
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in CLP Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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CLP Holdings Limited

中電控股有限公司

(incorporated in Hong Kong with limited liability)

PROPOSED REDUCTION OF SHARE PREMIUM ACCOUNT TO INCREASE DISTRIBUTABLE RESERVE

A notice convening an extraordinary general meeting of CLP Holdings Limited to be held at The Peninsula, Salisbury Road, Kowloon, Hong Kong, at 11:00 a.m. (or so soon thereafter as the fourth Annual General Meeting of CLP Holdings Limited convened for the same place and day shall have been concluded or adjourned) on Thursday, 25 April 2002 is set out on page 9 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

28 March 2002

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:–

“Board”	the board of directors of CLP Holdings;
“CITIC Pacific”	CITIC Pacific Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Stock Exchange;
“CITIC Placement”	the placement of 497,664,000 Shares to CITIC Pacific or one or more of its wholly-owned subsidiaries pursuant to a placement agreement entered into on 28 January 1997;
“CLP Holdings” or “Company”	CLP Holdings Limited 中電控股有限公司, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Stock Exchange;
“CLP Power”	CLP Power Hong Kong Limited 中華電力有限公司, formerly known as China Light & Power Company, Limited 中華電力有限公司, which was the holding company of the Group prior to the Group Reorganisation whereupon it became a wholly-owned subsidiary of CLP Holdings;
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong;
“Court”	The High Court of Hong Kong;
“Extraordinary General Meeting”	an extraordinary general meeting of CLP Holdings to be convened to approve the Share Premium Reduction;
“Group”	CLP Holdings and its subsidiaries from time to time;
“Group Reorganisation”	the reorganisation of the Group, effective as of 6 January 1998, by way of a scheme of arrangement under Section 166 of the Companies Ordinance, pursuant to which CLP Holdings was established as the new holding company of the Group and was listed on the Stock Exchange, after which CLP Power, the holding company of the Group prior to such Group Reorganisation, withdrew its listing on the Stock Exchange;

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Off-market Repurchase”	the repurchase of 367,275,500 Shares by CLP Holdings from CITIC Pacific or its subsidiaries pursuant to a share sale and repurchase agreement entered into between CLP Holdings, CLP Power and CITIC Pacific, which repurchase was completed on 12 October 1999;
“Share Premium Reduction”	the proposed reduction of the share premium account of CLP Holdings as described in this circular;
“Shareholders”	holders of Shares;
“Shares”	shares of HK\$5.00 each in the capital of CLP Holdings (or, in respect of the period prior to the Group Reorganisation, shares of HK\$5.00 each in the capital of China Light & Power Company, Limited); and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

LETTER FROM THE CHAIRMAN

CLP Holdings Limited

中電控股有限公司

(incorporated in Hong Kong with limited liability)



中電控股

CLPHoldings

Board of Directors:

Non-executive Directors:

The Hon. Michael D. Kadoorie (*Chairman*)

W. E. Mocatta (*Vice Chairman*)

J. S. Dickson Leach (*Vice Chairman*)

R. J. McAulay

V. F. Moore

J. A. H. Leigh

R. Bischof

S. F. Goldmann

I. D. Boyce

Registered Office:

147 Argyle Street

Kowloon

Hong Kong

Independent Non-executive Directors:

The Hon. Sir S. Y. Chung

William K. Fung

Hansen C. H. Loh

Paul M. L. Kan

Group Managing Director:

Andrew C. W. Brandler

Executive Directors:

Peter P. W. Tse

Peter W. Greenwood

Michael Price

Alternate Director:

Lori J. Ryerkerk (*alternate to S. F. Goldmann*)

28 March 2002

To Shareholders,

Dear Sir or Madam,

PROPOSED REDUCTION OF SHARE PREMIUM ACCOUNT TO INCREASE DISTRIBUTABLE RESERVE

INTRODUCTION

The Board announced on 14 March 2002 that it intends to put to Shareholders a proposal to reduce the share premium account of CLP Holdings. The purpose of this circular is to

LETTER FROM THE CHAIRMAN

provide you with further information relating to the Share Premium Reduction and to set out the notice convening the Extraordinary General Meeting at which a resolution will be proposed to approve and implement the Share Premium Reduction.

As at 31 December 2001, the amount standing to the credit of the share premium account of CLP Holdings was approximately HK\$11,281 million. It is proposed that, subject to the conditions set out below, the share premium account of CLP Holdings be reduced by HK\$10,116,789,910, which will be credited to the distributable reserve of CLP Holdings. As a result, the distributable reserve of the Group as at 31 December 2001, after allowing for the proposed final dividends for 2001, will increase from HK\$5,929 million to HK\$16,046 million upon the Share Premium Reduction becoming effective. The reduction of HK\$10,116,789,910 represents the share premium on the 367,275,500 Shares issued to CITIC Pacific (as part of the CITIC Placement) which were subsequently repurchased and cancelled, as explained below.

The Board believes that the Share Premium Reduction is in the best interests of CLP Holdings and the Shareholders.

BACKGROUND

A share premium was created in the accounts of CLP Power (CLP Holdings' predecessor) as a result of the CITIC Placement announced on 28 January 1997 pursuant to which 497,664,000 new Shares were issued to CITIC Pacific. These Shares were issued in two tranches, namely, 199,065,600 Shares on 10 February 1997 and 298,598,400 Shares on 7 March 1997. The subscription price under the CITIC Placement was HK\$32.66 per Share and, accordingly, the excess over the par value of HK\$5.00 per Share, net of permissible expenses, was credited to the share premium account of CLP Power. Immediately after the CITIC Placement, the amount standing to the credit of the share premium account of CLP Power was approximately HK\$13,708 million.

Under the Group Reorganisation which was effective on 6 January 1998, shares in CLP Holdings were issued in exchange for shares in CLP Power. The Group Reorganisation also resulted in CLP Holdings having to create a share premium account equivalent to the excess value of the shares in CLP Power surrendered by its shareholders over the aggregate nominal value of shares in CLP Holdings issued in exchange under the Group Reorganisation. CLP Holdings, however, applied to the Court to sanction a reduction of its share premium account, which became effective on 13 January 1998 and allowed CLP Holdings to have the same distributable reserve which CLP Power had prior to the Group Reorganisation. Immediately after the Group Reorganisation and such reduction, the amount standing to the credit of the share premium account of CLP Holdings was approximately HK\$13,362 million.

On 12 October 1999, 367,275,500 Shares, which were originally placed to CITIC Pacific under the CITIC Placement, were repurchased from CITIC Pacific at HK\$34.80 per Share and cancelled by CLP Holdings. In accordance with statutory requirements governing share

LETTER FROM THE CHAIRMAN

repurchases by Hong Kong listed companies, the consideration payable by CLP Holdings under the Off-market Repurchase was paid out of the distributable reserve instead of the share premium account. Thus, the Off-market Repurchase did not reduce the share premium which had been created upon the original issue of the repurchased Shares, despite the fact that those Shares were cancelled upon the Off-market Repurchase.

On 26 February 2001, CLP Holdings declared a one-for-five bonus issue concurrently with the announcement of its audited final results for the year ended 31 December 2000. The bonus issue was funded from the share premium account of CLP Holdings. Since the completion of the bonus issue on 23 April 2001, the amount standing to the credit of the share premium account of CLP Holdings has stayed at approximately HK\$11,281 million.

REASONS FOR THE SHARE PREMIUM REDUCTION

The CITIC Placement coupled with the Off-market Repurchase, to the extent of the 367,275,500 Shares issued to, and subsequently repurchased from, CITIC Pacific, effectively resulted in a transfer of part of the assets of CLP Holdings from the distributable reserve to the share premium account in balance sheet terms. The Share Premium Reduction represents the share premium on those 367,275,500 Shares.

The Board considers that it is unnecessary to maintain the share premium account at its current level of HK\$11,281 million. CLP Holdings is subject to the restrictions under Hong Kong law on the use of the funds standing in the share premium account which, in summary, limit its use to financing the issue of bonus shares and paying the costs arising on the issue of shares. The application of funds in the share premium account is therefore more restricted than that of the distributable reserve. The Board considers that it is in the best interests of CLP Holdings and the Shareholders to proceed with the Share Premium Reduction. In particular, the Board believes that the Share Premium Reduction will have the following advantages for CLP Holdings and the Shareholders:

- (1) The Share Premium Reduction will, in effect, correct the inevitable statutory consequences of the Off-market Repurchase whereby the 367,275,500 Shares repurchased from CITIC Pacific were cancelled, but the share premium created by their issue remained in place.
- (2) By increasing CLP Holdings' distributable reserve, the Share Premium Reduction will provide greater flexibility for CLP Holdings in terms of dividend or share repurchase policies.

LETTER FROM THE CHAIRMAN

EFFECTS OF THE SHARE PREMIUM REDUCTION

The pro-forma effect of the Share Premium Reduction on the components of the shareholders' funds, as applied to the audited accounts of CLP Holdings and the audited consolidated accounts of the Group, respectively, as at 31 December 2001, will be as follows:–

SHAREHOLDERS' FUNDS	Before Share Premium Reduction as at 31 December 2001		Pro-forma upon Share Premium Reduction becoming effective	
	<i>(HK\$ million)</i>		<i>(HK\$ million)</i>	
	CLP Holdings	the Group	CLP Holdings	the Group
Share capital	12,107	12,107	12,107	12,107
Share premium	11,281	11,281	1,164	1,164
Capital redemption reserve and other reserves	2,416	2,129	2,416	2,129
Retained profit	1,730	5,929	11,847	16,046
Proposed dividends (<i>Note</i>)	2,528	2,528	2,528	2,528
Total	<u>30,062</u>	<u>33,974</u>	<u>30,062</u>	<u>33,974</u>

Note: The proposed final and special final dividends for the year ended 31 December 2001 were declared by the Company on 25 February 2002 and will, subject to Shareholders' approval, be payable on 26 April 2002 to Shareholders registered as at 25 April 2002.

Implementation of the Share Premium Reduction will not alter the underlying assets, business operations, management or financial position of CLP Holdings or the proportionate interests of the Shareholders in the underlying assets of the Group, other than as a result of the related expenses of the Share Premium Reduction such as legal fees, printing costs and postage.

CLP Holdings has no immediate plans regarding the use of the increased distributable reserve. The Board considers that the Share Premium Reduction will not have a material adverse effect on the financial position of CLP Holdings and the Group.

CONDITIONS OF THE SHARE PREMIUM REDUCTION

The Share Premium Reduction is conditional upon:

- (a) the passing of a special resolution to approve the Share Premium Reduction at the Extraordinary General Meeting;

LETTER FROM THE CHAIRMAN

- (b) the Court making an order confirming the Share Premium Reduction (the “Confirming Order”) pursuant to Section 60 of the Companies Ordinance; and
- (c) the registration by the Registrar of Companies in Hong Kong of an office copy of the Confirming Order pursuant to Section 61 of the Companies Ordinance and of any other documents required by the Court.

Assuming the above conditions are fulfilled, it is expected that the Share Premium Reduction will become effective immediately following the registration of the Confirming Order and of any other documents required by the Court.

CLP Holdings has been advised that the time required for the grant of the Confirming Order is dependent upon (i) the making of arrangements with creditors of CLP Holdings such as obtaining appropriate consents from them (although these arrangements will not apply to the creditors of CLP Holdings’ subsidiaries or affiliates), and (ii) the Court’s availability for the necessary hearing dates which cannot be fixed until after the passing of the special resolution to approve the Share Premium Reduction. It is therefore not possible at this stage to ascertain the date on which the Court hearing of the petition for the confirmation by the Court of the Share Premium Reduction will take place. A further announcement will be made by CLP Holdings to inform the Shareholders of the effective date of the Share Premium Reduction.

RECOMMENDATION

The Board considers that the Share Premium Reduction is in the best interests of CLP Holdings and Shareholders and, accordingly, recommends Shareholders to vote in favour of the resolution to be proposed at the requisite meeting to approve and implement the Share Premium Reduction.

ACTIONS TO BE TAKEN

A notice of the Extraordinary General Meeting is set out on page 9 of this circular. At the meeting, a resolution to approve and to implement the Share Premium Reduction will be proposed.

A form of proxy is enclosed for use at the requisite meeting. Whether or not you intend to attend the Extraordinary General Meeting in person, you are strongly urged to complete and sign the form of proxy and return it as soon as possible. The completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the Extraordinary General Meeting.

Yours faithfully
For and on behalf of the Board
Michael D. Kadoorie
Chairman

GENERAL INFORMATION

RESPONSIBILITY STATEMENT

This circular contains particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange for the purpose of giving information with regard to CLP Holdings. The directors of CLP Holdings jointly and severally accept full responsibility for the accuracy of the information contained in this circular which relates to CLP Holdings and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular which relate to CLP Holdings have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement herein which relates to CLP Holdings misleading.

MISCELLANEOUS

- (a) The registered office of the Company is at 147 Argyle Street, Kowloon, Hong Kong.
- (b) The registrars of the Company are Central Registration Hong Kong Limited, Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text.

NOTICE OF EXTRAORDINARY GENERAL MEETING

CLP Holdings Limited

中電控股有限公司

(incorporated in Hong Kong with limited liability)



中電控股

CLPHoldings

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the shareholders of CLP Holdings Limited (the “Company”) will be held at The Peninsula, Salisbury Road, Kowloon, Hong Kong, on Thursday, 25 April 2002 at 11:00 a.m. (or so soon thereafter as the fourth Annual General Meeting of CLP Holdings Limited convened for the same place and day shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution as a special resolution:

SPECIAL RESOLUTION

“**THAT**, conditional upon (i) the High Court of Hong Kong making an order confirming the reduction of the share premium account of the Company pursuant to Section 60 of the Companies Ordinance and (ii) the registration by the Registrar of Companies in Hong Kong of an office copy of such confirming order pursuant to Section 61 of the Companies Ordinance and of any other documents required by the High Court of Hong Kong, and subject to any conditions imposed by the High Court of Hong Kong:

- (A) the share premium account of the Company be reduced by the amount of HK\$10,116,789,910 and that the directors of the Company be and are hereby authorised to credit such amount to the distributable reserve of the Company; and
- (B) the directors of the Company be and are hereby authorised generally to do all acts and things which they may consider appropriate, necessary or desirable to give effect to or implement the foregoing.”

By Order of the Board

Peter W. Greenwood

Director & Company Secretary

Hong Kong, 28 March 2002

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered office :

147 Argyle Street

Kowloon

Hong Kong

Notes:

- 1 A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- 2 A form of proxy for use at the Extraordinary General Meeting is enclosed. Whether or not you intend to attend the Extraordinary General Meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon.
- 3 To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy or office copy of such power or authority, must be deposited at the Company's Registrars, Central Registration Hong Kong Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for the Extraordinary General Meeting or any adjournment thereof.
- 4 Completion and return of the form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting if you so wish. In that event, your form of proxy will be deemed to have been revoked.
- 5 Where there are joint registered holders of any share of the Company, any one of such holders may vote at the Extraordinary General Meeting either personally or by proxy in respect of such share as if he/she were solely entitled thereto Provided that if more than one of such joint holders be present at the Extraordinary General Meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.