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香港九龍亞皆老街一四七號
147 Argyle Street, Kowloon, Hong Kong

電話 Tel (852) 2678 8111

傳真 Fax (852) 2760 4448

網址 Website www.clpgroup.com

Dear Shareholders,

Future Development of the Electricity Market in Hong Kong – Stage 2 Public Consultation

In early 2005 I wrote to you explaining that the Hong Kong Government had launched a two-stage process of public consultation on the development of the Hong Kong electricity market after 2008, when the present Scheme of Control Agreement comes to an end. Stage I of Government's Public Consultation was concluded at the end of April last year. The Government has now launched Stage II of its consultation process, and is inviting the public and other stakeholders to submit views and comments on Government's recommendations as outlined in the Consultation Paper.

There is clear consensus in the community around the Government's policy objectives – namely reliable, safe, efficient and environmentally responsible energy supplies at reasonable prices. These objectives have been, and will continue to be, well supported by CLP for the benefit of Hong Kong.

However, we are deeply concerned that a number of Government's recommendations will undermine a tried and tested regulatory regime which has powered the social and economic progress of our community over the past 40 years. The areas of the Consultation Paper where we have the strongest reservations and concerns are:

- Unclear energy policy with inconsistent environmental regulations
- Inadequate incentives to encourage appropriate investment
- Duration of the regime fails to reflect the long-term nature of the industry
- Unclear arrangements for migration to a competitive market

The purpose of this letter is to strongly encourage you to express your views by writing an individual submission to Government – your voice as a shareholder should be heard and your interests respected in the decisions to be taken on the future regulation of your Company's electricity business in Hong Kong. This can be done by writing to the Economic Development and Labour Bureau at 2/F, Central Government Offices, Main & East Wings, Lower Albert Road, Central (fax: 852-2868 4679) or by email to electricitycommentstage2@edlb.gov.hk. The consultation period closes on the 31 March 2006. Should you decide to write a response to the consultation we would advise you to make your comments as specific as possible, citing the particular areas where you agree or disagree. This will result in the most accurate reflection of your views when Government decides how to proceed with electricity sector regulation.

A condensed version of our views is enclosed for your information. Further updates on the consultation process can be found on our website at www.clpgroup.com/RegulatoryReview/ and can also be obtained from any one of our Customer Service Centres or by contacting our hotline 852-2678 8551.

There is a great deal at stake for CLP and its shareholders in the outcome of Government's consultation process on the future regulatory regime. There is also a great deal at stake for Hong Kong as a whole – the continued provision of a quality supply at reasonable cost is essential for our community's social and economic well-being. I encourage you again to make your voice heard.

The Hon. Sir Michael Kadoorie
Chairman

中電控股有限公司

CLP Holdings Limited

The parent company of
the China Light & Power Group