

Shareholder Value and Engagement

Our goal is to create long-term and sustainable value for shareholders who are the ultimate owners of the Company. To do that, we seek to invest in businesses and projects which leverage our core capabilities and provide long-term returns. We strive to maintain a healthy balance sheet, uphold our values in managing our businesses, and frequently communicate with our shareholders on important issues. We recognise that we are the stewards of our shareholders' investments in the Company and we value their trust and confidence.

Delivering Value to Shareholders

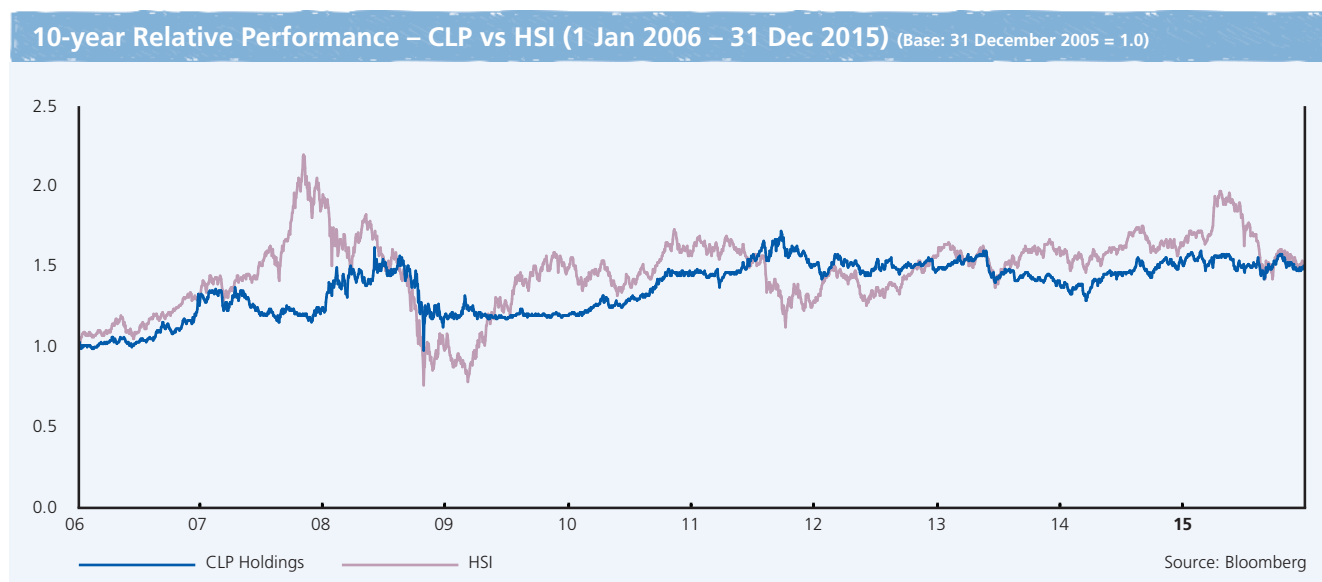
Through Share Price Performance

CLP continued to demonstrate its characteristics as a defensive stock in 2015, which marked a year of high volatility for the Hong Kong market. Relative to its starting position on 1 January, the Hang Seng Index (HSI) fluctuated from a loss of 13% to a gain of 20%, finishing the year down by 7%. In contrast, CLP's share price was comparatively stable and the stock ended the year with a modest decline of 2%.

In 2015, the average closing price of CLP's shares was HK\$66.53, an increase of more than 5% when compared with the average of 2014. The stock recorded its highest closing price of HK\$69.75 on 27 February and the lowest closing price of HK\$62.20 on 2 September. It ended the year at HK\$65.85, outperforming the HSI.

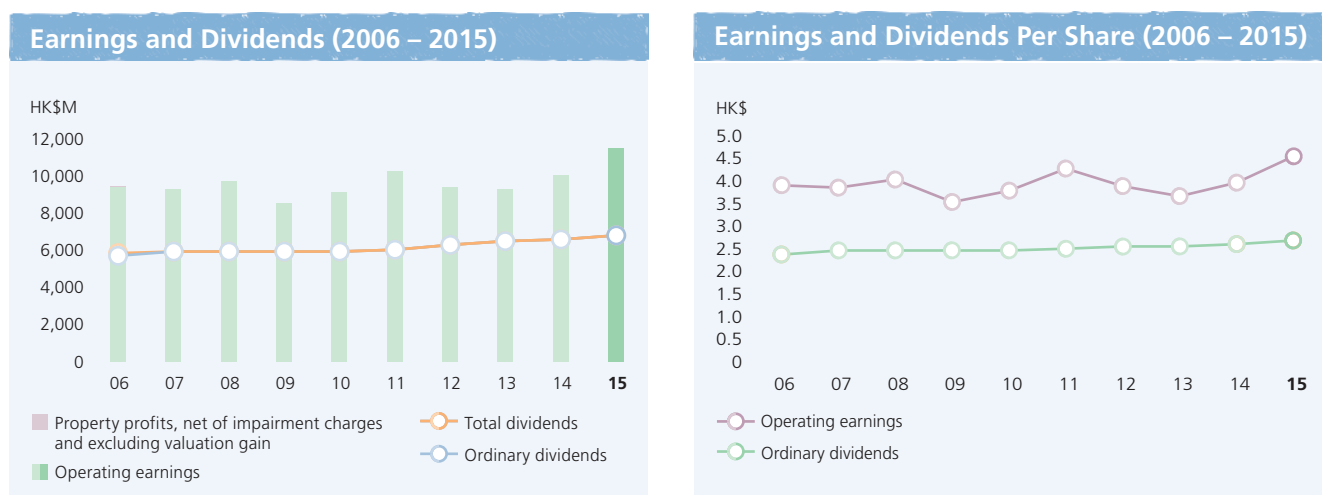


The trend shown in the 10-year Relative Performance chart below represents the share price changes compared with the closing price 10 years ago.



Through Dividend Payments

Our longstanding practice is to provide reliable and consistent ordinary dividends with gradual growth, 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 over the period. In fact, our annual dividends have not decreased since 1960 – a solid record maintained over the past 55 years.

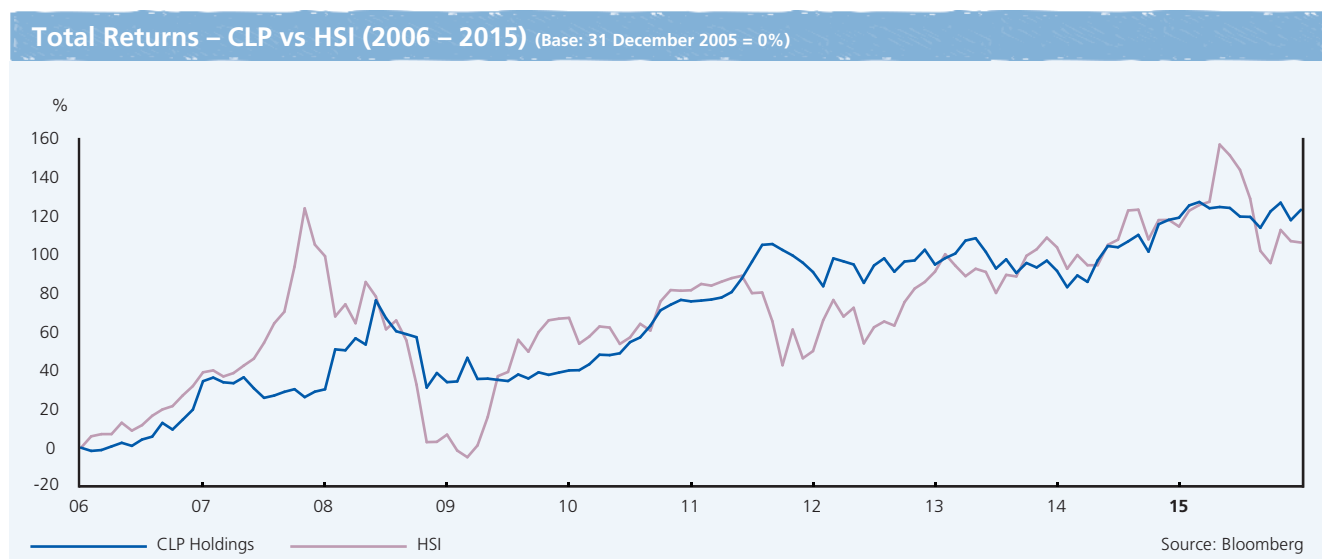


From 2006 to 2014, CLP’s ordinary dividend payments were between 60% and 66% of operating earnings, except for 2009 and 2013 when our payout ratio rose to 70% of operating earnings, due to a significant decline in earnings caused by the reduction in the permitted rate of return under the SoC in 2009 and the difficult market conditions in Australia in 2013. Earnings from our past property development at Hok Un and other large scale property sales were generally paid out as special dividends.

This year, the Board declared a fourth interim dividend of HK\$1.05 per share, an increase of HK\$0.05 over the fourth interim dividend in 2014. Together with three interim dividends per share of HK\$0.55 each paid during 2015, the total ordinary dividend for the year will be HK\$2.70 per share, compared to HK\$2.62 per share in respect of the previous year. This represents a dividend payout ratio for the year of 59% of operating earnings.

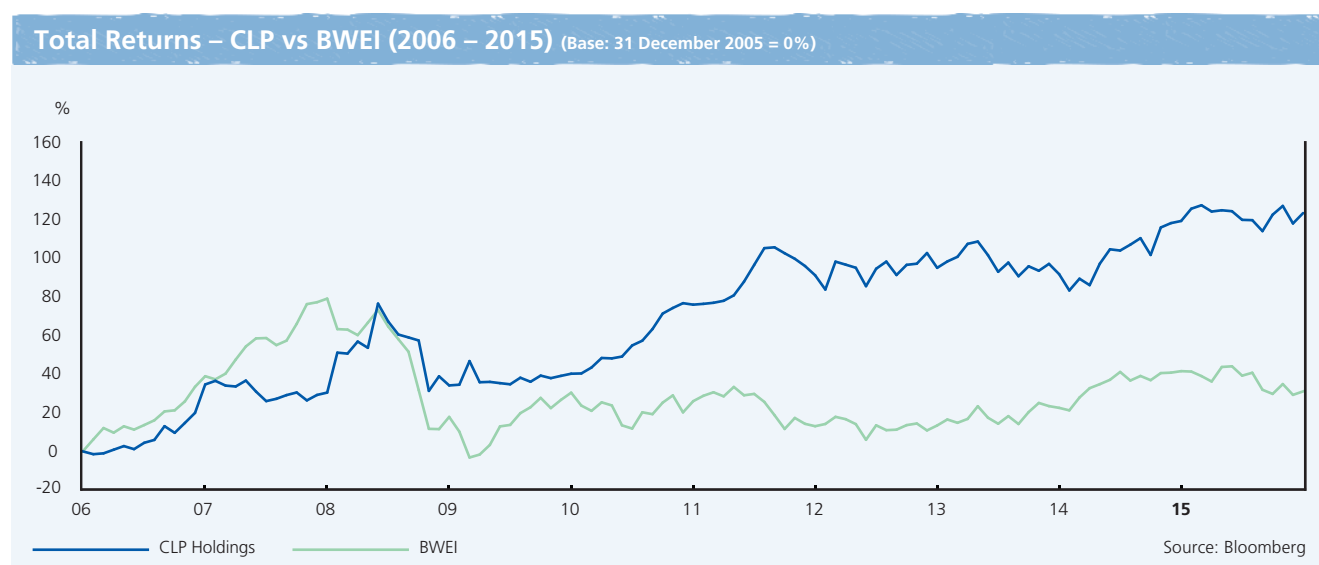
Through Total Returns

Total returns to shareholders come from the combination of share price appreciation and dividend payments over time. During the 10-year period from 2006 to 2015, CLP provided an annualised rate of return of 8.35%, as compared with 7.50% for the HSI.



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CLP is included in a number of global utilities/electricity indices. For instance, CLP represents 1.64% of the Bloomberg World Electric Index (BWEI), which comprises 119 worldwide electricity stocks. In recent years CLP has outperformed the BWEI in terms of share 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, including 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 2015, 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.

	Total Investment Worth at 31 December 2015		
	1-Year Period	5-Year Period	10-Year Period
	HK\$	HK\$	HK\$
CLP	1,019	5,768	14,632
Tracker Fund of Hong Kong	956	5,505	13,056
Hong Kong and China Gas	961	5,882	16,204
Power Assets Holdings	983	6,629	18,717
HK Electric Investments	1,366	n.a.	n.a.
HK\$1-Year Fixed Deposits	1,008	5,113	10,665

Adapted from Bloomberg/Reuters

Communicating Effectively with Shareholders

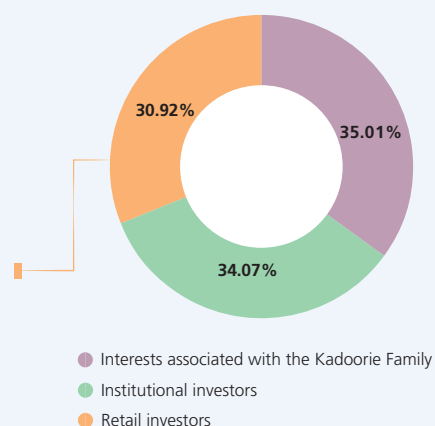
Shareholders will expect that the quality of the information they receive and CLP's commitment to the ongoing delivery of shareholder value are supported by strong and comprehensive systems and processes. Our Corporate Governance Report, from pages 108 to 129, explains how we fulfil this duty.

At the end of 2015, 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 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 residents in Hong Kong.

Shareholdings as at 31 December 2015

Size of Registered Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
500 or below	2,369	11.44	730,618	0.03
501 – 1,000	3,699	17.86	2,939,052	0.12
1,001 – 10,000	9,776	47.21	41,965,568	1.66
10,001 – 100,000	4,339	20.96	125,001,650	4.95
100,001 – 500,000	428	2.07	88,464,309	3.50
Above 500,000	96 ¹	0.46	2,267,349,373	89.74
Total	20,707	100.00	2,526,450,570²	100.00

Shareholding by Category



Notes:

- Information on [the 10 largest registered shareholders](#) in the Company is set out on our website. [🔗](#)
- 51.33% of all our issued shares were held through CCASS.

The scale of our shareholders' investment is reflected in the market capitalisation of CLP Holdings of HK\$166 billion as at 31 December 2015. Our shares represent 1.75% 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. The most recent review was undertaken in October 2015 and the Audit Committee concurred with management's view that CLP's Shareholders' Communication Policy was effective. [🔗](#)

We cherish views and feedback from all of our shareholders. We listen carefully and communicate with our shareholders interactively. Issues which have been the main subjects of shareholders' queries and concerns in 2015 have been:

- The new investment strategy and how it will shape CLP's business going forward, dividend payout, CLP's exposure on coal generation and its mitigation measures;
- CLP's response to Public Consultation on the Future Development of the Electricity Market by Government, post-2018 regulatory regime in Hong Kong and the potential new gas unit;
- Impact of the economic slow-down on energy demand in Mainland China, tariff cuts for coal-fired generation and renewables, and the future investment strategy in Mainland China;
- Potential growth on coal and renewables, coal quality and supply issues for Jhajjar, new gas supply arrangement for Paguthan and loan financing; and
- Continuing challenges in the Australian market, the wholesale electricity supply/demand balance, competitor behaviour in the wholesale market, retail market competition, cost saving from the new billing system, disposal of the Iona Gas Plant, and any other potential asset disposals.



In this Annual Report, we have made a particular effort to address each of these areas. For example, the Chairman's Statement focuses on the review of the SoC Agreement for our Hong Kong business and the challenge of climate change. The CEO's Strategic

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Review discusses our business performance in each of the five markets where we operate and our vision on climate change as well as our commitment. In this Annual Report, we have referred to the new reporting guideline of the Hong Kong Stock Exchange in reporting our Environmental, Social and Governance (ESG) performance in 2015. Specifically, we report our environmental policies and performance, compliance with laws and regulations, and our relationships with key stakeholders in the different chapters of the Annual Report according to their relevance and by following the Integrated Reporting approach. Meanwhile, a detailed account of our financial health and our management of capital resources is provided in the Financial Review and Financial Capital chapters. We appreciate the power of interactive media and hence we have built on our already successful online snapshot making more use of interactive graphics and video, and presenting selective data in their historical context. 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:

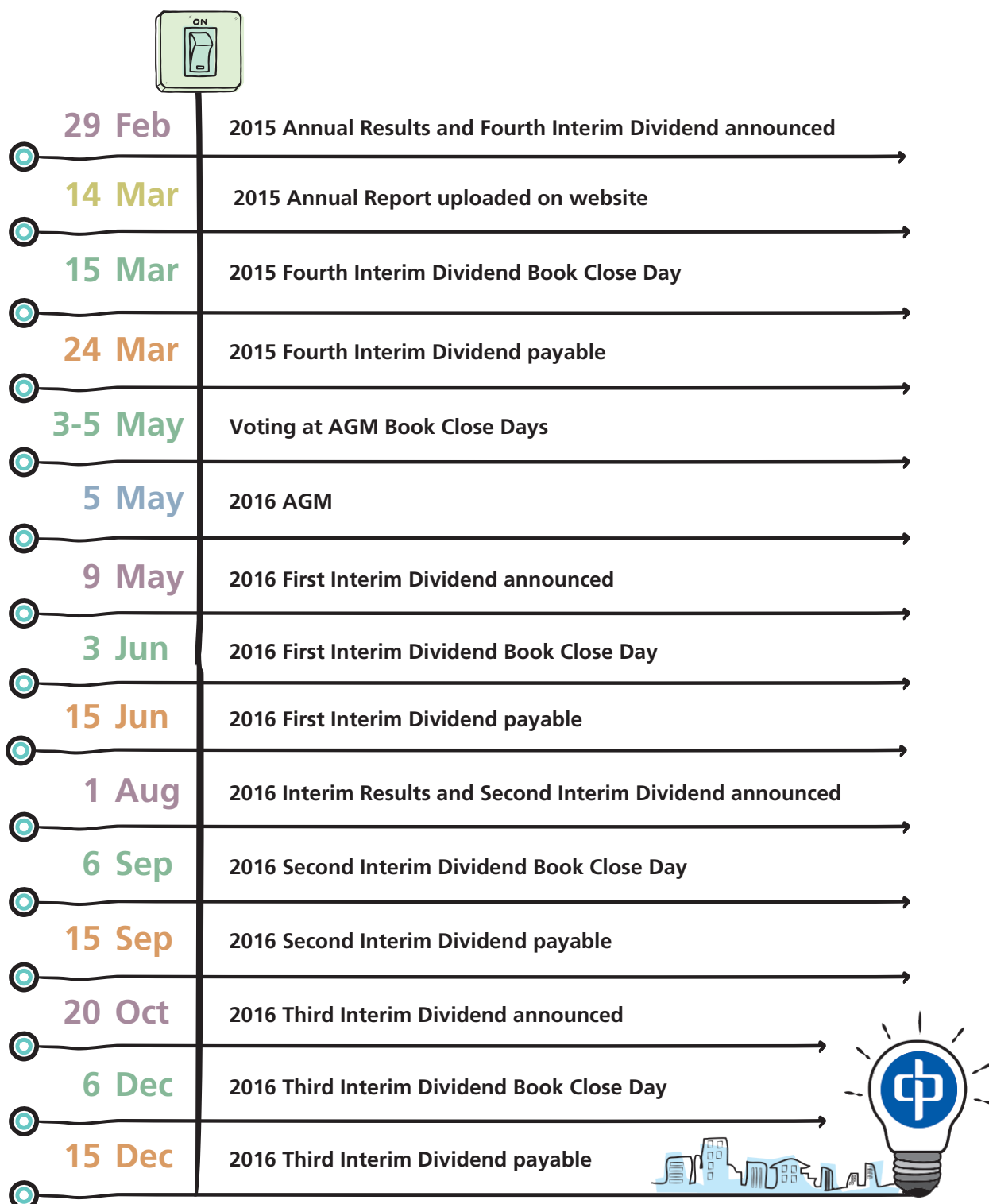
Providing information to our shareholders and the investment community through means such as

- Our Annual Report, Interim Report, [Sustainability Report online](#) and Quarterly Statements – all of which provide information far in excess of legal and regulatory requirements. 
- Our Annual General Meeting (AGM) – in the past five years, the attendance of shareholders at our AGMs has averaged about 1,009 (1,245 in 2015). This is an exceptionally high number for a Hong Kong company, including by comparison with other companies having a much larger number of registered shareholders.
- Management attended nearly 160 investor meetings, including participation in seven 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.
- The third webcast on the ESG aspects of the business was held in April 2015. 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 which have, recently, been extended to include Saturday visits. We believe that our Shareholders' Visit Programme, initiated in 2003, is unique amongst Hong Kong listed companies. Between November 2015 to April 2016, we expect to welcome about 3,000 shareholders and their guests, during 75 tours to visit our facilities at CLP Customer Interaction Centre as well as Castle Peak and Black Point Power Stations. 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 2016



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