



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)

SALE OF THE KOWLOON HOTEL  
DISCLOSEABLE TRANSACTION

On 4th December 2004, HSH Holdings, the Purchaser, the Purchaser Guarantors and the Company entered into the Agreement whereby HSH Holdings agreed to sell and the Purchaser agreed to purchase the entire issued share capital of KHL, the owner of The Kowloon Hotel. HSH Holdings also agreed to procure each of the Company and HSH Finance to assign to the Purchaser the Debts owing to each of them in total by KHL on Completion. The Consideration for the sale and purchase of the Sale Shares and the assignment of the Debts is HK\$1,930,000,000, subject to adjustment referred to below.

The Directors consider the terms and conditions of the Agreement to be fair and reasonable and in the interests of the Company and its shareholders as a whole.

The proceeds from the disposal will be used in the development of new hotels and the continuing refurbishment or renovation of some of the Company's existing hotel and other property interests. These projects include the development of The Peninsula Tokyo and The Peninsula Shanghai. In addition to the utilisation of the funds for the above purposes, the proceeds will be applied towards reducing bank borrowings and effectively managing the Company's cost of funding.

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

Trading in the shares of the Company was suspended with effect from 9:30 a.m. on 6th December 2004 pending the publication of this announcement and application has been made to the Stock Exchange for a resumption of trading in the shares of the Company with effect from 9:30 a.m. on 7th December 2004.

**The Agreement**

Vendor: HSH Holdings Limited  
Purchaser: Swingfield Developments Limited  
Purchaser's Guarantors: Cheung Kong (Holdings) Limited and Hutchison International Limited, as several guarantors for the Purchaser's obligations under the Agreement  
Vendor's Guarantor: the Company, as guarantor for the Vendor's obligations under the Agreement  
Date: 4th December 2004  
Assets to be sold: HSH Holdings agreed to sell all of the Sale Shares and to procure the Company and HSH Finance to assign the Debts to the Purchaser at the Consideration.  
Consideration: HK\$1,930,000,000. The Consideration was arrived at after arm's length negotiations following a bidding process.  
The Consideration is adjustable depending on the net asset value (other than the value of the Property, and those assets constituting plants and machinery equipment and fixtures affixed and integrated thereto and the Debts) of KHL shown in the Completion Accounts. The Completion Accounts shall be prepared within 1 month of Completion.  
At the earliest, the adjustment to the Consideration (if any) will take place within 7 days thereafter. The Company does not expect that any adjustment to the Consideration would result in the disposal becoming a major transaction under the Listing Rules, and agrees to comply with the Listing Rules if and when required.  
Payment terms: The Purchaser has paid a cash deposit of HK\$193,000,000, being part payment of the Consideration. The Purchaser shall pay the balance of the provisional Consideration (being HK\$1,737,000,000) in cash to HSH Holdings on Completion.  
Completion: Completion shall take place on 1st February 2005 or such other day as HSH Holdings and the Purchaser shall agree in writing. There is no condition precedent to Completion.  
Guarantees: The Purchaser's Guarantors have agreed to guarantee the obligations of the Purchaser (including its payment obligation) on a several basis under the Agreement. The Company has agreed to guarantee the obligations of the Vendor under the Agreement.

The Directors consider the terms and conditions of the Agreement to be fair and reasonable and in the interests of the Company and its shareholders as a whole.

**Information on KHL**

KHL is the owner of The Kowloon Hotel and is an indirect wholly-owned subsidiary of the Company. After the disposal, KHL will cease to be a subsidiary of the Company.

The net asset value of KHL as set out in its audited accounts for the year ended 31st December 2003 was HK\$510.5 million. The net profits of KHL both before and after taxation for year ended 31st December 2002 are HK\$43.3 million and HK\$34.6 million respectively. The net profits of KHL both before and after taxation for year ended 31st December 2003 are HK\$34.7 million and HK\$29 million respectively.

It is expected that after the disposal, the Company would realise an estimated special gain of approximately HK\$800 million, being the difference between the Consideration (less expenses) and the carrying value or cost of net assets (excluding the Debts) of KHL, which amounted to HK\$1,100 million as at 31st October 2004. This special gain may be adjusted when recognised in the Company's income statement for the financial year commencing 1st January 2005 and ending 31st December 2005 as a result of the adoption of HKAS 16 and 40 on 1st January 2005.

**Reasons and benefits for the disposal of KHL and use of proceeds**

The Company is principally engaged in the ownership and management of prestigious hotels, commercial and residential properties in key destinations in Asia and the USA. It is the owner and operator of The Peninsula Hotels.

The disposal of KHL allows the Company to focus its resources on developing and marketing its principal businesses of hotels under the Peninsula brand and property ownership and management.

The proceeds from the disposal will be used in the development of new hotels and the continuing refurbishment or renovation of some of the Company's existing hotel and other property interests. These projects include the development of The Peninsula Tokyo and The Peninsula Shanghai. In addition to the utilisation of the funds for the above purposes, the proceeds will be applied towards reducing bank borrowings and effectively managing the Company's cost of funding.

**Information on the Purchaser and the Guarantors**

The Purchaser is an investment holding company ultimately owned by the Guarantors. CKH is an investment holding company listed on the Stock Exchange, and HIL a subsidiary of Hutchison Whampoa Limited, which is a conglomerate listed on the Stock Exchange. The Company's Chairman Dr. The Hon. Michael D Kadoorie is an independent non-executive director of Hutchison Whampoa Limited and Mr. William E. Mocatta is the alternate director for Dr. The Hon. Michael D Kadoorie on the board of Hutchison Whampoa Limited. Save for the above, the Purchaser and the Purchaser's Guarantors are independent of the Company and any of its subsidiaries, and the directors, chief executive and substantial shareholders of the Company and their respective associates.

The Directors understand that the Purchaser intends to continue running The Kowloon Hotel as a hotel subsequent to acquisition.

**General**

The Agreement constitutes a discloseable transaction of the Company. A circular in connection with the Agreement will be despatched to the shareholders of the Company as soon as practicable and in any event not later than 21 days from the publication of this announcement.

**Resumption of Trading**

Trading in the shares of the Company was suspended with effect from 9:30 a.m. on 6th December 2004 pending the publication of this announcement and application has been made to the Stock Exchange for a resumption of trading in the shares of the Company with effect from 9:30 a.m. on 7th December 2004.

**Definitions**

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

"Agreement" the Agreement relating to the sale and purchase of the entire issued share capital of KHL and the Debts dated 4th December 2004 between HSH Holdings, the Purchaser, the Company and the Purchaser's Guarantors;  
"Company" The Hongkong and Shanghai Hotels, Limited;  
"Completion" the completion of the sale and purchase of the Sale Shares and the assignment of the Debts pursuant to the Agreement;  
"Completion Accounts" a set of audited accounts of KHL to be prepared for the period from 1st January 2004 up to 5:00 a.m. of the date of Completion;  
"Consideration" HK\$1,930,000,000, representing the consideration for the sale and purchase of the Sale Shares and the assignment of the Debts (subject to adjustment);  
"CKH" Cheung Kong (Holdings) Limited, a company listed on the Stock Exchange;  
"Debts" the sum of the debts owing by KHL to the Company and HSH Finance respectively as at Completion. As at 31st October 2004, KHL owed HK\$379 million to the Company and HK\$281 million to HSH Finance;  
"HIL" Hutchison International Limited, a wholly-owned subsidiary of Hutchison Whampoa Limited;  
"HKAS" the Hong Kong Accounting Standards;  
"HSH Finance" HSH Finance Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong;  
"HSH Holdings" HSH Holdings Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong;  
"KHL" The Kowloon Hotel Limited, a wholly-owned subsidiary of HSH Holdings incorporated in the Bahamas. It is a special purpose vehicle holds only The Kowloon Hotel and assets in relation thereto;  
"Listing Rules" The Rules Governing the Listing of Securities on the Stock Exchange;  
"Property" the land on which The Kowloon Hotel is located together with the buildings and structures erected thereon;  
"Purchaser" Swingfield Developments Limited, a company incorporated in the British Virgin Islands, owned jointly and indirectly by CKH and Hutchison Whampoa Limited;  
"Purchaser's Guarantors" CKH and HIL;  
"Sale Shares" 5 shares of US\$1.00 each of KHL; and  
"Stock Exchange" The Stock Exchange of Hong Kong Limited.

By order of the Board  
Christobelle Liao  
Company Secretary

Dated: 6th December 2004

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

Dr. The Hon. Michael D Kadoorie (Chairman)  
Ian D Boyce (Deputy Chairman)  
Clement K M Kwok (Managing Director  
and Chief Executive Officer)  
Sir Sidney Gordon  
Ronald J McAulay  
William E Mocatta  
Dr. The Hon. David K P Li\*

Robert C S Ng\*  
James S Dickson Leach  
Pierre R Boppe  
Robert W Miller\*  
C Mark Broadley  
(Chief Financial Officer)  
Patrick B Paul\*  
Peter C Borer  
(Chief Operating Officer)

\* Independent non-executive director