

SHAREHOLDER VALUE AND ENGAGEMENT

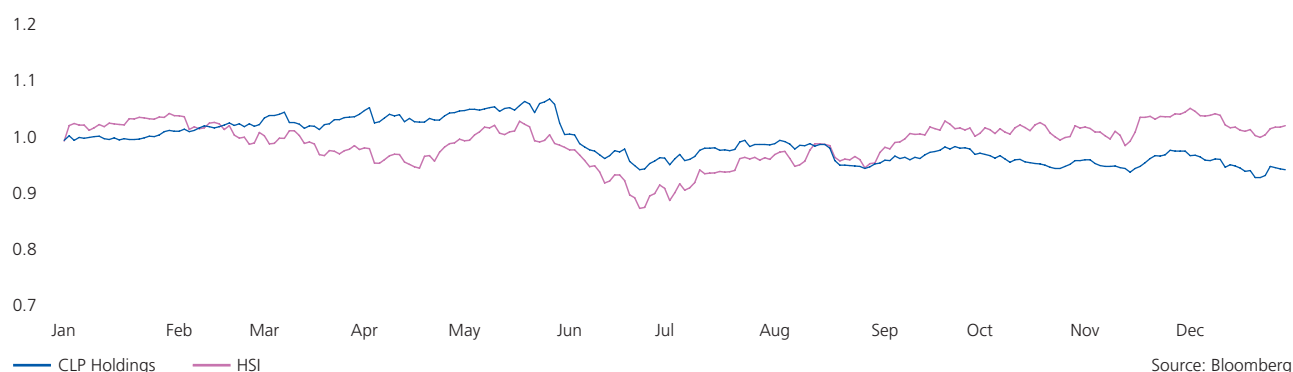
Our shareholders own the Company. They have placed their trust and confidence in our Board, Management and staff. We have a duty to deliver value to them through capital appreciation (the performance of CLP's share price over time) and the payment of dividends. We also have a duty to communicate to them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

Delivering Value to Shareholders

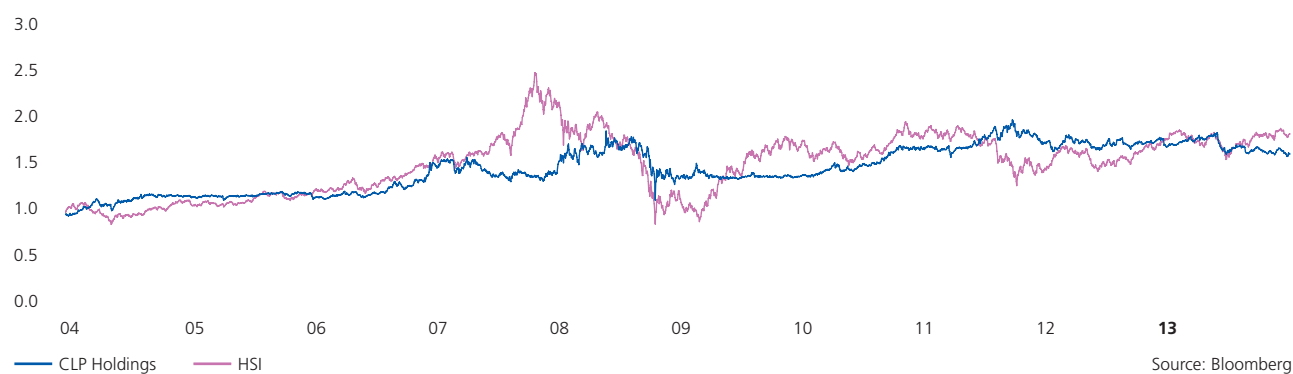
Through Share Price Performance

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)

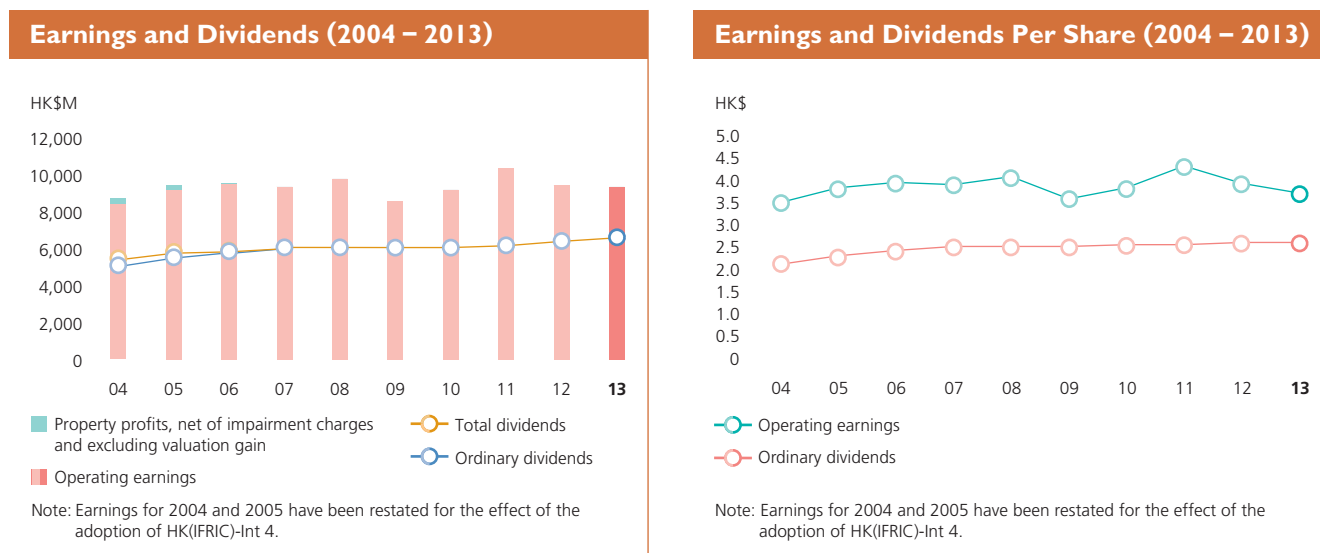


10-year Relative Performance – CLP vs HSI (1 Jan 2004 – 31 Dec 2013) (Base: 31 December 2003 = 1.0)



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.

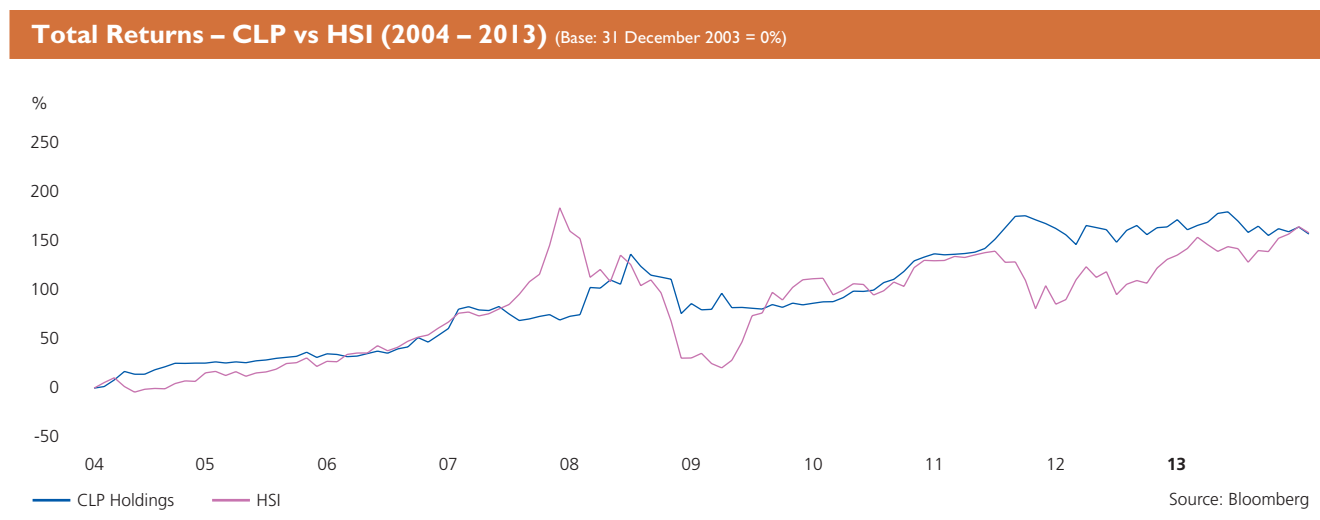


From 2004 to 2012, CLP's ordinary dividend payments were between 60% and 66% of operating earnings, except for 2009 when our payout ratio rose to 70% of operating earnings, due to a significant decline in earnings caused by the reduction in the permitted rate of return under the SoC. Earnings from the 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

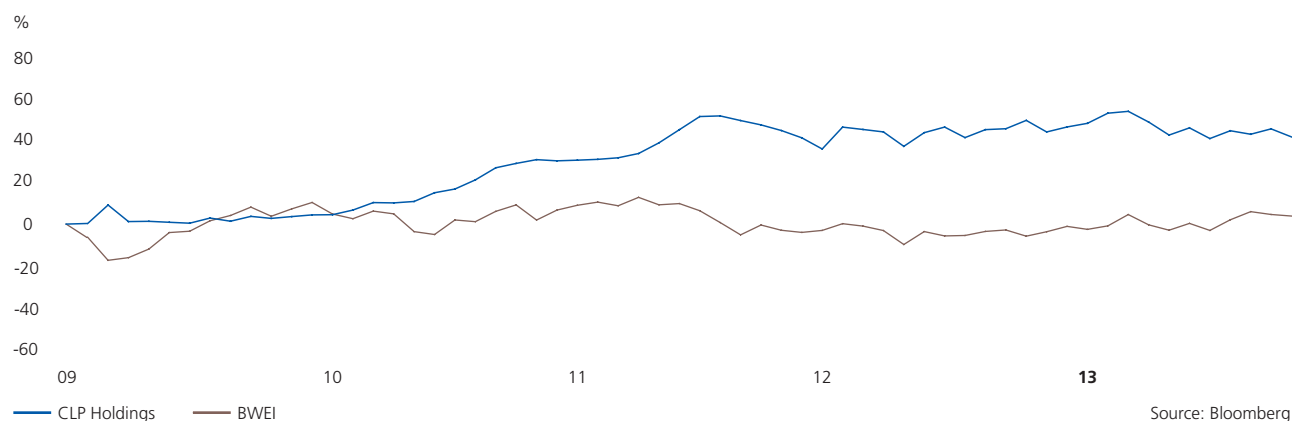
Total returns to shareholders come from the combination of share price appreciation and dividend payments over time. During the past ten years CLP has provided stable growth in total returns. During the 10-year period from 2004 to 2013, CLP provided an annualised rate of return of 9.91%, as compared to 9.96% for the HSI.



SHAREHOLDER VALUE AND ENGAGEMENT

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>Shareholding by Category</p> <ul style="list-style-type: none"> Interests associated with the Kadoorie Family (35.01%) Institutional investors (30.61%) Retail investors (34.38%)
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.