



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the sixth Annual General Meeting of Shareholders of CLP Holdings Limited 中電控股有限公司 (the Company) will be held at The Peninsula, Salisbury Road, Kowloon, Hong Kong, on Thursday, 22 April 2004, at 11:00 a.m. for the following purposes:

- (1) To receive and consider the audited Accounts and the Reports of the Directors and Auditors for the year ended 31 December 2003.
- (2) To declare a final dividend and a special final dividend.
- (3) To elect Directors.
- (4) To re-appoint Auditors and authorise Directors to fix their remuneration.
- (5) As special business to amend the Company's Articles of Association by passing the following Resolution as a Special Resolution:

"That the Articles of Association of the Company be and are hereby amended in the following respects:

- (a) by deleting the words "Securities and Futures (Clearing House) Ordinance (Chapter 420 of the Laws of Hong Kong)" in the 2nd line of Article 76(B) and replacing them with "Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)".
- (b) by adding the following Article 76(C) immediately after Article 76(B):

"76(C) Where any member, under the Listing Rules, is required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted."
- (c) by deleting the words "and shall alone be responsible to the Company for his own acts and defaults, and he shall not be deemed to be the agent of or for the Director appointing him" in the 18th, 19th and 20th lines of Article 91 and replacing them with the following words:

"and, without prejudice to any liability which he may cause to his appointor under the Statutes or otherwise, shall be responsible to the Company for his acts and defaults, and he shall be deemed to be the agent of or for the Director appointing him"
- (d) by adding the words "or the Company in General Meeting" immediately after the word "Board" in the 3rd, 4th and 5th lines of Article 94.

(e) by deleting the first sentence of Article 97(A) and replacing it with the following sentence:

“97(A) If a Director or any of his associates is in any way, whether directly or indirectly, interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company (each being in paragraph (A), (B) and (C) of this Article referred to as a “transaction”), the Director shall declare the nature of his interest or the interest of any of his associates at a meeting of the Board in accordance with the Statutes.”

(f) by deleting the words “he is to be regarded” in the 2nd line of Article 97(A)(i) and replacing them with “he or any of his associates is to be regarded” and by adding the words “or the interest of any of his associates” immediately after the words “sufficient declaration of his interest” in the 4th line of Article 97(A)(i).

(g) by deleting Article 97(B) in its entirety and replacing it with the following:

“97(B) A Director shall not, as a Director, vote in respect of any transaction in which to his knowledge he or any of his associates has a material interest and if he shall do so his vote shall not be counted, nor in relation thereto shall be counted in the quorum present at the meeting, but (in the absence of some other material interest than is mentioned below) none of these prohibitions shall apply to:

(i) the giving to any Director or any of his associates of any security or indemnity in respect of money lent by him or any of them to or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

(ii) the giving by the Company or any of its subsidiaries of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security; or

(iii) any proposal concerning an offer of shares or debentures or other securities of the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is or is to be interested as a participant in the underwriting or sub-underwriting of the offer; or

(iv) any transaction concerning any other corporation in which the Director or any of his associates does not have a material interest (as defined below); or

(v) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(a) the adoption, modification or operation of any employees’ share scheme or any share incentive or share option scheme under which the Director or any of his associates may benefit; or

(b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme;

which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director, or any of his associates, as such any privilege or advantage which may not generally be accorded to the class of persons to which such scheme or fund relates; or

(vi) any contract or arrangement in which the Director or any of his associates is interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his or their interest in shares or debentures or other securities of the Company; or

- (vii) any contract for the purchase or maintenance for any Director or Directors of insurance against liability;

and so that the interest of a Director or of any of his associates shall not be treated as material in the case of any transaction concerning any company other than the Company in which the Director or any of his associates is interested, directly or indirectly, whether as an officer or executive or shareholder, provided that he and any of his associates together are not beneficially interested in 5% or more of the issued shares of any class of such company or of the voting rights thereof or of any third company through which such interest is derived (any such interest being deemed for the purpose of this Article to be a material interest in all the circumstances). For the purpose of this Article 97, the term "associate" shall have the same meaning as defined in the Listing Rules."

- (h) by adding the words "or any of his associates" immediately after the words "which he" in the 2nd line of Article 97(C).
- (i) by deleting the words "he has no" in the 4th line of Article 97(D) and replacing them with the words "neither he nor any of his associates has".
- (j) by deleting the words "a Director's interest" in the 1st line of Article 97(E) and replacing them with the words "the interest of a Director or of any of his associates" and adding the words "or of any of his associates" immediately after the words "interests of the Director" in the 5th line of Article 97(E).
- (k) by deleting the words "Article 112(B) and to" in the 1st line of Article 103.
- (l) by deleting the words "unless during a period of not less than seven nor more than forty-eight days ending not more than seven days before the day appointed for the meeting" in the 2nd and 3rd lines of Article 106 and replacing them with the following:

"unless during a period of not less than seven days commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date appointed for the meeting"

- (m) by deleting the word "Special" in the 1st line of Article 110 and replacing it with the word "Ordinary".
- (n) by deleting the words "The Board" in the 1st line of Article 112(A) and replacing them with the following:

"Subject always to the other provisions of these Articles (including with regard to retirement by rotation), the Board"
- (o) by deleting Article 112(B) in its entirety and replacing it with the following:

"112(B) The appointment of any Director as Chairman or Managing Director or as an Executive Director shall automatically determine if he ceases to be a Director but without prejudice to any claim for damages for breach of any contract between him and the Company."

- (6) As special business to consider and, if thought fit, pass with or without modification the following Resolution as an Ordinary Resolution:

"THAT the Executive Directors in office at the date of this Resolution shall enter into the rotation of directors over the course of no more than three Annual General Meetings, commencing with this Meeting, in the order in which they have been longest in office since their last election. If Executive Directors are of equal seniority, the Executive Directors to retire shall (unless they agree otherwise amongst themselves) be selected from among them by lot. A retiring Executive Director shall be eligible for re-election."

- (7) To re-elect Executive Director.

As special business to consider and, if thought fit, pass with or without modification the following Resolutions as Ordinary Resolutions:

(8) "That

- (a) the remuneration of the Chairman, each one of the Vice Chairmen and the other Non-executive Directors shall respectively be fixed at the sum of HK\$280,000, HK\$220,000 and HK\$200,000 for each financial year until the Company in General Meeting otherwise determines; such remuneration to take effect from 1 July 2004 and be payable to Directors on a pro rata basis for the financial year ending 31 December 2004.
- (b) additional remuneration shall be payable to Non-executive Directors who serve on the Board Committees of the Company and such remuneration be fixed at the levels as shown in the following table for each financial year until the Company in General Meeting otherwise determines; such remuneration to take effect from 1 July 2004 and be payable to Directors on a pro rata basis for the financial year ending 31 December 2004.

	<i>HK\$</i>
<b>Audit Committee</b>	
Chairman	140,000
Member	100,000
<b>Nomination Committee</b>	
Chairman	10,000
Member	10,000
<b>Human Resources &amp; Remuneration Committee</b>	
Chairman	14,000
Member	10,000
<b>Finance &amp; General Committee</b>	
Chairman	110,000
Member	80,000
<b>Regulatory Affairs Committee</b>	
Chairman	30,000
Member	20,000"

(9) "That:

- (a) subject to paragraph (c), a general mandate be and is hereby unconditionally granted to the Directors of the Company to exercise during the Relevant Period all the powers of the Company to allot, issue and dispose of additional shares in the Company and to make or grant offers, agreements, options or warrants which would or might require the exercise of such powers;
- (b) the mandate in paragraph (a) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the mandate in paragraph (a), otherwise than pursuant to (i) a Rights Issue, or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (iii) any scrip dividend or similar arrangement pursuant to the Articles of Association of the Company from time to time, shall not exceed ten per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution and the said mandate shall be limited accordingly;

(d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

(10) “That:

(a) a general mandate be and is hereby unconditionally given to the Directors of the Company to exercise during the Relevant Period all the powers of the Company to purchase or otherwise acquire shares of HK\$5.00 each in the capital of the Company in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, provided that the aggregate nominal amount of shares so purchased or otherwise acquired shall not exceed ten per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution.

(b) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting.”

(11) “That, conditional upon the passing of Resolutions (9) and (10) set out in the Notice convening this Meeting, the aggregate nominal amount of the shares which are purchased or otherwise acquired by the Company pursuant to Resolution (10) shall be added to the aggregate nominal amount of the shares which may be issued pursuant to Resolution (9).”

By Order of the Board  
**Peter W. Greenwood**  
*Director & Company Secretary*

Hong Kong, 25 February 2004

## EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

### Proxy Information

1. A Shareholder entitled to attend and vote at the Annual General Meeting to be held on 22 April 2004 (the AGM) convened by the Notice of AGM (the Notice) is entitled to appoint not more than two proxies to attend and vote in his stead. The proxy need not be a Shareholder of the Company.
2. Proxy forms for use at the AGM will be sent to Shareholders together with the Annual Report 2003 on or about 29 March 2004. The proxy form will be published on the website of The Stock Exchange of Hong Kong (the Exchange) and can also be downloaded from CLP website: [www.clpgroup.com](http://www.clpgroup.com). In order to be valid, proxy forms must be completed, signed and deposited at the Company's Registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the AGM.

### Dividends

3. The Board has recommended a final dividend and a special final dividend of HK\$0.65 per share and HK\$0.10 per share respectively. The final dividend and special final dividend totalling HK\$0.75 per share are subject to Shareholders' approval at the AGM. The special final dividend represents the distribution of the Group's share of profit arising from the sale of remaining units of Phases 4 and 5 of Laguna Verde.
4. The Register of Shareholders will be closed from 14 April 2004 to 22 April 2004, both days inclusive, during which period the registration of transfers of shares will be suspended. To rank for the final dividend and special final dividend, all transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 13 April 2004.

### Directors

5. In relation to agenda item No. (3) in the Notice regarding election of Directors, Mr. Vernon Francis Moore, Mr. Rudolf Bischof, Mr. Loh Chung Hon, Hansen and Mr. William Elkin Mocatta retire at the AGM by rotation pursuant to the Company's Articles of Association and, being eligible, offer themselves for re-election. Dr. Lee Yui Bor, being a new Executive Director appointed by the Board, also retires at the AGM in accordance with the Company's Articles of Association and, being eligible, offers himself for election by Shareholders.

Subject to the Shareholders' approval, it is proposed to modify the Company's Articles of Association so that, inter alia, all Executive Directors shall in future retire by rotation at each annual general meeting. In order to achieve the rotational retirement of the existing Executive Directors, an Ordinary Resolution shall be proposed (Agenda Item No. (6) in the Notice) pursuant to Article 104 of the Company's Articles of Association so that the existing Executive Directors shall retire by rotation over the course of no more than three annual general meetings, commencing with this AGM. Accordingly, Mr. Tse Pak Wing, Peter will retire at this AGM and, being eligible, offers himself for re-election.

Under agenda items No. (3) and (7), the election and re-election of Directors and Executive Directors will be individually voted on by Shareholders.

The biographical details and interests in the shares of the Company of all the Non-executive Directors and Executive Directors to be elected or re-elected at the AGM are provided in the "Board of Directors and Senior Management" section and the "Directors' Report" in CLP Holdings Annual Report 2003 and are also available on the CLP website.

### Auditors Remuneration

6. In relation to agenda item No. (4) in the Notice regarding the authorisation of Directors to fix auditors' remuneration, Shareholders should note that in practice the amount of auditors' remuneration for the year 2004 audit cannot be determined in the beginning of the financial year. This is because auditors' remuneration for any given year varies, in particular by reference to the scope and extent of the audit work which is undertaken during that year.

In order to be able to charge the amount of auditors' remuneration as operating expenses for the year ending 31 December 2004, Shareholders' approval to delegate the authority to the Directors to fix the auditors' remuneration for the year ending 31 December 2004 is required at the AGM.

The work of the auditors and the amount of remuneration paid to the auditors for the year 2003 audit had been reviewed by the Audit Committee, which comprises only Independent Non-executive Directors. The approved amount of auditors' remuneration and fees paid to the auditors for non-audit services are disclosed in CLP Holdings Annual Report 2003. All non-audit services performed by the auditors were pre-approved by the Audit Committee in line with the requirements of the Sarbanes-Oxley Act.

## Articles of Association

7. The Companies (Amendment) Ordinance 2003 (the "Amendment Ordinance") has come into operation on 13 February 2004 and the Exchange has announced amendments to the Listing Rules which include, among other things, amendments to Appendix 3 of the Listing Rules that will come into effect on 31 March 2004. Appendix 3 of the Listing Rules sets out the provisions with which a listed company's articles of association should conform.

In order to make the Company's Articles of Association consistent with the Amendment Ordinance and the amended Appendix 3 of the Listing Rules, a special resolution to modify various Articles in the Company's Articles of Association is proposed under agenda item No. (5). The background for the proposed amendments to the following Articles is set out below:

- |     |                      |  |
|-----|----------------------|--|
| (a) | Article 76(B)        | To reflect the change in the reference to the Securities and Futures Ordinance (the SFO). The Securities and Futures (Clearing House) Ordinance was repealed upon the commencement of the SFO on 1 April 2003. Any recognised clearing house under the repealed Ordinance shall be deemed to have been recognised as a clearing house under the SFO.   |
| (b) | Article 76(C)        | To reflect the restriction on voting by members as required by the amended Appendix 3 of the Listing Rules.  |
| (c) | Article 91           | To be consistent with the recommendations in the Amendment Ordinance that an alternate director shall be deemed to be the agent of the Director who appoints him and that the Director appointing an alternate director shall be vicariously liable for the acts of his alternate.   |
| (d) | Article 94           | To allow remuneration and expenses payable to Non-executive Directors for their service on Board Committees to be determined by the Board or the Company in General Meeting.   |
| (e) | Articles 97(A)-(E)   | To be consistent with the provisions of the amended Appendix 3 of the Listing Rules so that (1) subject to certain exceptions, a Director is not allowed to vote on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting; and (2) the term "associate" in relation to a Director will have the same meaning as defined in the Listing Rules.  |
| (f) | Article 106          | To be consistent with the amended Appendix 3 of the Listing Rules which requires there to be a minimum period during which notice may be given by a person other than a Director to propose a person for election as a Director (and during which notice is also given by such person of his willingness to be elected). This minimum period must be fixed for at least seven days and should commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting. |
| (g) | Article 110          | To be consistent with the Amendment Ordinance that removal of any Director before the expiration of his period of office can be made by Ordinary Resolution instead of Special Resolution. That is to say, such a resolution will be carried by a simple majority of votes cast in favour of the resolution at that meeting.   |
| (h) | Articles 103 and 112 | To provide that all Directors including the Executive Directors are subject to retirement and re-election on a regular basis.  |

## **Directors' Remuneration**

8. Non-executive Directors are paid fees in line with market practice, based on a formal independent review undertaken no less frequently than every three years. The levels of remuneration for the Chairman, each one of the Vice Chairmen and other Non-executive Directors have remained unchanged since 1995 at HK\$225,000, HK\$150,000 and HK\$100,000 respectively.

As a result of both regulatory changes and the increasing part Non-executive Directors play in the good governance of listed companies, the Company proposes to move towards adopting a more transparent and structured methodology for determining the remuneration of Non-executive Directors. The methodology follows the recommendations of the "Higgs Report" in the U.K. on the "Review of the Role and Effectiveness of Non-executive Directors" which takes into account the workload, scale and complexity of the business and the responsibility of Directors. Based on this methodology, the revised levels of remuneration payable to Non-executive Directors effective from 1 July 2004 are proposed to Shareholders for approval.

In light of the increasing workload and responsibility of Board Committees, including in response to the Companies Ordinance, Listing Rules and Sarbanes-Oxley Act, it is proposed that additional remuneration be payable to those Directors who serve on Board Committees and the same methodology be adopted in calculating the amount of remuneration payable to such Non-executive Directors for assuming additional responsibilities by serving on Board Committees.

The resulting fees were then benchmarked against comparable companies in Hong Kong (as far as possible, given the limitations of the information publicly available). The methodology and proposed fees have been independently reviewed by Deloitte & Touche Enterprise Risk Services Limited.

Details of the methodology and resulting fees are set out in the Remuneration Report on pages 91 to 93 of CLP Holdings Annual Report 2003.

## **General Mandate to issue shares**

9. In relation to the general mandate referred to in Resolution (9) in the Notice, an ordinary resolution was passed at the Annual General Meeting held on 5 May 2003 giving a general mandate to the Directors to issue up to ten per cent of the share capital of the Company in issue. No shares have been issued pursuant to this mandate, which will lapse at the conclusion of the forthcoming AGM, unless the mandate is renewed at that meeting. At present, the Directors have no immediate proposals to issue any new shares. The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority from Shareholders to enable the Directors to issue shares.

## **Share Repurchase Mandate**

10. In relation to the general mandate referred to in Resolution (10) in the Notice, an ordinary resolution was passed at the Annual General Meeting on 5 May 2003 giving a general mandate to the Directors to repurchase shares of the Company on the Exchange up to ten per cent of the issued share capital of the Company. Up to 25 February 2004, no shares were repurchased pursuant to this general mandate, which will lapse at the conclusion of the forthcoming AGM, unless the mandate is renewed at that meeting. The Directors believe that it is in the best interests of the Company and its Shareholders to have a general authority from Shareholders to enable the Directors to repurchase shares on an opportunistic basis for the enhancement of long-term shareholder value. Shareholders' attention is particularly drawn to the implication of share repurchases under the Hong Kong Code on Takeovers and Mergers as set out in the Explanatory Statement on Share Repurchase Mandate which accompanies the Notice convening the AGM.



### **Right to demand a poll**

11. Pursuant to Article 68 of the Articles of Association of the Company, every question submitted to a General Meeting shall be determined in the first instance by a show of hands of the Shareholders present in person, but a poll may be demanded (before or upon the declaration of the result of the show of hands) by the Chairman or by:
  - (a) not less than five Shareholders present in person or by proxy having the right to vote at the meeting; or
  - (b) a Shareholder or Shareholders present in person or by proxy representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
  - (c) a Shareholder or Shareholders present in person or by proxy holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring the right.
  
12. Pursuant to Article 68, the Chairman will demand a poll on each of the questions submitted for determination at the forthcoming AGM. The results of the poll will be published in the local newspapers and on the Company's and the Exchange's websites on the business day following the AGM, as well as in the Minutes of the AGM for despatch to Shareholders.

## IMPORTANT

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this Explanatory Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Explanatory Statement.*

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## EXPLANATORY STATEMENT ON SHARE REPURCHASE MANDATE

This Explanatory Statement includes information required under Rule 10.06(1)(b) of the Rules Governing the Listing of Securities (Listing Rules) on The Stock Exchange of Hong Kong Limited (Stock Exchange) to be given to Shareholders in connection with the proposed share repurchase mandate to be granted to the Directors of CLP Holdings Limited 中電控股有限公司 (the Company).

### Exercise of the Repurchase Mandate

Resolution (10) set out in the Notice of Annual General Meeting will, if passed, give a general unconditional mandate to the Directors authorising the repurchase by the Company of up to ten per cent of the fully paid shares of HK\$5.00 each in the capital of the Company (Shares) in issue at the date of the Annual General Meeting at any time from the passing of the Resolution until the conclusion of the next Annual General Meeting of the Company, the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, or at any time when the aforementioned mandate is revoked or varied by ordinary resolution of the Shareholders in general meeting, whichever occurs first (Relevant Period).

Exercise in full of the repurchase mandate (on the basis of 2,408,245,900 Shares in issue as at 25 February 2004, being the date of the Notice of Annual General Meeting) would result in up to 240,824,590 Shares being repurchased by the Company during the Relevant Period.

### Reasons for Repurchases

The Directors believe that it is in the best interests of the Company and its Shareholders to have a general authority from Shareholders to enable the Directors to repurchase Shares. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement in the value of the Shares and/or earnings per Share and will only be made when the Directors believe that such repurchase will benefit the Company and its Shareholders.

### Funding of Repurchases

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the laws of Hong Kong and the Memorandum and Articles of Association of the Company. Such funds may include profits available for distribution and the proceeds of a fresh issue of Shares made for the purpose of the repurchases.

In the event that the repurchase mandate is exercised in full, there might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the Company's Annual Report and Accounts for the year ended 31 December 2003). However, the Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or gearing level which in the opinion of the Directors is from time to time appropriate to the Company.

### Status of Repurchased Shares

The Listing Rules provide that all the Shares purchased by the Company are automatically delisted and the Company must ensure that the corresponding certificates are cancelled and destroyed. Under the Companies Ordinance, the Shares so purchased will be treated as having been cancelled but the aggregate amount of the Company's authorised share capital would not be reduced.

## Share Prices

The highest and lowest prices at which Shares have been traded on the Stock Exchange during each of the previous 12 months were as follows:

	Highest HK\$	Lowest HK\$
<b>2003</b>		
February	32.40	31.50
March	32.90	31.90
April	33.20	31.80
May	34.20	31.90
June	34.20	32.60
July	34.50	33.60
August	34.80	33.80
September	34.50	33.70
October	35.10	34.10
November	37.80	35.10
December	37.60	36.00
<b>2004</b>		
January	37.70	36.30

## Disclosure of Interests

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company or its subsidiaries under the repurchase mandate if such repurchase mandate is approved by Shareholders.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate pursuant to the proposed resolution in accordance with the Listing Rules and the laws of Hong Kong.

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company or have undertaken not to do so in the event that the repurchase mandate is approved by Shareholders.

## Hong Kong Code on Takeovers and Mergers

If, as a result of share repurchases by the Company, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purposes of Rule 32 of the Hong Kong Code on Takeovers and Mergers (Takeovers Code). Accordingly, a Shareholder, or group of Shareholders acting in concert, may be treated, as a result of share repurchases by the Company, to obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As recorded in the Register of Shareholdings under Rule 26.6 of the Hong Kong Code on Takeovers and Mergers maintained by the Securities and Futures Commission (SFC), Bermuda Trust Company Limited, The Hon. Michael D. Kadoorie, Mr. R. J. McAulay, The Sir Horace Kadoorie International Foundation and The Incorporated Trustees of the Kadoorie Foundation (the Parties) had registered their aggregated interests in 839,028,074 ordinary shares in CLP Holdings, representing 33.96% of the issued share capital of the Company on 19 October 2001. The Parties' aggregated interests in CLP Holdings as at the date of the Notice of Annual General Meeting have increased to 34.84% as a result of repurchases made by the Company in 2001 and 2002 pursuant to its longstanding opportunistic on-market Share Repurchase Programme.

On the basis of the Company's issued share capital as at 25 February 2004, if the Company repurchases about a further 11 million Shares, representing approximately 0.46% of the issued share capital of the Company, the Parties' proportionate interests in the Shares will exceed 35%. If this occurs, the Parties will be obliged to make a mandatory general offer under the Takeovers Code unless a waiver is obtained. The Company does not presently envisage exercising the Share Repurchase Mandate to effect on-market share repurchases in circumstances where this will trigger a mandatory general offer obligation on the part of the Parties under the Takeovers Code.

Having consulted the Independent Non-executive Directors, the Company formally applied to the SFC in October 2003 for a ruling that Rule 32 of the Takeovers Code does not preclude a whitewash waiver application triggered by on-market share repurchases. The application was made on the basis that it was in the interests of the Company and all its shareholders that the Company be able to continue its on-market share repurchases without creating a mandatory general offer obligation on the Parties, or compelling the Parties to sell down their interests in the Company in anticipation of share repurchases.

Following an unfavourable ruling from the SFC Executive, the Company requested a review of the SFC Executive's ruling by the Takeovers and Mergers Panel. The Review was requested on the grounds that a whitewash waiver application triggered by on-market share repurchases should be permissible under the Takeovers Code or, alternatively, that the disallowance of such a whitewash waiver application would be inappropriate in the case of the Company having regard to the merits of this particular case.

However, in December 2003, the Takeovers and Mergers Panel affirmed the ruling of the SFC Executive that Rule 32 of the Takeovers Code should not be interpreted so as to permit whitewash applications in respect of mandatory general offer obligations triggered by on-market share repurchases.

Further background is provided in the "CLP and our Shareholders" section on page 26 of CLP Holdings Annual Report 2003. In addition, extracts from our submissions to the SFC and the Takeovers and Mergers Panel decision are available on the CLP website. For Shareholders who do not have ready access to our website, hard copies of the extracts are available on request to the Company Secretary.

#### **Repurchases made by the Company**

The Company has not repurchased any shares of the Company on the Stock Exchange in the six months prior to the date of the Notice of Annual General Meeting.