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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)

**Heads of Agreement for  
a Proposed Hotel Development in London**

The Board of Directors wishes to announce that on 10 May 2013 and 17 June 2013, the Company entered into non-legally binding heads of agreements (“HOAs”) with Derwent Parties and Grosvenor Parties (as defined below) respectively to acquire from Derwent its ownership interest in 1-5 Grosvenor Place, Belgravia, London and to develop jointly with Grosvenor Parties a proposed mixed use hotel and residential development on the site.

**Shareholders and potential investors of the Company should note that the HOAs are non-legally binding agreements and the Proposed London Hotel Development will be subject to due diligence, binding agreements being signed and the approval of the respective boards of all parties. In this connection, the Proposed London Hotel Development may or may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. If the transactions contemplated under the HOAs materialise, they will constitute a notifiable transaction on the part of the Company under Chapter 14 of the Listing Rules and a further announcement will be made by the Company in compliance with the Listing Rules accordingly.**

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

The Board of Directors (the “Board”) of The Hongkong and Shanghai Hotels, Limited (the “Company”) wishes to announce that:

- a. on 10 May 2013, the Company entered into a non-legally binding heads of agreement with Derwent Valley Central Limited (“Derwent”) and Derwent Asset Management Limited (together with Derwent, the “Derwent Parties”) and GP Lessee LLP (“GLLP”) and Grosvenor Property Developments Limited (together with GLLP, the “Grosvenor Parties”) in relation to a proposed assignment by Derwent of its 50% interest in an existing 150 year lease (148 years remaining) (“Lease”) over 1-5 Grosvenor Place, Belgravia, London (the “Site”) at £132.5 million (exclusive of value added tax).

- b. on 17 June, 2013, the Company entered into a non-legally binding heads of agreement with GLLP containing broad joint venture terms to develop jointly the Site into a mixed use hotel and residential development (the “Proposed London Hotel Development”) on a 50:50 basis. A subsidiary of the Company would manage the hotel as The Peninsula London.

(together the “HOAs”)

There are currently commercial buildings on the Site, which is in Belgravia, adjacent to Hyde Park Corner and opposite the gardens of Buckingham Palace. The buildings currently have approximately 220,000 sq.ft. gross floor area and are let out to various tenants. Pending any re-development, following completion of the purchase of the 50 per cent interest in the Site, the buildings would be held by the Company and GLLP as an investment property.

The financial commitment of the Company is in respect of the purchase of the 50 per cent interest in the Site for £132.5 million (exclusive of value added tax), together with its share of the re-development costs when agreed. The current plan of the Proposed London Hotel Development including area allocation, gross floor area and development cost have yet to be determined and the Company and GLLP would only be working on such details following signing of binding agreements. Binding agreements are subject to, amongst other conditions, due diligence and approval by the respective boards of all parties. Pursuant to the HOAs on completion of the purchase, Derwent would exit the joint venture arrangement it currently has with GLLP and assign its Lease to the Company. The Company would then enter into new joint venture arrangements with GLLP in Derwent’s place and jointly develop on a 50:50 basis the Proposed London Hotel Development with GLLP. The financing of the acquisition of the Lease and its portion of the development cost would be through the Company’s own resources.

Grosvenor is a privately-owned property group with offices in 19 of the world's most dynamic cities. It has regional investment and development businesses in Britain and Ireland, the Americas and Asia Pacific. Grosvenor’s international fund management business operates across all these markets and also Continental Europe. Grosvenor also has indirect investments managed centrally. As of 31 December 2012, Grosvenor had total assets under management of £12.2 billion. Unusually for a private company, Grosvenor publishes a full Annual Report and Accounts, available at: [www.grosvenor.com](http://www.grosvenor.com).

Derwent London plc which holds the Derwent Parties, is the largest central London-focused REIT. It is listed on the London Stock Exchange and is a member of the FTSE 250. It owns and manages an investment portfolio of 5.4 million sq.ft. of which 97% is located in central London, with a specific focus on the West End and the area bordering the City of London. Derwent London plc’s report and accounts are available online at: [www.derwentlondon.com](http://www.derwentlondon.com).

The parties have agreed to an exclusivity period to negotiate the binding agreements until 11:59 p.m. (London time) on 19 July 2013 or such earlier or later time as agreed in writing between the parties.

**Shareholders and potential investors of the Company should note that the HOAs are non-legally binding agreements and the Proposed London Hotel Development will be subject to binding agreements being signed and the fulfilment of a number of conditions. In addition, the current plan of the Proposed London Hotel Development including the gross floor area and the total investment amount have yet to be finalised and are subject to change. In this connection, the Proposed London Hotel Development may or may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. If the transaction contemplated**

**under the HOAs materialise, they will constitute a notifiable transaction on the part of the Company under Chapter 14 of the Listing Rules and a further announcement will be made by the Company in compliance with the Listing Rules accordingly.**

By order of the Board

**Christobelle Liao**

*Company Secretary*

19 June 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