	941	7,486	18,783
HK\$ 1-Year Fixed Deposits	1,008	5,121	10,895

Adapted from Bloomberg/Reuters

Communicating Effectively with Shareholders

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 114 to 134, explains how we fulfil this duty.

At the end of 2013, CLP had over 21,000 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 35.01%. Even so, CLP is not a family-controlled company. The remaining 64.99% 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 2013

Size of Registered Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital	Shareholding by Category
500 or below	2,331	10.96	717,307	0.03	<p>34.38% 35.01% 30.61%</p> <ul style="list-style-type: none"> Interests associated with the Kadoorie Family Institutional investors Retail investors
501 – 1,000	3,783	17.79	2,993,601	0.12	
1,001 – 10,000	10,071	47.36	43,274,508	1.71	
10,001 – 100,000	4,530	21.31	131,882,685	5.22	
100,001 – 500,000	447	2.10	91,466,273	3.62	
Above 500,000	101 ⁽¹⁾	0.48	2,256,116,196	89.30	
Total	21,263	100.00	2,526,450,570⁽²⁾	100.00	

Notes:

(1) Information on the [ten largest registered shareholders](#) in the Company is set out on our website.

(2) 50.97% of all our issued shares were held through CCASS.

The scale of our shareholders' investment is reflected in a market capitalisation of CLP Holdings of HK\$155 billion as at 31 December 2013. Our shares represent 1.55% by weighting of the HSI – Hong Kong's leading listed companies index.

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. The Audit Committee is responsible for the regular review of the effectiveness of this Policy.

We made no distinction between institutional investors and retail investors. We believe communication with our shareholders is a two-way process. We listen carefully to the views and feedback we receive. In the past year, issues which have been the main subjects of shareholders' queries and concerns have been:

- discussions with Hong Kong Government regarding SoC Interim Review and 2014-2018 Development Plan;
- the proposed CAPCO acquisition and strategic relationship with China Southern Power Grid (CSG);
- the challenging market conditions in Australia and business operations of EnergyAustralia;
- tariff and the development of nuclear power projects in the Chinese mainland;
- the fuel supply issues in India and Rupee depreciation;
- the ongoing delivery of value to shareholders, in particular our dividend policy and Senior Management transition; and
- corporate governance matters such as dilution effect of general mandate to issue shares and independence of auditors.

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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 and the strategic relationship with CSG, whilst the CEO's Strategic Review addresses the Senior Management transition, and together with the coverage of our Australian, Chinese mainland and Indian investments from pages 56 to 78, offer an extensive description of the performance and outlook for these three markets. Further progress in the evolution of our corporate governance practices is disclosed in the Corporate Governance Report. In this section of the Annual Report, we have discussed the remaining area of primary investor interest – ongoing delivery of shareholder value.

Set out below are our major channels of communication to our shareholders and the investment community:

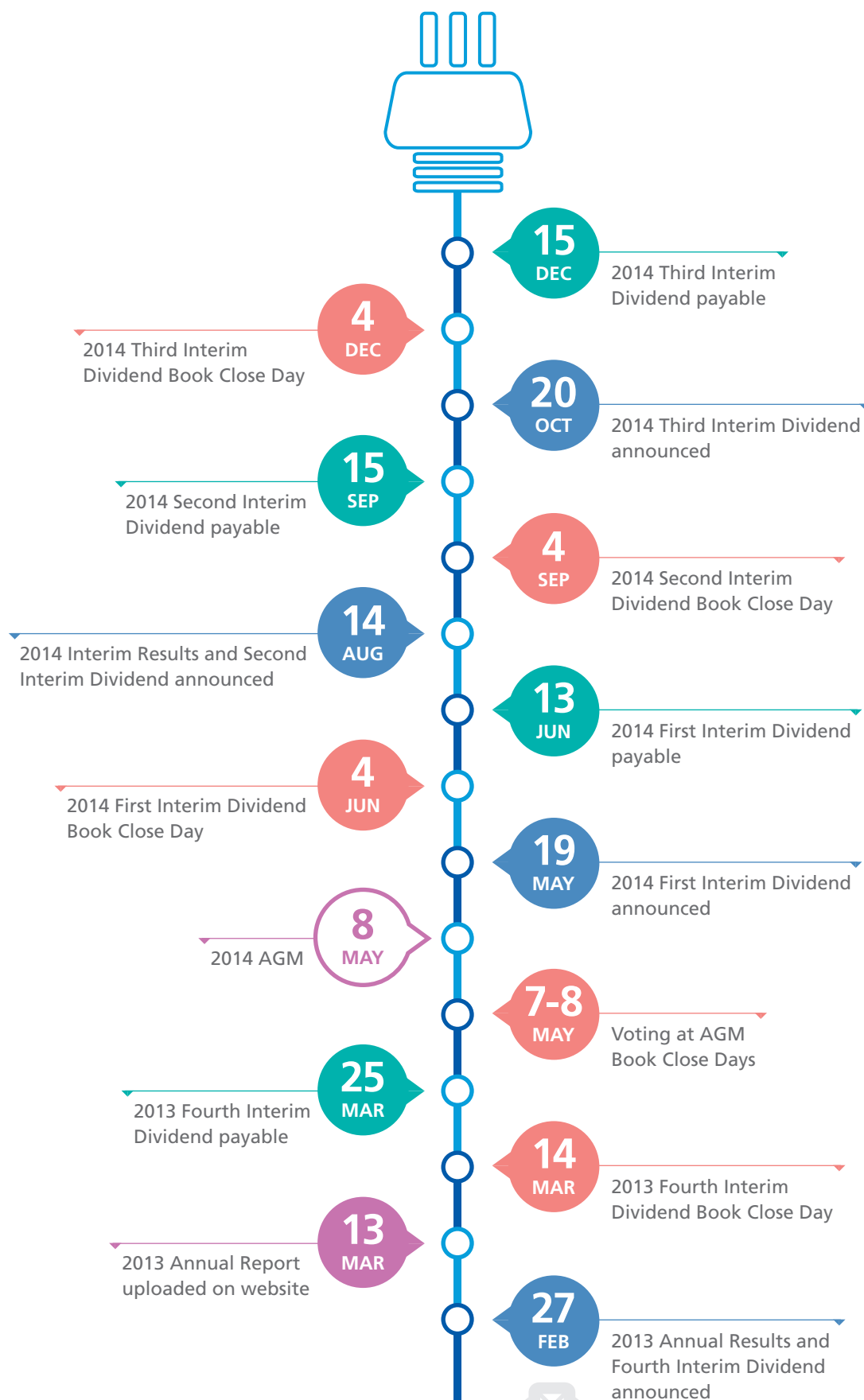
Providing information to our shareholders and the investment community through means such as

- 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 925 (1,002 in 2013). 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 about 200 investor meetings, including participation in 11 investor conferences, and 12 non-deal roadshows to Asia, Europe and North America.
- [Analyst briefings](#) on the Company's interim and annual results, as well as on Hong Kong business updates. Presentation materials are available on our website. 
- The Company Secretary has constant communications with institutional investors on corporate governance practices, including a Corporate Governance roadshow to London in 2013.
- The first-ever webcast on the environmental, social and governance aspects of the business was held in April 2013. The [webcast](#) is 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 latest industry development update 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 our website. We also send direct replies to shareholders in response to the specific questions that they raise. 
- Comments, queries and research reports from equity analysts.
- Shareholders' hotline and investor relations' 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 2013 and April 2014, we expect to welcome about 3,000 shareholders and their guests, during 75 tours to our facilities at Energy Efficiency Exhibition Centre, Smart Grid Experience Centre and Eco Home. About 70 CLP colleagues, including our Chairman, Vice Chairman, Directors and Senior Management, have volunteered to participate as lunch hosts and ambassadors of the programme.

Shareholders' Dates 2014



Any changes to these dates will be published on our [website](#). 