



# THE HONGKONG AND SHANGHAI HOTELS, LIMITED

香港上海大酒店有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 45)

## DISCLOSEABLE TRANSACTION

Further to the announcement of HSH dated 7th May, 2004, HSH is pleased to announce that on 28th October, 2004, PSW entered into the Land Grant Contract with Shanghai Real Estate Bureau for purchase of the Site, and the Entrustment Contract with NHP for related development works.

PSW is a wholly-owned subsidiary of TPS, which in turn is a 50:50 jointly-controlled entity set up by PIHL (a subsidiary of HSH) and SPG pursuant to the Shareholders Agreement.

PSW will develop the Shanghai Project on the Site. The Shanghai Project includes the development and construction of a Peninsula hotel, a Peninsula apartment hotel, a retail arcade and ancillary facilities at the Site located at the northern end of the Bund close to the old British Consulate within the Waitanyuan area of Huang Pu District, Shanghai.

The total consideration payable pursuant to the Land Grant Contract and the Entrustment Contract of US\$109,188,500 (approximately HK\$851,670,300) (subject to adjustment described below) was agreed after arm's length negotiation. It comprises the Land Premium of US\$32,756,550 (approximately HK\$255,501,090) payable under the Land Grant Contract and the Early-Stage Development Price of US\$76,431,950 (approximately HK\$596,169,210) (subject to adjustment) under the Entrustment Contract. The Early-Stage Development Price may be adjusted depending on the timing of implementation of a number of infrastructure improvements adjacent to the Site. The maximum adjustment is US\$25,188,500 (approximately HK\$196,470,300) above the Total Land Price as described below. The directors consider the terms and conditions of the Land Grant Contract and Entrustment Contract to be fair and reasonable and in the interests of the shareholders as a whole.

The estimated Total Project Cost of the Shanghai Project is approximately US\$361 million (approximately HK\$2.8 billion), which includes the Total Land Price and the related construction and development cost. Under the Shareholders Agreement, PIHL and SPG have agreed to fund the costs required for the Shanghai Project partly through commercial borrowings by TPS and/or PSW and partly through their own financial resources in proportion to their respective shareholdings on a several basis. Any security given will also be on a several basis and in the proportion of their shareholdings.

Accordingly, HSH's maximum commitment to the Shanghai Project may be approximately US\$180.5 million (approximately HK\$1.4 billion), being 50% of the Total Project Cost, not taking into account any borrowings which may be obtained by TPS or PSW or any proceeds from sale of any part of the Shanghai Project.

PIHL and SPG have agreed to fund the Land Premium and the Early-Stage Development Price through TPS on a 50:50 basis from their own resources. Any further funding required for the Shanghai Project will be determined in accordance with the Shareholders Agreement and in light of circumstances prevailing at that time.

The maximum commitment of HSH to the Shanghai Project under the Shareholders Agreement constitutes a discloseable transaction of HSH under the Listing Rules. A circular in connection with the Shanghai Project will therefore be despatched to the shareholders of HSH as soon as practicable and in any event not later than 21 days from the publication of this announcement.

### Land Grant Contract

**Parties:** PSW  
Shanghai Real Estate Bureau

**Date:** 28th October, 2004

**Site:** A piece of land of 13,898 square metres located at No. 175 Block of Huang Pu District in Shanghai, which is in the Waitanyuan area situated near the old British Consulate at the northern end of the Bund

**Construction Plot Ratio:** Total construction area (above ground) of not more than 56,000 sq.m.

**Land Premium:** US\$32,756,550 (approximately HK\$255,501,090)

**Payment terms:** US\$4,000,000 (approximately HK\$31,200,000) before 7th November, 2004  
US\$28,756,550 (approximately HK\$224,301,090) before 27th December, 2004

**Permitted use:** Mixed-use (hotel, commercial and office)

**Term of land use Rights:** 50 years

### Entrustment Contract

**Parties:** PSW  
NHP

**Date:** 28th October, 2004

**Purpose:** NHP has agreed, amongst other things:

- to perform pre-development works on the Site including completing the Four Connections and One Leveling Works within 8 months from the date of the Land Grant Contract and Seven Connections Works within 3 months from such time as PSW may request;
- to provide assistance in obtaining approvals, facilitate construction in liaising with government departments in relation to the Shanghai Project.

**Consideration And Adjustment:** PSW shall pay the Early-Stage Development Price of US\$76,431,950 (approximately HK\$596,169,210) (subject to adjustment) to NHP in accordance with the following schedule:-

- within 120 days after the signing of the Entrustment Contract, US\$20,837,700 (approximately HK\$162,534,606);
- within 300 days after the signing of the Entrustment Contract, the balance of US\$54,594,250 (approximately HK\$425,835,150).

TPS had already paid NHP a refundable deposit of US\$1 million (approximately HK\$7.8 million) pursuant to the Project Agreement as described in the announcement dated 7th May, 2004 which will be applied towards the first payment of the Early-Stage Development Price.

The Early-Stage Development Price may be adjusted depending on the timing of implementation of a number of infrastructure improvements adjacent to the Site. The maximum adjustment is US\$25,188,500 (approximately HK\$196,470,300) above the Total Land Price.

### Shareholders Agreement

**Parties:** PIHL (as shareholder of TPS)  
Starwaly Properties (Group) Pty Limited (as shareholder of TPS) as novated to SPG  
TPS  
David Wang Wei Xian (as guarantor of obligations of SPG)  
HSH (as guarantor of obligations of PIHL)

**Date:** 8th August, 2003

**Purpose:** To set up TPS as a 50:50 joint venture for the purpose of identifying a site in Shanghai, own, develop, and manage the Shanghai Project, and to govern the rights and obligations of PIHL and SPG.

**Funding:** PIHL and SPG have agreed to fund the costs required for the Shanghai Project partly through commercial borrowings by TPS and/or PSW and partly through own financial resources in proportion to their respective shareholdings on a several basis. Any security given will also be on a several basis and in the proportion of their shareholding.

The establishment of TPS fell into the de minimis exemption under the Listing Rules and therefore no announcement was made at the time the Shareholders Agreement was entered into.

### The Shanghai Project

The Shanghai Project encompasses the development and construction of a Peninsula hotel, a Peninsula apartment hotel, a retail arcade and ancillary facilities at the Site located at the northern end of the Bund close to the old British Consulate within the Waitanyuan area of Huang Pu District, Shanghai. The Site is L-shaped, wrapping around the existing buildings of the China Everbright Bank and Shanghai Municipal Cultural Television Broadcast Bureau. The Site is bounded on the north by the old British Consulate garden, on the west by Yuan Ming Yuan Road, on the south by Beijing East Road and on the east by the Bund.

### Total Project Costs

The estimated Total Project Cost of the Shanghai Project is approximately US\$361 million (approximately HK\$2.8 billion), which includes the Total Land Price and the related construction and development cost. Accordingly, HSH's maximum commitment to the Shanghai Project under the Shareholders Agreement may be approximately US\$180.5 million (approximately HK\$1.4 billion), being 50% of the Total Project Cost not taking into account any borrowings which may be obtained by TPS or PSW or any proceeds from sale of any part of the Shanghai Project.

PIHL and SPG have agreed to fund the Land Premium and the Early-Stage Development Price through TPS on a 50:50 basis from their own financial resources. Any further funding required for the Shanghai Project would be determined in accordance with the Shareholders Agreement and in light of the circumstances prevailing at that time.

The maximum commitment of HSH to the Shanghai Project under the Shareholders Agreement constitutes a discloseable transaction of HSH under the Listing Rules.

### Reasons for the Shanghai Project

HSH principal business comprises the ownership and management of prestigious hotels, commercial and residential properties in key destinations in Asia and the USA and is the owner and operator of The Peninsula Hotels.

The Shanghai Project enables HSH to establish a Peninsula hotel and a significant presence in Shanghai, and further expands the "Peninsula" brand of hotels in the PRC in addition to The Peninsula Palace in Beijing. It signifies the return of HSH to a city that has played a significant part in its history.

### SPG, NHP and Shanghai Real Estate Bureau

SPG is an investment holding company ultimately owned by a discretionary trust of which Mr. David Wang Wei Xian is a beneficiary and settlor. Mr. David Wang Wei Xian is the founder and controlling shareholder of Starwaly Properties (Group) Pty Ltd, a property investment company in Shanghai. Save for the interest of SPG as a shareholder of TPS and Mr. David Wang Wei Xian's indirect interest in TPS and PSW and him being a director of TPS and PSW, both Mr.

David Wang Wei Xian and SPG are independent of HSH and any of its subsidiaries, and the directors, chief executive and substantial shareholders of HSH and their respective associates.

NHP is a state-owned company established by the Huang Pu Government and is independent of HSH and any of its subsidiaries, and the directors, chief executive and substantial shareholders of HSH and their respective associates.

Shanghai Real Estate Bureau is a government department of the People's Government of the Shanghai Municipality and is independent of HSH and any of its subsidiaries, and the directors, chief executive and substantial shareholders of HSH and their respective associates.

### General

A circular in connection with the Shanghai Project will be despatched to the shareholders of HSH as soon as practicable and in any event not later than 21 days from the publication of this announcement.

### Definitions

In this announcement, the following terms have the following meanings:-

"Early-Stage Development Price"	the amount (subject to adjustment) that forms part of the Total Land Price to be payable by PSW under the Entrustment Contract to NHP for development works at the Site;
"Entrustment Contract"	the contract for entrustment of demolition and infrastructure and public utilities construction dated 28th October, 2004 between PSW and NHP for development works at the Site including the Four Connections and One Leveling Works and the Seven Connections Works;
"Four Connections and One Leveling Works"	the works to be carried out by NHP under the Entrustment Contract including the connection of water, storm sewer pipes, electricity and road up to the boundaries of the construction site of the Shanghai Project and the leveling of the Site, including the leveling of the land surface, removal of water and sludge and relocation of the existing occupiers at the Site;
"HSH"	The Hongkong and Shanghai Hotels, Limited;
"Huang Pu Government"	The People's Government of Huang Pu District, Shanghai, PRC;
"Land Grant Contract"	the state-owned land use rights grant contract dated 28th October, 2004 entered into between Shanghai Real Estate Bureau and PSW for the purchase of the Site;
"Land Premium"	the amount that forms part of the Total Land Price to be payable by PSW under the Land Grant Contract to Shanghai Real Estate Bureau for the purchase of the Site;
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange;
"NHP"	Shanghai New Huang Pu (Group) Co. Ltd, a state-owned company established by the Huang Pu Government;
"PIHL"	Peninsula International Investment Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of HSH;
"PRC"	The People's Republic of China;
"Project Agreement"	the conditional project agreement dated 7th May 2004 between NHP and TPS setting out the conditions to pursue the acquisition of the Site as announced on 7th May, 2004;
"PSW"	The Peninsula Shanghai Waitan Hotel Company Limited, a wholly-foreign owned enterprise incorporated in the PRC and owned by TPS;
"Seven Connections Works"	the works to be carried out by NHP under the Entrustment Contract including the connection of road, electricity, storm sewer pipes, natural gas line, water, telecommunications and cable television up to the boundaries of the Site;
"Site"	a piece of land located at No. 175 Block of Huang Pu District in Shanghai, which is in the Waitanyuan area situated near the old British Consulate at the northern end of the Bund;
"Shanghai Project"	the project for the development and construction of a hotel to be branded "The Peninsula Shanghai", Peninsula apartment hotel, retail arcade and related facilities on the Site;
"Shanghai Real Estate Bureau"	Shanghai Real Estate Resources Administration Bureau;
"Shareholders Agreement"	the shareholders agreement dated 8th August, 2003 between HSH, Starwaly Properties (Group) Pty Ltd (as novated to SPG), PIHL, TPS and Mr. David Wang Wei Xian governing the rights and obligations of the parties in relation to TPS and the management of PSW and the Shanghai Project;
"SPG"	SPG Hotel Limited, an investment holding company incorporated in the British Virgin Islands ultimately owned by a discretionary trust of which Mr. David Wang Wei Xian is a beneficiary and settlor;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Total Land Price"	The total price for the purchase of the Site, which comprises the Land Premium under the Land Grant Contract and the Early-Stage Development Price, subject to adjustment;
"Total Project Cost"	The estimated cost for the Shanghai Project, including the Total Land Price and the construction and development costs; and
"TPS"	The Peninsula Shanghai (BVI) Limited, a joint venture company between HSH and SPG.

For the purpose of translations of currency in this announcement the following rate have been used, US\$1.00=HK\$7.8.

By order of the Board  
**Christobelle Liao**  
Company Secretary

Dated: 28th October, 2004

As at the date hereof, the board of directors of HSH comprises the following directors:

Dr. The Hon. Michael D Kadoorie (Chairman)	Robert C S Ng*
Ian D Boyce (Deputy Chairman)	James S Dickson Leach
Clement K M Kwok	Pierre R Boppe
(Managing Director and Chief Executive Officer)	Robert W Miller*
Sir Sidney Gordon	C Mark Broadley (Chief Financial Officer)
Ronald J McAulay	Patrick B Paul*
William E Mocatta	Peter C Borer (Chief Operating Officer)
Dr. The Hon. David K P Li*	

\* Independent non-executive director