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**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**

**OFFER TO SHAREHOLDERS OF  
MANILA PENINSULA HOTEL, INC.**

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17th November 2004

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## DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“the Company”	The Hongkong and Shanghai Hotels, Limited;
“Conditions Date”	31st January 2005 or such other date as the Company may notify the MPHI Shareholders as being the latest date for waiver or satisfaction of the Conditions Precedent;
“Conditions Precedent”	the conditions of the Offer;
“Directors”	the directors of the Company;
“Group”	The Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HSH Shares”	fully paid-up ordinary shares of the Company of HK\$0.5 each;
“Latest Practicable Date”	12th November 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Loan Agreement”	a convertible loan memorandum dated 10th March 2002 pursuant to which Peninsula International Limited, a wholly-owned subsidiary of the Company, extended a convertible loan to MPHI of US Dollar equivalent of Peso 200,000,000 (approximately HK\$27,623,927.85) which was novated to the Company on 11th December 2003;
“Loan Conversion”	the proposed conversion of the Loan into MPHI Shares pursuant to the Loan Agreement;
“MPHI”	Manila Peninsula Hotel, Inc., a company incorporated in the Philippines which is held as to 40% by the Company and its associates;

## DEFINITIONS

“MPHI Shares”	issued, outstanding and fully paid-up shares of MPHI of Peso 10 each;
“MPHI Shareholders”	shareholders of MPHI Shares, other than the Company and its associates;
“Offer”	the offer made by the Company to all MPHI Shareholders (other than the Company and its associates) to purchase 50% of their MPHI Shares;
“Offer Price”	the price offered by the Company for the purchase of each MPHI Share under the Offer, which is at Peso 10.5 (approximately HK\$1.45) each;
“Offer Period”	the period during which the Offer is opened for acceptance;
“Peso”	Peso, the lawful currency of the Philippines;
“Philippines”	The Republic of the Philippines;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“US\$”	United States dollars, the lawful currency of the United States.

For the purpose of translations of currency in this circular the following rates have been used, HK\$1 = Peso 7.2401 and US\$1 = HK\$7.8.

## LETTER FROM THE BOARD



# 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)

### 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*

### Registered Office:

8th Floor, St. George's Building

2 Ice House Street

Central

Hong Kong

\* *Independent non-executive director*

To the Shareholders,

17th November 2004

Dear Sir or Madam,

## DISCLOSEABLE TRANSACTION OFFER TO SHAREHOLDERS OF MANILA PENINSULA HOTEL, INC.

### INTRODUCTION

The Company announced on 29th October 2004 that it had made the Offer to all MPHI Shareholders on that day to purchase, subject to the terms and conditions of the Offer, 50% of the MPHI Shares held by and registered in the name of the MPHI Shareholders at the Offer Price.

## LETTER FROM THE BOARD

It was proposed that after completion of the Offer, the Company may exercise the Loan Conversion and convert any amount due under the Loan Agreement into MPHI Shares at the Offer Price.

The Offer and the Loan Conversion together constitute a discloseable transaction under the Listing Rules.

### THE OFFER

Terms and conditions of the Offer are as follows:

**The Offer:** Subject to the satisfaction of the Conditions Precedent on or before the Conditions Date, the Company has offered to purchase from all MPHI Shareholders 50% of their MPHI Shares at the Offer Price. MPHI Shareholders are holding 56,652,166 MPHI Shares. Accordingly the Company has offered to purchase 28,326,083 MPHI Shares.

**Offer Period:** The Offer is open for acceptance from 29th October 2004 until 5:00 p.m. (Manila time) on 26th November 2004, but the Company reserved the right to extend the Offer Period by giving prior written notice thereof to the MPHI Shareholders.

**Offer Price:** Peso 10.5 (approximately HK\$1.45) per MPHI Share, which represents a discount of 4% to the net asset value per MPHI Share of approximately Peso 10.97 (approximately HK\$1.52) as set out in the audited accounts of MPHI as at 31st December 2003. The Directors consider the Offer Price to be fair and reasonable.

The Offer Price will be settled wholly in cash, except that MPHI Shareholders holding not less than 2 million MPHI Shares may elect to receive the Offer Price in cash or by the issue to them of new HSH Shares or a combination of both. HSH Shares would be issued at a price of HK\$5.855 per share (which is equivalent to the weighted average price for the 10 trading days immediately preceding and including 26th October 2004) and the Offer Price will be translated into HK\$ for this purchase at the rate specified in the "definitions" section of this circular.

## LETTER FROM THE BOARD

Assuming that the Offer is accepted in full, the aggregate Offer Price payable would be Peso 297,423,871.5 (approximately HK\$41,080,077.83). Assuming that all MPHI Shareholders holding at least 2 million MPHI Shares (totalling 26,221,251 MPHI Shares) accept the Offer in full and elect settlement of their Offer Price by issue of HSH Shares valued at HK\$5.855 each (total of 13,110,626 MPHI Shares at Peso 10.5, equivalent to Peso 137,661,573, approximately HK\$19,013,766.80), the Company would have to issue a maximum of 3,247,440 new HSH Shares, which would represent 0.23% of the existing issued share capital of HSH, and 0.23% of its enlarged issued share capital. There will be no restriction on the subsequent sale of the HSH Shares issued (if any).

### Payment Terms:

The Company shall pay 50% of the Offer Price to the MPHI Shareholders, whether in cash or by issue of HSH Shares, within 20 business days from the date of written notice to the MPHI Shareholders of the fulfilment of all the Conditions Precedent of the Offer. The balance of the Offer Price, whether in cash or by issue of HSH Shares, shall be payable within 5 business days from the delivery by MPHI Shareholders to the Company of receipts of payment of capital gains tax and stamp duty and the Bureau of Internal Revenue Certificate Authorising Registration.

### Conditions Precedent:

The Offer is conditional upon the following Conditions Precedent:

- (a) upon completion of the Offer Period, the level of acceptances of the Offer and the interest of MPHI Shareholders to sell additional MPHI Shares outside the Offer will result in HSH and its associates controlling 70% of the entire issued and outstanding shares of MPHI;
- (b) the Board of Investments of the Philippines shall have approved the increase in foreign shareholding in MPHI;
- (c) the board of directors and shareholders of MPHI, and the Philippine Securities and Exchange Commission, shall have approved the amendments to the Articles of Incorporation of

## LETTER FROM THE BOARD

MPHI, including the deletion of MPHI's power to acquire land from among the corporate purposes and the reduction of the number of members of the board of directors of MPHI;

- (d) the Stock Exchange having granted the listing of the HSH Shares to be issued as consideration pursuant to the Offer (if any); and
- (e) the resignation of the Filipino directors as the Company deems necessary for the reconstruction of the board of MPHI with effect from completion of the Offer.

In the event that not all of the Conditions Precedent are satisfied by the Conditions Date or have been waived, and it is not extended by the Company by notice to MPHI Shareholders, the Offer shall lapse and the Company shall have no obligation to proceed with the Offer.

The Company may at its discretion waive all or any of the Conditions Precedent by giving notice to the MPHI Shareholders on or before the Conditions Date. None of the Conditions Precedent has been fulfilled or waived as at the Latest Practicable Date.

Option to purchase  
additional MPHI Shares:

MPHI Shareholders have been asked to indicate whether any of them wish to sell additional MPHI Shares which do not fall within the Offer. The Company has an option, but not an obligation, to purchase additional MPHI Shares from MPHI Shareholders who have indicated a preference to sell MPHI Shares in addition to their 50% MPHI Shares under the Offer. Any such purchase shall not form part of the Offer, but shall be at the Offer Price and will be satisfied only in cash.

It is the Company's intention that it will only make such purchases so that thereafter, together with any MPHI Shares acquired under the Offer, HSH will hold approximately 70% of the entire issued share capital in MPHI. The Company has no current intention that MPHI become a wholly-owned subsidiary.

## LETTER FROM THE BOARD

### LOAN CONVERSION

As at 30th September 2004, MPHI owed the Company a loan of US\$3,330,881.17 (approximately HK\$25,980,873.13) (including accrued interest) under the Loan Agreement. It is proposed that after completion of the Offer, the Company will convert the loan into MPHI Shares at the Offer Price, but the Company reserves the right not to exercise the Loan Conversion.

The Company will not convert the loan before completion of the Offer. The completion of the Loan Conversion would be subject to the approval of the Securities and Exchange Commission of the Philippines.

### THE SHAREHOLDING OF THE COMPANY AND ITS ASSOCIATES IN MPHI

The Company and its associates currently hold an aggregate of 37,767,941 MPHI Shares, representing 40% of the issued share capital of MPHI. Assuming that the Offer is accepted in full, the Company will hold 70% of the issued share capital in MPHI. Assuming further that the Loan Conversion will be completed after the completion of the Offer, the Company will hold at least a further 17.9 million MPHI Shares, representing an interest of approximately 16% of the enlarged share capital in MPHI (or 19% of the existing issued share capital of MPHI in aggregate of the MPHI Shares then in issue). It is currently intended that the Company will hold approximately 75% of the total enlarged share capital in MPHI upon completion of the Offers and the Loan Conversion.

Assuming that the Offer is accepted in full, the aggregate consideration of the Offer and the Loan Conversion will be at least HK\$67 million.

Upon the completion of the Offer, MPHI will become a subsidiary of the Company. It is proposed that the Company would nominate 6 directors to the board of MPHI (out of 9 directors) after the completion of the Offer.

### REASONS FOR AND BENEFITS OF THE OFFER

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

The reason for the Offer is for the Company to acquire control of The Peninsula Manila in order to improve the yield and the efficiency of the asset.

The Directors consider the terms of Offer to be fair and reasonable and in the interest of the Company and the shareholders of the Company as a whole.

## LETTER FROM THE BOARD

### MANILA PENINSULA HOTEL, INC.

MPHI is the owner of The Peninsula Manila hotel, which is managed by a wholly-owned subsidiary of HSH. HSH and its associates hold 37,767,941 MPHI Shares, representing a 40% equity interest. The remaining 56,652,166 MPHI Shares, representing a 60% equity interest in MPHI, are held by a total of 116 MPHI Shareholders. MPHI Shareholders are third parties independent of the Company and none of them are connected persons (as defined in the Listing Rules) of the Company.

The net asset value of MPHI was Peso 1,035.4 million (approximately HK\$143 million) according to its audited accounts for the year ended 31st December 2003. The net losses of MPHI both before and after taxation for year ended 31st December 2002 are Peso 30.3 million (approximately HK\$4.2 million) and Peso 23.0 million (approximately HK\$3.2 million) respectively. The net losses of MPHI both before and after taxation for year ended 31st December 2003 are Peso 62.9 million (approximately HK\$8.7 million) and Peso 57.6 million (approximately HK\$8.0 million) respectively.

Upon completion of the Offer, the results of MPHI will be consolidated into the accounts of the Company. The effect on the Company's earnings, assets and liabilities would be immaterial.

### GENERAL

Application will be made to the Stock Exchange for the listing of and permission to deal in the new HSH Shares if any MPHI Shareholders holding at least 2 million MPHI Shares elect to receive HSH Shares as settlement for their Offer Price. The issue of the new Shares will not result in any change of control of the Company. As at the Latest Practicable Date, the authorised share capital of the Company was HK\$900 million, and the issued and paid-up share capital was HK\$701,125,246. Any new HSH Shares will be issued under the general mandate given to Directors on 6th May 2004.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities. The Offer and the Loan Conversion together constitute a discloseable transaction under the Listing Rules.

Yours faithfully,  
For and on behalf of the Board  
**The Hongkong and Shanghai Hotels, Limited**  
**Christobelle Liao**  
*Company Secretary*

**RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

**DISCLOSURE OF INTERESTS****Interests of directors and chief executive**

As at the Latest Practicable Date, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and short positions which he is taken or deemed to have under such provision of the Securities and Futures Ordinance), or are required pursuant to section 352 of the Securities and Futures Ordinance to be entered in the register referred to therein, or are required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

*Long Position in shares*

	Capacity	Number of shares held in the Company	% of the issued share capital of the Company
Dr The Hon. Michael D Kadoorie	<i>Note (a)</i>	702,000,096	50.062
Ian D Boyce	Beneficial Owner	200,000	0.014
Clement K M Kwok	Beneficial Owner	600,000	0.043
Sir Sidney Gordon	Beneficial Owner	96,000	0.007
Ronald J McAulay	<i>Note (b)</i>	489,706,415	34.923
William E Mocatta	Family	1,017,000	0.073
Dr The Hon. David K P Li	Beneficial Owner	500,000	0.036
Robert C S Ng	Family	119,166	0.008
Pierre R Boppe	Beneficial Owner	150,000	0.011
C Mark Broadley	Beneficial Owner	200,000	0.014

*Notes:*

- (a) Dr The Hon. Michael D Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 702,000,096 shares in the Company. These shares were held in the following capacity:
- (i) 420,468,740 shares were held by discretionary trusts, of which Dr The Hon. Michael D Kadoorie is one of the beneficiaries.

- (ii) 281,531,356 shares were held by a discretionary trust, of which Dr The Hon. Michael D Kadoorie is a beneficiary and the founder.
- (b) Mr Ronald J McAulay was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 489,706,415 shares in the Company. These shares were held in the following capacity:
  - (i) 420,468,740 shares were held by discretionary trusts, of which Mr Ronald J McAulay is one of the beneficiaries.
  - (ii) 69,237,675 shares were held by a discretionary trust, of which Mr Ronald J McAulay, his wife and members of his family are beneficiaries.

Messrs James S Dickson Leach, Robert W Miller, Patrick B Paul and Peter C Borer who are directors of the Company have each confirmed that they had no interests in the shares of the Company as at the Latest Practicable Date.

Apart from the foregoing, none of the directors and chief executive of the Company or any of their spouses or children under eighteen years of age has any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and short positions which he is taken or deemed to have under such provision of the Securities and Futures Ordinance), or are required pursuant to Section 352 of the Securities and Futures Ordinance to be entered in the register referred to therein, or are required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

**Interests of shareholders**

So far as is known to any director or chief executive of the Company, as at the Latest Practicable Date, shareholders (other than a director or chief executive of the Company) who have an interest or short position in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or which were recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance, or had otherwise notified to the Company, or any director or chief executive of the Company who was, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such director's or chief executive's interest in such securities, together with particulars of any options in respect of such capital, were as follows:

*Long position in shares*

## (a) Substantial Shareholders

	Capacity	Number of shares held in the Company	% of the issued share capital of the Company
Bermuda Trust Company Limited	Interest of controlled corporation	771,237,771	55.000
Esko Limited	Interest of controlled corporation	420,468,740	29.985
Hesko Limited	Interest of controlled corporation	420,468,740	29.985
New Xenon Holding Corporation	Trustee	365,947,707	26.097
Mikado Holding Inc.	Trustee	281,531,356	20.077
Mikado Investments Limited	Interest of controlled corporation	281,531,356	20.077

These interests are duplicated to the extent of 1,769,947,899 shares. The net total of 771,237,771 shares reflects duplication of various directors' interests as recorded above.

## (b) Other Shareholders

	Capacity	Number of shares held in the Company	% of the issued share capital of the Company
Marathon Asset Management Ltd.	Investment Manager	70,382,432	5.019

Apart from the foregoing, the Company has not been notified of any shareholder (other than a director or chief executive of the Company) who has an interest or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or which were required to be recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance or of any director or chief executive of the Company who was, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such director's or chief executive's interest in such securities, together with particulars of any options in respect of such capital.

### COMPETING INTERESTS

None of the Directors and their respective associates has any competing interests which need to be disclosed pursuant to Rules 8.10 of the Listing Rules.

### SERVICE CONTRACTS

None of the Directors has entered into or is proposing to enter into a service contract with any member of the Group which is not expiring or determinable within one year without payment of compensation (other than statutory compensation).

### LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claims of material importance are pending or threatened by or against any member of the Group.

### MISCELLANEOUS

- (a) The registered office of the Company is situated at 8th Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong.
- (b) The company secretary of the Company is Christobelle Yi Ching Liao, solicitor of Hong Kong.
- (c) The auditors of the Company are KPMG of 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong. The qualified accountants of the Company are Clement Kwok, C.A. and Eymon Tsang, FCCA, FCPA.
- (d) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (e) The English version of this circular shall prevail over the Chinese text.