

21 November 2013

2013 Interim Review of the Scheme of Control Agreement

With regard to the discussion on the 2013 Interim Review of the Scheme of Control Agreement by the Energy Advisory Committee today, CLP Power Hong Kong Limited (CLP Power) would like to state the following:

The outcome of the 2013 Interim Review is the result of a constructive dialogue between CLP Power, Castle Peak Power Company Limited (CAPCO) and the Government. The discussions have taken into account the views of our customers and stakeholders. The agreement reached represents our continuous commitment to promoting energy efficiency and conservation in Hong Kong, which not only shows our strong support to Government policy in this regard, but is also a key area of our work in the coming year.

An Energy Efficiency Fund will be set up to carry out improvement works to enhance the energy efficiency of non-commercial buildings. Based on the records of the two power companies in earning the relevant energy efficiency financial incentives in the past few years, it is estimated that some \$100 million in total may be injected into the Fund, of which CLP Power and CAPCO will contribute some \$70 million on a matching basis over the next four years to support energy improvement projects in these buildings. This new initiative shares exactly the same objective as CLP's programmes of giving out energy efficient electrical appliances to the community in need and our strengthened public education efforts to promote energy efficiency.

In addition, the modifications agreed also further reinforced our ongoing efforts in improving our operations and services level, enhancing information transparency and bringing economic benefits to our customers.

We believe the 2013 Interim Review has met its objective in seeking continuous reviews and improvements in our services, and by doing so, upholding the integrity of the regulatory regime under the Scheme of Control Agreement.

The Scheme of Control Agreement is a binding contract signed between the Government, CLP Power and CAPCO. We are committed to upholding and honouring the contractual obligations and responsibilities placed with us. Our planning, investment and associated financial

arrangements for providing a safe, reliable and environmentally friendly supply to meet the electricity demand of our customers are made on the basis of a 10-year contract, and we have made and will continue to make significant and sustained investment commitments over the contract period. Any change in key terms of the agreement would undermine our plans for the decade, hence the delivery of quality services and benefits to our customers. Adhering to the principle of contract sanctity is one of the cornerstones of the success of Hong Kong as an international financial centre and a world class city. It is also one of Hong Kong's important core values that supported Hong Kong's economic success and we appreciate that all parties involved have upheld this Hong Kong core value under the Interim Review.

Under the clear regulatory framework of the Scheme of Control Agreement, CLP has been able to provide highly reliable electricity supply to Hong Kong in an environmental manner and at a reasonable cost. As we always do over the past 112 years, CLP remains committed to delivering these benefits to our customers and the community of Hong Kong.

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About CLP Power Hong Kong Limited

CLP Power Hong Kong Limited ("CLP Power") is the Hong Kong utility subsidiary wholly owned by CLP Holdings Limited, a company listed on the Hong Kong Stock Exchange and one of the largest investor-owned power businesses in Asia. CLP Power operates a vertically integrated electricity supply business in Hong Kong, and provides a highly reliable supply of electricity and excellent customer services to 5.8 million people in its supply area.

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