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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)

Continuing Connected Transaction

The Board announces that on 22 March 2013, HMS, an indirect wholly owned subsidiary of the Company, entered into a New Tenancy Agreement with Kadoorie Estates to renew the existing lease of Premises.

Kadoorie Estates acts as the agent of Cobalt (the registered owner of the Premises) to manage the Premises. Cobalt is a trustee of a unit trust, the units of which are ultimately held by discretionary trusts of which members of the Kadoorie family are discretionary objects. Kadoorie Estates is wholly owned by Harneys Trustees. As at 22 March 2013, Harneys Trustees indirectly held 41.08% interest in the issued share capital of the Company. Accordingly, Kadoorie Estates is a connected person of the Company under the Listing Rules. The entering into the New Tenancy Agreement constitutes a continuing connected transaction of the Company under Rule 14A.14 of the Listing Rules.

Given that the consideration for the New Tenancy Agreement on an annual basis falls within the threshold prescribed in Rule 14A.34 of the Listing Rules, the entering of the New Tenancy Agreement is only subject to reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules and is exempt from the independent shareholders' approval requirements.

New Tenancy Agreement

Parties: (i) Kadoorie Estates, as agent; and
(ii) HMS, as tenant.

Date: 22 March 2013

Premises: 7th and 8th Floors of St. George's Building, 2 Ice House Street, Central, Hong Kong

Lettable Area: approximately 18,786 square feet

- Term: Three years commencing from 1 April 2013 to 31 March 2016 (both days inclusive)
- Rent: HK\$1,540,452 per month, representing an average rent of HK\$82 per square foot (exclusive of service charges), payable monthly in advance with rent free period commencing from 1 April 2013 to 31 May 2013 (both days inclusive); the average monthly rent for the term is approximately HK\$1,454,871 per month.
- Service Charges: HK\$182,224.2 per month, representing a service charge of HK\$9.7 per square foot (subject to adjustments), payable monthly in advance.

Aggregate annual consideration

Based on the monthly rent payable under the New Tenancy Agreement, as well as the possible adjustment to be made by Kadoorie Estates in the level of service charges payable, the maximum aggregate annual consideration payable by HMS under the New Tenancy Agreement for the financial years ending 31 December 2013, 2014, 2015 and 2016 will not exceed HK\$15 million, HK\$20 million, HK\$21 million and HK\$6 million respectively.

Historical figures in respect of the existing lease

HMS signed a three-year tenancy agreement which commenced on 1 April 2010 with Kadoorie Estates to lease the Premises with the monthly rent of HK\$1,221,090 plus service charges of HK\$140,895 per month. The amounts of service charges were revised to HK\$155,924, HK\$172,831 and HK\$182,224.2 per month for the financial years 2011, 2012 and 2013 respectively. The amounts of rent and service charges paid by HMS to Kadoorie Estates pursuant to the existing lease during 2010, 2011, 2012 and 2013 were approximately HK\$12.3 million, HK\$16.5 million, HK\$16.7 million and HK\$4.2 million respectively.

The aggregate annual consideration under the existing lease was less than 0.1% of the applicable percentage ratios of the Company and was a de minimis continuing connected transaction under rule 14A.33. Consequently, the Company was previously exempt from any reporting requirements.

Reasons for renewing the New Tenancy Agreement

The Company has been leasing the Premises from Kadoorie Estates as office space and the existing lease will expire on 31 March 2013. The Company considers it beneficial to enter into a new lease of the Premises as the office space of the Company in view of the prime location of the Premises and the saving of relocation costs.

The terms of the Tenancy Agreement have been determined after arm's length negotiations between the parties with reference to prevailing market rates for comparable office rentals in Central.

The Board, including the independent non-executive directors, considers that the entering into the New Tenancy Agreement is in the ordinary and usual course of business of HMS and on normal commercial terms with reference to the prevailing market condition and are fair and reasonable and were negotiated at arm's length and are in the best interests of the shareholders of the Company as a whole. The Hon. Sir Michael Kadoorie, Messrs. Ronald J. McAulay, William E. Mocatta, John A.H. Leigh and Nicholas T.J. Colfer, being directors of Kadoorie Estates, have abstained from voting on the board resolution of the Company for approving the New Tenancy Agreement as they are considered to have an interest in the New Tenancy Agreement by virtue of their direct or indirect interests in Kadoorie Estates.

Implications under the Listing Rules

Kadoorie Estates acts as the agent of Cobalt (the registered owner of the Premises) to manage the Premises. Cobalt is a trustee of a unit trust, the units of which are ultimately held by discretionary trusts of which members of the Kadoorie family are discretionary objects. Kadoorie Estates is wholly owned by Harneys Trustees. As at 22 March 2013, Harneys Trustees indirectly held 41.08% interest in the issued share capital of the Company. Accordingly, Kadoorie Estates is a connected person of the Company under the Listing Rules. The entering into the New Tenancy Agreement constitutes a continuing connected transaction of the Company under Rule 14A.14 of the Listing Rules.

Given that the consideration for the New Tenancy Agreement on an annual basis falls within the threshold prescribed in Rule 14A.34 of the Listing Rules, the entering of the New Tenancy Agreement is only subject to reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules and is exempt from the independent shareholders' approval requirements.

The Company will comply with Rule 14A.36 of the Listing Rules if there is a material change in the New Tenancy Agreement upon renewal or if the maximum aggregate annual consideration is exceeded.

Details of the transaction under the New Tenancy Agreement as required under Rule 14A.45 of the Listing Rules will be included in the Company's 2013 annual report.

Information relating to Kadoorie Estates and HMS

The principal business activity of Kadoorie Estates is the provision of management services.

HMS is an indirect wholly owned subsidiary of the Company and its principal activities are the provision of management, marketing, rooms reservation, design advisory, consultancy and advertising services.

Information relating to the Group

The Group engages in the business of ownership, development and management of prestigious hotel, commercial and residential properties in Asia, the United States and Europe, as well as the provision of transport, club management and other services.

Definitions

In this announcement, the following expressions have the meanings as set out below unless the context requires otherwise:-

“Board”	board of Directors
“Cobalt”	New Cobalt Holding Corporation, a company incorporated in the Republic of Nauru with limited liability and re-domiciled to British Virgin Islands and registered under Part XI of the Hong Kong Companies Ordinance and the registered owner of the Premises
“Company”	The Hongkong and Shanghai Hotels, Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 45)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Harneys Trustees”	Harneys Trustees Limited, a company incorporated in the British Virgin Islands with limited liability and a substantial shareholder of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HMS”	HSH Management Services Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Kadoorie Estates”	Kadoorie Estates Limited, a company incorporated in Hong Kong with limited liability and is wholly owned by Harneys Trustees
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Tenancy Agreement”	the three-year tenancy agreement entered into by HMS and Kadoorie Estates on 22 March 2013, for the period from 1 April 2013 to 31 March 2016
“Premises”	7th and 8th Floors of St. George’s Building, 2 Ice House Street, Central, Hong Kong

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

By order of the Board

Christobelle Liao

Company Secretary

Hong Kong, 22 March 2013

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 Warren Miller

Patrick Blackwell Paul

Pierre Roger Boppe

Dr. William Kwok Lun Fung

Dr. Rosanna Yick Ming Wong