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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  
Restructuring of Lease Arrangements for  
The Peninsula Tokyo Building**

The Board wishes to announce that on 17 December 2015, PTL and MEC entered into certain agreements to restructure the lease arrangements with respect to the Building and the Land.

MEC currently owns the Building and the Land. On 25 October 2002, MEC and PTL, an indirect wholly-owned subsidiary of HSH, entered into a 50-year lease agreement with respect to the Building. The Building has been operating as the Hotel under the management of HSH since 2007. The current annual rental under the Building Lease Agreement is based on a minimum annual rental and a contingent rental taking into account the profitability of the Hotel. In order to secure a longer lease term and fix the rental payments going forward, on 17 December 2015, PTL and MEC entered into the Purchase and Sale Agreement pursuant to which PTL shall purchase the Building from MEC for a total Consideration of JPY 10.3 billion (excluding tax) (approximately HK\$656 million) in accordance with the terms and conditions therein. In addition, PTL and MEC entered into the Land Lease Agreement pursuant to which PTL shall lease the Land from MEC for a fixed term of 70 years.

As one of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Purchase Transaction is 5% or more but less than 25%, the Purchase Transaction constitutes a discloseable transaction of HSH and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. The Land Lease Agreement is a long-term operating lease entered into by PTL within its ordinary course of business.

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

MEC currently owns the Building and the Land. On 25 October 2002, MEC and PTL, an indirect wholly-owned subsidiary of HSH, entered into a 50-year lease agreement with respect to the Building with a layered rental structure. The Building has been operating as the Hotel under the management of HSH since 2007. The current annual rental under the Building Lease Agreement is based on a minimum annual rental and a contingent rental taking into account the profitability of the Hotel.

In order to secure a longer lease term and fix the rental payments going forward, on 17 December 2015, PTL and MEC entered into the Purchase and Sale Agreement pursuant to which PTL shall purchase the Building from MEC in accordance with the terms and conditions therein, and on the same date entered into the Land Lease Agreement pursuant to which PTL shall lease the Land from MEC for a fixed term of 70 years and assume responsibility for all capital expenditure relating to the Building going forward. Upon completion of the Purchase and Sale Agreement, the lease term under the Land Lease Agreement shall commence and the existing Building Lease Agreement shall be cancelled. MEC shall continue to own the Land as freeholder while PTL shall have an interest in the Land as lessee.

Key terms of the Purchase Transaction, as contained in the Purchase and Sale Agreement, are set out below as follows:

**The Purchase and Sale Agreement**

Parties	MEC (as seller) PTL (as purchaser)
Signing Date	17 December 2015
Completion Date	18 December 2015
Assets to be purchased	the Building
Consideration	JPY10.3 billion (excluding tax) (approximately HK\$656 million)
Capital expenditure obligations	PTL shall assume all capital expenditure obligations on the Building going forward

Key terms of the Land Lease Agreement are set out below as follows:

**Land Lease Agreement**

Parties	MEC (as lessor) PTL (as lessee) HSH (as guarantor)
Signing Date	17 December 2015
Commencement Date	18 December 2015
Expiry Date	17 December 2085
Lots to be leased	the Land
Annual lease payment	JPY780 million (excluding tax) (approximately HK\$50 million)

HSH has agreed to be a guarantor to the obligations of PTL as lessee under the Land Lease Agreement.

#### **Consideration and Financial Commitment**

The total Consideration plus applicable consumption taxes shall be settled in cash on the Completion Date in accordance with the terms of the Settlement Memorandum. The Consideration will be satisfied by internal resources of HSH.

The Consideration was determined after good faith negotiations between MEC and PTL, by reference to the value and lease terms of the existing Building Lease Agreement, the future capital expenditure on the Building and the value of all future rental payments under the Land Lease Agreement.

As one of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Purchase Transaction is 5% or more but less than 25%, the Purchase Transaction constitutes a discloseable transaction of HSH and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. The Land Lease Agreement is a long-term operating lease entered into by PTL within its ordinary course of business.

#### **Reasons for the Transaction**

The Purchase Transaction and the Land Lease Agreement allow PTL to effectively extend the lease arrangements for the Building and Land by 28 years to 17 December 2085 and to, fix the level of rental payments under the Land Lease Agreement. The Land Lease Agreement also makes reference to the partnership spirit and shared objectives of MEC and PTL to ensure the continued partnership and long-term cooperation between the parties. The Directors believe that the Purchase Transaction, together with the Land Lease Agreement are fair and reasonable and in the interest of the Shareholders as a whole.

#### **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.

#### **MEC**

MEC is a comprehensive real estate developer. It boasts the leading position in the Japanese market, operating a spectrum of businesses in diverse fields related to real estate, including an office building business centered on the Marunouchi district in central Tokyo, a retail property business, a residential business and a hotel business. The company's area of operations is not confined to Japan; it includes the United States and the United Kingdom and extends to such Asian countries as China and Singapore.

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

## Definitions

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

“Board”	the board of Directors
“Building”	the shell and core of the Building erected on the Land, including the steel and steel concrete structure with flat roof, four basement levels, and 25 above ground levels with a total floor area of 57,770.89 square meters, together with all facilities, structures, machinery, equipment, tools, appliances and fixtures, but excluding fit-out, furnishing and equipment that PTL already owns in or on the Building
“Building Lease Agreement”	the Fixed-Term Building Lease Agreement entered into between MEC and PTL dated 25 October 2002, pursuant to which PTL shall lease the Building from MEC for a term of 50 years from 1 September 2007, being the date on which the Hotel commenced operations
“Completion Date”	18 December 2015
“Consideration”	JPY10.3 billion (excluding tax) (approximately HK\$656 million)
“Directors”	the directors of HSH
“Group”	HSH and its subsidiaries
“HK\$”	Hong Kong Dollar(s), the lawful currency of Hong Kong
“Hotel”	The Peninsula Tokyo, the hotel located within the Building which is owned by PTL and operated 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
“JPY”	Japanese Yen, the lawful currency of Japan
“Land”	Lot nos. 1-1, 1-2, 1-3, 1-4 Yurakucho, 1-chome, Chiyoda-ku, Tokyo, Japan

“Land Lease Agreement”	the fixed-term land lease agreement entered into between MEC and PTL dated 17 December 2015, pursuant to which PTL shall lease the Land from MEC for a fixed-term of 70 years
“Listing Rules”	The Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited
“MEC”	Mitsubishi Estate Co., Ltd., a company incorporated in Tokyo, the seller of the Building under the Purchase and Sale Agreement and the lessor of the Land under the Land Lease Agreement
“PTL”	Peninsula of Tokyo Limited, a company incorporated in Japan and an indirect wholly-owned subsidiary of HSH, the purchaser of the Building under the Purchase and Sale Agreement and the lessee of the Land under the Land Lease Agreement
“Purchase and Sale Agreement”	the purchase and sale agreement entered into between MEC and PTL dated 17 December 2015, pursuant to which MEC shall sell, and PTL shall purchase the Building
“Purchase Transaction”	transactions contemplated under the Purchase and Sale Agreement
“Settlement Memorandum”	the settlement memorandum executed between MEC and PTL on the Completion Date setting out the payment obligations as between the parties and the amount to be settled by PTL
“Shareholders”	shareholders of HSH
“Signing Date”	17 December 2015

For the purpose of translation of currency in this announcement the following rate has been used, JPY1 = HK\$0.06366.

By order of the Board  
**Christobelle Liao**  
*Company Secretary*

17 December 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

**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