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**CHEUNG KONG (HOLDINGS) LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 001)**



**HUTCHISON WHAMPOA LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 013)**

## **JOINT ANNOUNCEMENT CONNECTED TRANSACTION**

The respective Boards of CKH and HWL wish to announce that on 4th December, 2004, Swingfield, an indirect 50:50 joint venture of CKH and HWL, entered into the Sale and Purchase Agreement with HSH Holdings.

Under the terms of the Sale and Purchase Agreement, Swingfield agreed to acquire from HSH Holdings the entire issued share capital of KHL, and from the Vendor Parent and HSH Finance the benefit of the Debts owed by KHL, at the Consideration of HK\$1,930,000,000, subject to adjustment referred to below. The obligations of Swingfield under the Sale and Purchase Agreement including the payment of the Consideration are guaranteed by CKH and HIL on a several basis provided that the liability of each of CKH and HIL under such guarantee shall not exceed 50% of any amount payable to HSH Holdings, the Vendor Parent or HSH Finance. It is expected that the Consideration will be funded by CKH and HIL in proportion to their indirect 50:50 interest in Swingfield.

HWL is a substantial shareholder of certain subsidiaries of CKH and hence is a connected person of CKH within the meaning of the Listing Rules. CKH is a substantial shareholder of HWL and hence is a connected person of HWL within the meaning of the Listing Rules. The establishment of Swingfield as the joint venture vehicle for the purpose of effecting the Acquisition constitutes a connected transaction for CKH and HWL under Rule 14A.13(6) of the Listing Rules and the Stock Exchange rules that the amount of total capital commitment of each of CKH and HWL in connection with the establishment of Swingfield is equal to 50% of the Consideration for the purpose of Rule 14.15(2) of the Listing Rules. As the relevant percentage ratios represented by such "commitment" amount for each of CKH and HWL (before any adjustments) are more than 0.1% but less than 2.5%, such establishment is according to Rule 14A.32 exempt from the independent shareholders' approval requirements and is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules. If, following the adjustment to the Consideration, the relevant percentage ratios represented by such "commitment" amount for CKH or HWL (as the case may be) are equal to or more than 2.5%, CKH or HWL (as the case may be) will comply with the requirements of the Listing Rules applicable thereto.

### **SUMMARY OF THE ACQUISITION**

HSH Holdings has agreed to sell the Sale Shares and to procure the Vendor Parent and HSH Finance to assign the benefit of the Debts, and Swingfield has agreed to acquire the same, on the terms set out in the Sale and Purchase Agreement, details of which are briefly described below.

### **PARTICULARS OF THE SALE AND PURCHASE AGREEMENT**

**Date:** 4th December, 2004

#### **Parties relevant to the Acquisition:**

Vendor:	HSH Holdings
Purchaser:	Swingfield, an indirect 50:50 joint venture company of CKH and HWL
Purchaser's Guarantors:	CKH and HIL, as several guarantors for the Purchaser's obligations under the Sale and Purchase Agreement
Vendor's Guarantor:	The Vendor Parent, as guarantor for the Vendor's obligations under the Sale and Purchase Agreement

#### **Assets acquired:**

- (1) 5 shares of US\$1 each in KHL, representing its entire issued share capital
- (2) the debt owed by KHL on Completion to the Vendor Parent and the debt owed by KHL on Completion to HSH Finance

## **Completion:**

Completion is scheduled to take place on the Completion Date. There is no condition precedent to Completion. In the event that Completion does not occur as a consequence of any breach by HSH Holdings of the Sale and Purchase Agreement, Swingfield shall be entitled to, inter alia, terminate the Sale and Purchase Agreement by giving written notice to the other parties thereto whereupon the Sale and Purchase Agreement shall forthwith be terminated and of no further force and effect and all obligations and liabilities of Swingfield thereunder shall cease and determine, and HSH Holdings shall forthwith return to Swingfield the deposit (together with interests accrued thereon) paid under the Sale and Purchase Agreement.

In the event that Completion does not occur as a consequence of any breach by Swingfield of the Sale and Purchase Agreement, HSH Holdings shall be entitled to, inter alia, terminate the Sale and Purchase Agreement by giving written notice to the other parties thereto whereupon the Sale and Purchase Agreement shall forthwith be terminated and the deposit paid under the Sale and Purchase Agreement shall not be repayable by HSH Holdings to Swingfield and subject thereto, no party shall have any further right or claim against any other party to the Sale and Purchase Agreement or otherwise.

## **Consideration:**

The Consideration for the Acquisition is HK\$1,930,000,000, which was arrived through a competitive bidding process and at arm's length negotiations between the parties and will be adjusted with reference to the value of assets (other than the Property and those assets constituting plants, machinery, equipment and fixtures affixed and integrated thereto) of KHL and the liabilities (other than the Debts) of KHL as shown in the Completion Accounts. The obligations of Swingfield under the Sale and Purchase Agreement including the payment of the Consideration are guaranteed by CKH and HIL on a several basis provided that the liability of each of CKH and HIL under such guarantee shall not exceed 50% of any amount payable to HSH Holdings, the Vendor Parent or HSH Finance.

The Vendor Parent has agreed to guarantee the obligations of the Vendor under the Sale and Purchase Agreement.

## **Payment terms:**

The Purchaser has paid an aggregate amount of HK\$193,000,000 as deposit and part payment of the Consideration. The balance of the Consideration (being HK\$1,737,000,000) will be paid on Completion.

Within one month of Completion, the Vendor and the Purchaser shall procure that the Completion Accounts shall be submitted to the Vendor and the Purchaser. The said completion accounts for ascertaining any necessary adjustment to the Consideration for the Acquisition will be audited by the Reporting Accountants. Any increase or reduction in the Consideration shall be paid within seven days after the Completion Accounts have become binding.

The deposit paid was funded from CKH and HIL's internal resources on a pro-rata basis in proportion to their indirect 50:50 interest in Swingfield. It is expected that the balance of the Consideration payable for the Acquisition will be funded by CKH and HIL on a similar basis.

## **INFORMATION ON KHL**

KHL is the registered owner of the land registered in the Land Registry as Kowloon Inland Lot No. 10737 together with the buildings and structures erected thereon and known as "The Kowloon Hotel", 19-21 Nathan Road, Kowloon, Hong Kong. KHL owns The Kowloon Hotel which offers 736 guest rooms, all of which are equipped with broadband internet access. The net asset value of KHL based on its audited balance sheet as at 31st December, 2003 and its unaudited balance sheet as at 30th September, 2004 are approximately HK\$510.5 million and approximately HK\$496.1 million respectively. The net profits of KHL both before and after taxation for the year ended 31st December, 2002 are approximately HK\$43.3 million and approximately HK\$34.6 million respectively. The net profits of KHL both before and after taxation for the year ended 31st December, 2003 are approximately HK\$34.7 million and approximately HK\$29 million respectively.

## **INFORMATION ON THE VENDOR AND THE VENDOR PARENT**

The Vendor and HSH Finance are wholly-owned subsidiaries of the Vendor Parent. The Vendor Parent is principally engaged, inter alia, in the ownership and management of hotels and is listed on the Stock Exchange. The Chairman of the Vendor Parent, Mr. Michael David Kadoorie, is an Independent Non-executive Director of HWL. Mr. William Elkin Mocatta, a director of the Vendor Parent, is the alternate director to Mr. Michael David Kadoorie on the Board of HWL. Subject to the above, to the best of the knowledge, information and belief of the directors of CKH and HWL having made all reasonable enquiries, the Vendor and the Vendor Parent are third parties independent of CKH and HWL and their respective connected persons (as defined under the Listing Rules), and are not connected persons of CKH or HWL.

## **REASONS FOR THE ACQUISITION**

The principal activities of the CKH Group are investment holding, property development and investment, hotel and serviced suite operation, property and project management and investment in securities. The acquisition reflects the strategy of CKH to enhance its investment property portfolios for providing steady income and cashflow to the CKH Group.

The HWL Group operates and invests in five core businesses: ports and related services; telecommunications; property and hotels; retail and manufacturing; and energy, infrastructure, finance and investments.

CKH and HWL have considered the potential growth value of the Property and in particular, the retail element thereof, to be a valuable addition to their respective investment property portfolios. The 736 rooms are currently valued at approximately HK\$1,600,000 per room, which valuation was supported by external valuation prepared by external professional valuer.

CKH and HWL have worked together on a various joint venture projects in the past and these previous experiences of working together successfully made CKH Group and HWL Group the most suitable partner of each other.

### CONNECTED TRANSACTION

HWL is a substantial shareholder of certain subsidiaries of CKH and hence is a connected person of CKH within the meaning of the Listing Rules. CKH is a substantial shareholder of HWL and hence is a connected person of HWL within the meaning of the Listing Rules. The establishment of Swingfield as the joint venture vehicle for the purpose of effecting the Acquisition constitutes a connected transaction for CKH and HWL under Rule 14A.13(6) of the Listing Rules and the Stock Exchange rules that the amount of total capital commitment of each of CKH and HWL in connection with the establishment of Swingfield is equal to 50% of the Consideration for the purpose of Rule 14.15(2) of the Listing Rules. As the relevant percentage ratios represented by such "commitment" amount for each of CKH and HWL (before any adjustments) are more than 0.1% but less than 2.5%, such establishment is according to Rule 14A.32 exempt from the independent shareholders' approval requirements and is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules. If, following the adjustment to the Consideration, the relevant percentage ratios represented by such "commitment" amount for CKH or HWL (as the case may be) are equal to or more than 2.5%, CKH or HWL (as the case may be) will comply with the requirements of the Listing Rules applicable thereto.

### GENERAL

The respective Boards of CKH and HWL, including the respective Independent Non-executive Directors of CKH and HWL, consider that the establishment of Swingfield as the joint venture vehicle for effecting the Acquisition to be in the interests of CKH and HWL and their respective shareholders, on normal commercial terms and are fair and reasonable insofar as the interests of their respective shareholders are concerned.

The directors (*Note*) of CKH as at the date of this announcement are Mr. LI Ka-shing (*Chairman*), Mr. LI Tzar Kuoi, Victor (*Managing Director and Deputy Chairman*), Mr. George Colin MAGNUS (*Deputy Chairman*), Mr. KAM Hing Lam (*Deputy Managing Director*), Mr. CHUNG Sun Keung, Davy, Mr. IP Tak Chuen, Edmond, Ms. PAU Yee Wan, Ezra, Ms. WOO Chia Ching, Grace and Mr. CHIU Kwok Hung, Justin as Executive Directors; Mr. LEUNG Siu Hon, Mr. FOK Kin-ning, Canning, Mr. Frank John SIXT and Mr. CHOW Kun Chee, Roland as Non-executive Directors; and Mr. KWOK Tun-li, Stanley, Mr. YEH Yuan Chang, Anthony, Mr. Simon MURRAY, Mr. CHOW Nin Mow, Albert, Ms. HUNG Siu-lin, Katherine, Dr. WONG Yick-ming, Rosanna, Mr. KWAN Chiu Yin, Robert and Mr. CHEONG Ying Chew, Henry as Independent Non-executive Directors.

The directors of HWL as at the date of this announcement are Mr. LI Ka-shing (*Chairman*), Mr. LI Tzar Kuoi, Victor (*Deputy Chairman*), Mr. FOK Kin-ning, Canning (*Group Managing Director*), Mrs. CHOW WOO Mo Fong, Susan (*Deputy Group Managing Director*), Mr. Frank John SIXT (*Group Finance Director*), Mr. LAI Kai Ming, Dominic, Mr. George Colin MAGNUS and Mr. KAM Hing Lam as Executive Directors; Mr. William SHURNIAK as Non-executive Director; and Mr. Michael David KADOORIE, Mr. Holger KLUGE, Mr. William Elkin MOCATTA (*Alternate to Mr. Michael David Kadoorie*), Mr. Simon MURRAY, Mr. OR Ching Fai, Raymond, Mr. Peter Alan Lee VINE and Mr. WONG Chung Hin as Independent Non-executive Directors.

### DEFINITIONS USED IN THIS ANNOUNCEMENT

"Acquisition"	the acquisition by the Purchaser of the Sale Shares and the benefit of the Debts pursuant to the Sale and Purchase Agreement
"Board"	board of directors of CKH or HWL (as the case may be)
"CKH"	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong, whose shares are listed on the Main Board of the Stock Exchange
"CKH Group"	CKH and its subsidiaries
"Completion"	completion of the sale and purchase of the Sale Shares and assignment of the Debts under the Sale and Purchase Agreement
"Completion Accounts"	the accounts of KHL for the period from 1st January, 2005 up to 5:00 a.m. on the Completion Date as audited by the Reporting Accountants
"Completion Date"	1st February, 2005 or such other date as the Vendor and the Purchaser may agree in writing
"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)
"Debts"	together, the debt owed by KHL on Completion to the Vendor Parent and the debt owed by KHL on Completion to HSH Finance. According to the Vendor, as at 31st October, 2004, KHL owed approximately HK\$379 million to the Vendor Parent and approximately HK\$281 million to HSH Finance
"HSH Holdings" or "Vendor"	HSH Holdings Limited, a company incorporated in Hong Kong
"HSH Finance"	HSH Finance Limited, a company incorporated in Hong Kong
"HIL"	Hutchison International Limited, a company incorporated in Hong Kong, which is a wholly-owned subsidiary of HWL

“HWL”	Hutchison Whampoa Limited, a company incorporated in Hong Kong, whose shares are listed on the Main Board of the Stock Exchange
“HWL Group”	HWL and its subsidiaries
“KHL”	The Kowloon Hotel Limited, a company incorporated under the laws of Bahamas
“Listing Rules”	the Rules governing the Listing of Securities on the Stock Exchange
“Property”	the land registered in the Land Registry as Kowloon Inland Lot No. 10737 together with the buildings and structures erected thereon and known as The Kowloon Hotel, 19-21 Nathan Road, Kowloon, Hong Kong
“Reporting Accountants”	KPMG, Hong Kong
“Sale and Purchase Agreement”	the agreement relating to the sale and purchase of the entire issued share capital of, and the Debts owing, by KHL
“Sale Shares”	5 shares of US\$1 each of KHL beneficially owned by HSH Holdings and registered in the name of HSH Holdings
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Swingfield” or “Purchaser”	Swingfield Developments Limited, a company incorporated in the British Virgin Islands, which is an indirect 50:50 joint venture of CKH and HWL formed on 18th November, 2004 with an issued share capital of US\$1 and equal board representation of CKH and HWL
“Vendor Parent”	The Hongkong and Shanghai Hotels, Limited, a company listed on the Stock Exchange

By Order of the Board  
**CHEUNG KONG (HOLDINGS) LIMITED**  
**Eirene Yeung**  
*Company Secretary*

By Order of the Board  
**HUTCHISON WHAMPOA LIMITED**  
**Edith Shih**  
*Company Secretary*

Hong Kong, 6th December, 2004

*Note: Other than Chairman and Managing Director, order by date of appointment, and in the case of Non-executive Director (“NED”)/ Independent Non-executive Director (“INED”), order by date of appointment as NED/INED.*

*Please also refer to the published version of this announcement in  
The Standard and Hong Kong Economic Times.*