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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: 00045)

Discloseable Transaction
Proposed Hotel Development in Istanbul, Turkey

The Board of The Hongkong and Shanghai Hotels, Limited is pleased to announce that it has entered into the Shareholders' Agreement on 7 July 2015 with PIHA, SLI, Doğuş Holding and BLG to set up a JVCo in relation to the Istanbul Project. Subject to, among other things, Competition Approval, each of PIHA and SLI will own 50% equity interest in the JVCo. The project involves the development of the Property within the Salıpazarı Port Project Area into a luxury hotel through the JVCo.

SLI currently holds the right of operation for a period of 30 (thirty) years starting from 14 February 2014 for the construction of various facilities, development and operation of the Salıpazarı Port Project Area. Located in the historic Karaköy area overlooking the Bosphorus, the Property will be leased by SLI to JVCo and such lease will be co-terminous with SLI's right of operation. As contemplated under the Shareholders' Agreement, the Hotel, when re-developed, will be managed and operated by PIHA pursuant to a suite of hotel agreements between JVCo and PIHA.

Subject to fulfilment of the Conditions, the Parties have agreed to jointly develop the Property in accordance with the terms of the Shareholders' Agreement and other Transaction Documents. The Investment Commitment is currently estimated to be approximately €300 million (equivalent to approximately HK\$2,568 million). Subject to the terms of the Shareholders' Agreement and other Transaction Documents, costs for the Proposed Hotel Development are expected to be funded by the shareholders of JVCo in proportion to their respective shareholding. PIHA's overall investment, based solely on current estimates and its shareholding in JVCo, is approximately €150 million (equivalent to approximately HK\$1,284 million).

As one of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Transaction is 5% or more but less than 25%, the Transaction constitutes a discloseable transaction of HSH and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Investment Commitment in the Istanbul Project is subject to a number of Conditions. The long stop date for the fulfilment of the Conditions is 31 December 2015, which may be extended by written agreement of the Parties. **Shareholders and potential investors of HSH should note that the Istanbul Project may or may not proceed. Shareholders and potential investors of HSH should exercise caution when dealing in the securities of HSH.**

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, SLI, Doğuş Holding and BLG and their respective ultimate beneficial owners are third parties independent of HSH and of connected persons (as defined in the Listing Rules) of HSH.

Key terms of the Istanbul Project, as contained in the Shareholders' Agreement, are set out below as follows:

The Shareholders' Agreement

Parties to the Shareholders' Agreement (the "Parties")	PIHA HSH SLI Doğuş Holding BLG
Date	7 July 2015
JVCo	<p>Subject to, among other things, the Competition Approval, the Parties shall incorporate JVCo in Turkey as soon as possible after the signing of the Shareholders' Agreement. JVCo, when incorporated, will be owned as to 50% by PIHA and 50% by SLI.</p> <p>After incorporation of the JVCo, the Parties will cooperate to fulfil the Conditions and work together on the design and construction solutions for the project, with a view to expediting the construction phase. PIHA and SLI will share certain initial costs for the Proposed Hotel Development in accordance with the terms of the Shareholders' Agreement. The relevant Parties will enter into the remaining Transaction Documents with JVCo shortly after the incorporation of JVCo.</p>
Conditions subsequent to incorporation of JVCo	<p>Notwithstanding the above, the Shareholders' Agreement, including the funding of the Investment Commitment, are subject to, among others, the following Conditions:</p> <ul style="list-style-type: none">• Consent and approval from the relevant Government Authorities for the consummation of the transactions completed under the Transaction Documents• No legal proceedings, laws or decisions which prohibits the consummation of transactions under the

Shareholders' Agreement and the Transaction Documents

- The grant of applicable regulatory licences, construction licences, approvals and permits for the re-development of the Istanbul Project as set out in the Shareholders' Agreement
- Registration of the hotel name in Turkey

The long stop date for fulfilment of the Conditions is 31 December 2015 and may be extended by written agreement of the Parties.

In the event that the Conditions are not fulfilled or otherwise waived by the long stop date in accordance with the Shareholders' Agreement, PIHA shall sell its 50% shareholding in JVCo to SLI at the Exit Price, such that PIHA would exit from the Proposed Hotel Development having borne half of the Soft Costs incurred up to the long stop date.

Property

The Property is located in the Salıpazarı Port Project Area and it comprises the buildings known as Rıhtım Han (*Waterfront Building*), Karaköy Yolcu Salonu (*Passenger Terminal*), Çinili Han (*Tiled Building*) and a new building to be constructed in place of the Warehouse No. 20 and ancillary/incidental elements. The Salıpazarı Port Project includes re-development of the entire Salıpazarı Port Project Area to include a passenger terminal, hotel, museums, a promenade, public squares, restaurants and cafes, retail, offices and other ancillary facilities in the historic Karaköy area.

Construction of the Hotel

SLI will be appointed as the main contractor to deliver the Shell and Core of the Property for the Istanbul Project.

Guarantees

HSH, Doğu Holding and BLG will act as guarantors for the due and punctual performance of the respective obligations of the investors in the JVCo pursuant to the terms of the Shareholders' Agreement.

Governance

JVCo will be jointly controlled by PIHA and SLI. It will be governed by its board with equal representation on a pro rata basis by each of PIHA and SLI and neither party will have a casting vote.

Operation and Management

The Parties have agreed on the terms of a suite of hotel agreements which will govern the future management and operation of a luxury hotel. Among other things, PIHA will be appointed to manage the hotel and ancillary facilities for

the term of the Lease Agreement, unless otherwise terminated in advance.

Lease Agreement

A Lease Agreement will be entered into between SLI and the JVCo, and a fixed rental will commence from soft opening date of the hotel and rental (fixed and variable rent) will be paid out of the hotel revenue.

HSH

HSH, through its subsidiaries, joint venture, joint operation and associates, is principally engaged in the ownership, development, and management of prestigious hotels and commercial and residential properties in key locations in Asia, the United States and Europe, as well as the provision of tourism and leisure, club management and other services.

Doğuş Holding

Doğuş Holding is one of the leading business conglomerates in Turkey, with investments in financial services, automotive, construction, media, tourism and services, real estate, energy and food and beverage. In addition, Doğuş Holding sustains its growth with new investments in the areas of technology, sports and entertainment.

BLG

BLG Gayrimenkul Yatırımları ve Ticaret A.Ş. is a wholly-owned subsidiary of BLG Turkish Real Estate Fund II LP, a private equity fund managed by BLG Capital Limited, an independently managed investment management company focused on real estate assets and companies with underlying real estate assets in Turkey and adjacent geographies. BLG Capital Limited is regulated by the Jersey Financial Services Commission.

SLI

SLI is a joint venture entity established by Doğuş Holding and BLG, where Doğuş Holding owns 81% and BLG owns 19%. SLI currently holds the operational rights of Salıpazarı Port Project Area.

Financial Commitment

Subject to fulfilment of the Conditions, the Parties have agreed to jointly develop the Property in accordance with the terms of the Shareholders' Agreement and other Transaction Documents. The Investment Commitment is currently estimated to be approximately €300 million (equivalent to approximately HK\$2,568 million). Subject to the terms of the Shareholders' Agreement and other Transaction Documents, costs for the Proposed Hotel Development are expected to be funded by the shareholders of JVCo in proportion to their respective shareholding. PIHA's overall investment, based solely on current estimates and its shareholding in JVCo, is approximately €150 million (equivalent to approximately HK\$1,284 million).

As one of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Transaction is 5% or more but less than 25%, the Transaction constitutes a discloseable transaction of HSH and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Reasons for the Istanbul Project

The Istanbul Project presents HSH with a unique opportunity to establish its presence in the dynamic cultural and historical district of Turkey in the form of a joint venture with Doğuş Holding and BLG, which has a proven track record in investments in Istanbul. This project is

consistent with HSH's long term vision to invest and operate luxury hotels in strategically selected cities. The Directors believe that terms of the transactions contemplated under the Shareholders' Agreement are fair and reasonable and in the interest of the Shareholders as a whole.

Definitions

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

“BLG”	BLG Gayrimenkul Yatırımları ve Ticaret A.Ş., a company incorporated in Turkey
“Board”	the board of Directors
“Buildings”	the buildings known as Rıhtım Han, Karaköy Yolcu Salonu, Çinili Han and a new building to be constructed in place of the Warehouse No. 20 in Istanbul
“Competition Approval”	The Turkish Competition Board (i) clearing the joint-venture relation between the Parties or (ii) failing to reply within the legal period of response
“Conditions”	conditions precedent to the Shareholders' Agreement
“Directors”	the directors of HSH
“Doğuş Holding”	Doğuş Holding A.Ş., a company incorporated in Turkey
“Exit Price”	The equity contribution made by PIHA to the JVCo prior to the date of transfer, less 50% of the Soft Costs
“Government Authorities”	Any government or governmental, legislative, executive, regulatory, state or municipal, judicial or administrative authority, body, agency or commission, or court, arbitrator or mediation panel in any jurisdiction applicable to the Parties
“Group”	HSH and its subsidiaries
“HK\$”	Hong Kong Dollar(s), the lawful currency of Hong Kong
“Hotel”	a luxury hotel to be developed on the Property to be managed by the Group
“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

“Investment Commitment”	The total budget for the Proposed Hotel Development which is estimated to be approximately €300 million (equivalent to approximately HK\$2,568 million) exclusive of value added tax and other applicable taxes which will be paid over the period of development
“Istanbul Project”	the incorporation of the JVCo, the Proposed Hotel Development, the management and operation of the Hotel and other transactions contemplated under the Transaction Documents
“JVCo”	a company to be incorporated in Turkey, which will be owned as to 50% by PIHA and 50% by SLI pursuant to the terms of the Shareholders’ Agreement and of which company title is intended to be Peninsula İstanbul Otel İşletmeciliği A.Ş.
“Lease Agreement”	the lease agreement to be entered into by SLI and JVCo pertaining to the Property
“Listing Rules”	The Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited
“PIHA”	Peninsula Istanbul Holdings AG, a company incorporated in Switzerland and an indirect wholly-owned subsidiary of HSH
“Property”	collectively the Buildings as well as other ancillary land and elements to be used exclusively by the Hotel
“Proposed Hotel Development”	the development and construction of the Property into a luxury hotel as contemplated in the Shareholders’ Agreement
“Salıpaazarı Port Project”	construction of various facilities, development and operation of the Salıpaazarı Port Project Area
“Salıpaazarı Port Project Area”	Property located at Salıpaazarı, İstanbul over which Salıpaazarı Port Project will be developed and operated
“Shell and Core”	All main constituent parts of the Property to be undertaken by SLI in accordance with the terms of the Transaction Documents
“Shareholders”	shareholders of HSH
“Shareholders’ Agreement”	the shareholders’ agreement entered into by HSH, PIHA, SLI, Doğu Holding, BLG and JVCo in respect of JVCo on 7 July 2015
“SLI”	Salıpaazarı Liman İşletmeciliği ve Yatırımları A.Ş., a company incorporated in Turkey, which is owned as to 81% by Doğu Holding and 19% by BLG

“Soft Costs”	All costs incurred and/or paid for the Proposed Hotel Development up to the long stop date by either SLI, PIHA (and/or HSH) or JVCo, other than the construction costs and construction licence costs
“Transaction”	transactions contemplated under the Shareholders’ Agreement
“Transaction Documents”	the Shareholders’ Agreement, the Lease Agreement, a suite of hotel agreements, the construction agreement for the Shell & Core, the project agreement and such other agreements or instruments contemplated to be entered into by the relevant Parties under the Shareholders’ Agreement, and a “Transaction Document” means any of them
“Turkish Competition Board”	Turkish competition authority established to ensure the formation and development of markets for goods and services in a free and sound competitive environment. The Turkish Competition Board implements and fulfils the duties assigned to it under Act No. 4054 and other relevant legislation
“€”	Euro, the lawful currency of certain members of the European Union

For the purpose of translation of currency in this announcement the following rate has been used, €1 = HK\$8.56.

By order of the Board
Christobelle Liao
Company Secretary

7 July 2015

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

Non-Executive Chairman
The Hon. Sir Michael Kadoorie

Non-Executive Deputy Chairman
Andrew Clifford Winawer Brandler

Executive Directors
Managing Director and Chief Executive Officer
Clement King Man Kwok

Chief Operating Officer
Peter Camille Borer

Chief Financial Officer
Alan Philip Clark

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
Patrick Blackwell Paul
Pierre Roger Boppe
Dr. William Kwok Lun Fung
Dr. Rosanna Yick Ming Wong