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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)

**CLOSURE OF HOTEL PORTION OF THE QUAIL LODGE RESORT
AND GOLF CLUB, CARMEL, USA**

The Board of Directors (the “Board”) of The Hongkong and Shanghai Hotels, Limited (the “Company”) announces that its wholly-owned subsidiary Quail Lodge Inc. has issued a notice under the Federal Worker Adjustment and Retraining Notification Act and the California Worker Adjustment and Retraining Notification Act (“WARN Acts”) to employees of Quail Lodge Resort and Golf Club, Carmel, USA (“Quail Lodge”) on the intended staff layoff and closure of the hotel portion of Quail Lodge on 15 November 2009.

The Board announces that its wholly-owned subsidiary Quail Lodge Inc. has issued a notice under the WARN Acts to employees of Quail Lodge on the intended staff layoff and closure of the hotel portion of Quail Lodge on 15 November 2009.

Quail Lodge Inc., a wholly-owned subsidiary was acquired indirectly by the Company in 1997. Despite significant financial and management support, Quail Lodge Inc. has continued to suffer losses every year in the past eight years of operations. With the amount of revenue that Quail Lodge can generate, as compared to its current operating costs, fixed overheads and capital expenditure requirements, the Board has come to the conclusion that it is not possible to operate Quail Lodge on a financially viable basis.

Under US Federal and California law, a notice under the WARN Acts has been issued to all affected employees and such other authorities as required by law on the intended staff layoff or closure, by giving employees no less than 60 days’ notice. It is intended that Quail Lodge will continue to operate in the ordinary course of business until 15 November 2009 during which time, Quail Lodge Inc. is required by law to conduct effects bargaining with the union representing the union employees and to discuss with affected non-union employees on termination terms.

The closure of the hotel portion of Quail Lodge is indefinite. It is the current intention of the Board to keep the Golf Club and its clubhouse open to continue serving its 300-plus members, although there will be a reduction in available services.

The closing of the hotel portion of Quail Lodge and certain reductions of services at the golf club of Quail Lodge will result in the separation of 199 employees.

By order of the Board
Christobelle Liao
Company Secretary

9 September 2009

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

Non-Executive Chairman
The Hon. Sir Michael Kadoorie

Non-Executive 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
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
Pierre Roger Boppe