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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**  
**Investment of 20% Equity Interest in a Joint Venture Company**  
**in respect of a Paris Project**

Further to the announcement of the Company dated 15 July 2008, the Company is pleased to announce that on 20 January 2009, the Share Sale and Purchase Agreement was entered into pursuant to which the Vendor agreed to sell and the Purchaser, an indirect wholly-owned subsidiary of the Company, agreed to purchase the Sale Shares and the Sale Loan representing a 20% interest in Majestic for a total cash consideration of approximately Euro100 million (approximately HK\$1,024 million). In addition, the Shareholders Agreement was entered into to govern the conduct of the affairs of Majestic and its subsidiaries.

Pursuant to the Transaction, the Purchaser will acquire a 20% equity interest in Majestic. Majestic holds 100% of the share capital of ME, which in turn owns the Site. The Vendor and Purchaser have agreed to re-develop the existing building on the Site into a Peninsula hotel and ancillary facilities to be managed by an indirect wholly-owned subsidiary of the Company for a period of 30 years, with an automatic renewal for a further 20 years subject to meeting certain performance criteria. Redevelopment of the hotel is scheduled to commence in the second quarter of 2009 following vacant possession of the building with expected completion by end of first quarter of 2012 and date of opening of the hotel in mid 2012.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and of connected persons (as defined in the Listing Rules) of the Company.

The Purchase Price was arrived at after arm's length negotiations having regard to various factors including the consolidated net assets value of Majestic and its subsidiaries as at the Closing Date and the agreed value of the Site of Euro500 million (approximately HK\$5,120 million). The Purchase Price will be funded from the internal resources of the Company.

Under the Shareholders Agreement, the Vendor and Purchaser have agreed to fund the Total Renovation Cost principally through commercial borrowings by Majestic and/or ME and, if necessary, through their own financial resources in proportion to their respective

shareholdings. Any security to be given by the shareholders to secure commercial borrowings will be on a several basis and in proportion to their respective shareholdings. The Purchaser's expected commitment to the Total Renovation Cost is Euro50 million (approximately HK\$512 million).

The expected commitment of HSH to the Paris Project under the Share Sale and Purchase Agreement and the Total Renovation Cost is estimated to be Euro150 million (approximately HK\$1,536 million), being the Purchase Price plus the commitment to the Total Renovation Cost of Euro50 million (approximately HK\$512 million). As the applicable percentage ratio under Chapter 14 of the Listing Rules of the Transaction exceeds 5% but less than 25%, the Transaction constitutes a discloseable transaction of HSH under Chapter 14 of the Listing Rules.

### **Share Sale and Purchase Agreement**

Parties: Vendor  
Purchaser

Date: 20 January 2009

Transaction: The Share Sale and Purchase Agreement is unconditional. The Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares and the Sale Loan subject to and in accordance with the terms and conditions of the Share Sale and Purchase Agreement.

The Sale Shares represent 20% of the issued share capital of Majestic. The Sale Loan represents 20% of the loan owing to the Vendor by Majestic. Majestic holds 100% of the share capital of ME, which in turn owns the Site. ME will re-develop the existing building on the Site into a Peninsula hotel and ancillary facilities to be managed by an indirect wholly-owned subsidiary of the Company.

The unaudited consolidated net assets value attributable to the shareholder of Majestic and the loan owing to the Vendor by Majestic as at 31 December 2008 was approximately Euro81 million (approximately HK\$829 million) and Euro429 million (approximately HK\$4,393 million) respectively. The unaudited consolidated net loss before and after taxation and extraordinary items attributable to the shareholder of Majestic for the financial year ended 31 December 2007 was approximately Euro15 million (approximately HK\$154 million). The unaudited consolidated net loss before and after taxation and extraordinary items attributable to the shareholder of Majestic for the financial year ended 31 December 2008 was approximately Euro16 million (approximately HK\$164 million).

Consideration: The total cash consideration for the Sale Shares and the Sale Loan was approximately Euro100 million (approximately HK\$1,024 million) which was paid at signing and simultaneous closing of the Share Sale and Purchase Agreement. The Purchase Price is subject to adjustment on works in progress in respect of the Paris Project which will be based on audited closing accounts to be delivered within 20 Business Days from the date of the Share Sale and Purchase Agreement. Such consideration was arrived at after arm's length negotiations having regard to various relevant factors including the consolidated net assets value of Majestic and its subsidiaries as at the Closing Date and the agreed value of the Site of Euro500 million (approximately HK\$5,120 million). The Purchase Price and the adjustments was and will be funded from the internal resources of the Company.

Closing: Simultaneous signing and closing on 20 January 2009.

### **Shareholders Agreement**

Parties: Vendor  
Purchaser  
HSH (as guarantor of obligations of the Purchaser)  
Majestic

Date: 20 January 2009

Purpose: To govern the conduct of affairs of Majestic and its subsidiaries relating to the Paris Project to turn the building on the Site into a luxury hotel under the name of "The Peninsula Paris".

Funding: The Vendor and Purchaser have agreed to fund the Total Renovation Cost principally through commercial borrowings by Majestic and/or ME and, if necessary, through their own financial resources in proportion to their respective shareholdings. Any security to be given by the shareholders to secure commercial borrowings will be on a several basis and in proportion to their respective shareholdings. The Purchaser's expected commitment to the Total Renovation Cost is Euro50 million (approximately HK\$512 million).

On 20 January 2009, subsidiaries of Majestic also entered into a suite of hotel related agreements with certain subsidiaries of the Company to manage the hotel and ancillary facilities for a period of 30 years with an automatic renewal for a further 20 years subject to meeting certain performance criteria towards the end of the initial period. Redevelopment of the hotel is scheduled to commence in the second quarter of 2009 following vacant

possession of the building with expected completion by end of first quarter of 2012 and date of opening of the hotel in mid 2012.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and of connected persons (as defined in the Listing Rules) of the Company.

### **The Paris Project**

The Paris Project encompasses the development of a Peninsula hotel and ancillary facilities at the Site.

### **Total HSH Commitment**

The expected commitment of HSH, through the Purchaser to the Paris Project under the Share Sale and Purchase Agreement and the Total Renovation Cost is estimated to be Euro150 million (approximately HK\$1,536 million), being the Purchase Price plus expected commitment of Euro50 million (approximately HK\$512 million) of the Total Renovation Cost. As the applicable percentage ratio of the Transaction under Chapter 14 of the Listing Rules exceeds 5% but less than 25%, the Transaction constitutes a discloseable transaction of HSH under Chapter 14 of the Listing Rules.

### **Reasons for the Paris Project**

The Company through its subsidiaries and its jointly controlled entity are principally engaged in the ownership and management of prestigious hotel, commercial and residential properties in Asia and the USA and is the owner and operator of The Peninsula Hotels.

The Paris Project enables the Company to establish a Peninsula flagship hotel in Paris and represents an entry into Europe for the Company. The Directors believe that the terms of the Transaction are fair and reasonable and in the interests of the Shareholders as a whole.

### **Qatari Diar**

The Vendor is wholly-owned owned by the Qatar Investment Authority, which is the investment company of the Qatari government. It was founded to support Qatar's rapidly expanding economy and to provide structure and quality control for the country's real estate development priorities. Besides France, it invests in countries including Qatar, United Kingdom, Italy, Oman, Morocco, Egypt, Syria, Sudan and Seychelles.

### **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Majestic”	Al Maha Majestic S.à r.l., a limited liability company incorporated in Luxembourg, whose shares are the subject matter of the Transaction and wholly owned by the Vendor immediately prior to Closing
“Business Day”	shall mean any day other than a Friday, Saturday, Sunday or public holiday on which banking institutions are open for business during normal working hours in Doha, Qatar and Hong Kong
“Closing Date”	20 January 2009

“Company” or “HSH”	The Hongkong and Shanghai Hotels, Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance and the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited
“Directors”	The directors of the Company
“Euro”	The official currency of the European Union
“HK\$”	The official currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited
“ME”	Majestic EURL, a limited liability company incorporated in France and the registered owner of the Site
“Paris Project”	the project for the re-development of the existing building on the Site into a hotel to be branded “The Peninsula Paris” and related facilities
“Purchase Price”	the aggregate consideration payable by the Purchaser for the Sale Shares and Sale Loan under the Share Sale and Purchase Agreement
“Purchaser”	Peninsula International (Lux) Limited S.à r.l., a limited liability company incorporated in Luxembourg and an indirect wholly-owned subsidiary of the Company
“Sale Loan”	20% of the loan owing by Majestic to the Vendor including any interest payments accrued thereon due as at the Closing Date
“Sale Shares”	20% of the issued and paid up share capital of Majestic
“Shareholders”	Shareholders of the Company
“Shareholders Agreement”	a shareholder agreement dated 20 January 2009 and made among the Vendor, the Purchaser, HSH and Majestic relating to the respective investments by the Vendor and the Purchaser in Majestic and the conduct of the affairs of Majestic and its subsidiaries
“Share Sale and Purchase Agreement”	an unconditional agreement dated 20 January 2009 and made among the Vendor and the Purchaser for the sale and purchase of the Sale Shares and the Sale Loan
“Site”	the site of the existing “Centre International de Conférences” on Avenue Kleber, Paris, France
“Total Renovation Cost”	the estimated re-development and renovation cost for the Paris Project
“Transaction”	the sale and purchase of the Sale Shares and the Sale Loan for an aggregate consideration of approximately Euro100 million (approximately HK\$1,024 million) on terms and

conditions set out in the Share Sale and Purchase Agreement

“USA”

The United States of America

“Vendor”

Qatari Diar Real Estate Investment Company (Q.S.C.), a company incorporated in Qatar and an investment company wholly-owned by the Qatar Investment Authority

For the purpose of translation of currency in this announcement the following rate has been used, Euro1 = HK\$10.24.

By order of the Board

**Christobelle Liao**

*Company Secretary*

Hong Kong, 20 January 2009

As at the date of this announcement, the Board of Directors of the Company comprises the following Directors:

*Chairman*

The Hon. Sir Michael Kadoorie

*Deputy Chairman*

Ian Duncan Boyce

**Executive Directors**

*Managing Director and Chief Executive Officer*

Clement King Man Kwok

*Chief Financial Officer*

Neil John Galloway

*Chief Operating Officer*

Peter Camille Borer

**Non-Executive Directors**

Ronald James McAulay

William Elkin Mocatta

Pierre Roger Boppe

John Andrew Harry Leigh

Nicholas Timothy James Colfer

**Independent Non-Executive Directors**

Dr. The Hon. Sir David Kwok Po Li

Robert Chee Siong Ng

Robert Warren Miller

Patrick Blackwell Paul