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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

Acquisition of Grosvenor's 50% Economic Interest in the Redevelopment of 1-5 Grosvenor Place, Belgravia, London, the United Kingdom

Further to the announcement of the Company dated 26 July 2016 in relation to a non-legally binding heads of terms ("HOT") being agreed, the Board wishes to announce that on 30 September 2016, a number of agreements, amongst others, a Termination and Release Agreement and, a Framework Agreement were entered into to effect a restructuring of the previous joint venture arrangements in respect of the London Project. As a result the Company acquired Grosvenor's 50% economic interest in the redevelopment of the Site and restructured the London Project to a landlord and tenant relationship as contemplated under the HOT.

Prior to the restructuring, the Company and Grosvenor had entered into 50/50 joint venture arrangements to redevelop the existing property located at the Site into a mixed use development consisting of a luxury hotel to be branded "The Peninsula London" and luxury residential apartments. In addition, the Company had acquired, through its indirect wholly-owned subsidiary PLLP, a Lease over the Site.

At completion of the Transaction, Grosvenor's involvement in the joint venture arrangements ceased. Specifically, GLLP, a Grosvenor subsidiary, retired as a member of the Developer, One GP LLP, and Grosvenor is no longer required to fund the development costs of London Project. The Company's original 50% interest in the Developer increased to 100% with PLLP holding 99.9% and HSH London, an indirect wholly-owned subsidiary of the Company, holding the remaining 0.1% interest. The Developer became an indirect wholly-owned limited liability subsidiary of the Company as a result of the Transaction.

As part of the restructuring, the relationship between Grosvenor and PLLP changed from a joint venture partnership to develop the London Project into a landlord and tenant relationship. Grosvenor remains as the landlord under the Lease, while PLLP will have full control over the development, management and future operations of the London Project. PLLP will also be entitled to 100% of the proceeds from the future sales of the residential units in the London Project as well as the profits of the hotel.

The Total Consideration for the Transaction is £107.5 million (approximately HK\$1,087 million) in cash, exclusive of value added tax and other applicable taxes. The Total Consideration was paid by PLLP to GLLP under the Termination and Release Agreement.

In addition, the rents payable under the Lease has been varied so that a fixed base rent (subject to an agreed adjustment mechanism) and a turnover rent element will become payable (on 1 Jan 2022 subject to agreed permissible extensions).

The Total Consideration was arrived at after arm's length negotiations and having regard to the original purchase price of the Site (based on an agreed land value of £265 million), GLLP's contribution in relation to obtaining planning approval, and the funding provided by GLLP up to Completion in proportion to its 50% interest in the original joint venture arrangements. The Total Consideration was funded from the Company's own resources. As the applicable percentage ratio of the Transaction under Chapter 14 of the Listing Rules is 5% or more, but is less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

PLLP will, subject to a number of conditions including but not limited to vacant possession of the Site, fund all remaining Total Redevelopment Cost of the London Project. The Total Redevelopment Cost will be determined by PLLP pending satisfaction of certain conditions and finalisation of the design of the hotel and residential units. Appropriate disclosure will be made by the Company when all the conditions are satisfied and Total Redevelopment Cost has been determined and the Board resolves to proceed with the London Project.

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

The key terms of the Termination and Release Agreement and Framework Agreement are set out below:

Termination and Release Agreement

Parties: GLLP
Peninsula London as general partner of PLLP
The Developer
The Company, amongst others

Date: 30 September 2016

Purpose: All joint venture arrangements between PLLP and GLLP were terminated and released.

The buildings on the Site are currently leased to commercial and residential tenants. The unaudited net profits before tax attributable to the Site for the years ended 31 December 2014 and 31 December 2015 amounted to £5.3 million (approximately HK\$54 million) and £5.1 million (approximately HK\$52 million) respectively.

Total Consideration: The Total Consideration of £107.5 million (approximately HK\$1,087 million), exclusive of value added tax and other applicable taxes, was paid by PLLP to GLLP. The Total Consideration was arrived at after arm's length negotiations and having regard to the original purchase price of the Site (based on an agreed land value of £265 million), GLLP's contribution in relation to obtaining planning approval, and the funding provided by GLLP up to Completion in proportion to its 50% interest in the original joint venture arrangements.

The Total Consideration was funded from the Company's own resources and was paid in cash on Completion.

Completion Date 30 September 2016

Framework Agreement

Parties: GEB
GLLP
HSH London
Peninsula London as general partner of PLLP
The Developer
The Company, amongst others

Date: 30 September 2016

Purpose: The Framework Agreement sets out the framework of the restructuring including the various documents entered into to implement the Transaction.

The Company acquired Grosvenor's 50% economic interest in the redevelopment of the Site and restructure the London Project to a landlord and tenant relationship as contemplated under the HOT. GLLP retired as a member of the Developer. The Company's original 50% interest in the Developer was increased to 100% with PLLP holding 99.9% and HSH London, an indirect wholly-owned subsidiary of the Company, holding the remaining 0.1% interest. The Developer became an indirect wholly-owned limited liability subsidiary of the Company as a result of the Transaction.

The audited net profits before tax of the Developer for the years ended 31 December 2014 and 31 December 2015 amounted to £4,766 (approximately HK\$48,208) and £1,554 (approximately HK\$15,719) respectively.

As part of the restructuring, the relationship between Grosvenor and PLLP changed from a joint venture partnership to develop the London Project into a landlord and tenant relationship. Grosvenor remains as the landlord under the Lease.

In addition, the Lease was varied to effect a new rent arrangement under the Lease consisting of a fixed base rent (subject to an agreed adjustment mechanism) and a turnover rent element will become payable (on 1 Jan 2022 subject to agreed permissible extensions).

Guarantee:

In connection with the Transaction, the Company agreed to guarantee certain obligations of PLLP, the Developer and Peninsula London Hotel Management, an indirect wholly-owned subsidiary of the Company, in favour of Grosvenor parties under the Framework Agreement relating to the indemnity to be given by PLLP, the Developer and Peninsula London Hotel Management, to the outgoing development manager, Grosvenor Property Developments Limited and PLLP's payment obligations under the Framework Agreement.

Under other related Transaction agreements entered into pursuant to the Framework Agreement, the Company also guaranteed the obligations of PLLP in relation to the development of the Site and in relation to PLLP's indemnity to 1-5 GP Management Limited which will remain as asset manager prior to obtaining vacant possession of the Site. In addition, the Company guarantees the obligation of PLLP as tenant under the Lease.

Completion Date:

30 September 2016

Consideration and Financial Commitment

The Total Consideration for the Transaction is £107.5 million (approximately HK\$1,087 million) in cash, exclusive of value added tax and other applicable taxes. The Total Consideration was paid by PLLP to GLLP under the Termination and Release Agreement.

PLLP now has full control over the development, management and future operations of the London Project. PLLP will also be entitled to 100% of the proceeds from the future sales of the residential units in the London Project as well as the profits of the hotel.

PLLP will, subject to a number of conditions including but not limited to vacant possession of the Site, fund all remaining Total Redevelopment Cost of the London Project. The Total Redevelopment Cost will be determined by PLLP pending satisfaction of certain conditions and finalisation of the design of the hotel and residential units. Appropriate disclosure will be made

by the Company when all the conditions are satisfied and Total Redevelopment Cost has been determined and the Board resolves to proceed with the London Project.

At Completion, the Developer became an indirect wholly-owned limited liability subsidiary of the Company, and the financial results, assets and liabilities of the Developer will be consolidated into the financial statements of the Group.

As the applicable percentage ratio of the Transaction under Chapter 14 of the Listing Rules is 5% or more, but less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Reasons for the Restructure

The Transaction enables PLLP to gain full control over the development, management and future operations of the London Project to develop the Site into a Peninsula Hotel and luxury residential units for sale in the gateway city of London. In particular, PLLP will be entitled to 100% of the proceeds from the future sales of the residential units in the London Project as well as the profits of the hotel. The Directors believe that The Peninsula hotel and residences will set new standards in luxury and service and they will be amongst the finest in the London market when the London Project is completed.

The Directors believe that the terms of the Transaction are fair and reasonable and in the interests of the Shareholders as a whole.

The Company

The Company through its subsidiaries and its jointly controlled entities and associates are principally engaged in the ownership, development and management of prestigious hotel, commercial and residential properties in key locations in Asia, the United States and Europe, as well as the provision of transport, club management and other services.

Grosvenor Group

Grosvenor Group is a privately-owned property company with offices in 19 of the world's most dynamic cities. The Grosvenor Group has regional investment and development businesses in Britain and Ireland, the Americas, Asia Pacific and Europe. Their international fund management business operates in Continental Europe and China. They also have indirect investments managed centrally.

Definitions

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

“Board”	the board of Directors
“Company”	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
“Completion” / “Completion Date”	30 September 2016, being the date of completion of the Transaction

“Developer”	One GP LLP, a limited liability partnership registered in England and Wales, to which GLLP ceased to be a member, HSH London was admitted as a member and hold 0.1% interest and PLLP increased its interest to 99.9% at Completion. One GP LLP will act as the developer of the Site
“Directors”	the directors of the Company
“Framework Agreement ”	an agreement dated 30 September 2016 and entered into between, amongst others, Grosvenor, HSH London, Peninsula London as general partner of PLLP, the Developer and the Company as described in this announcement
“GEB”	Grosvenor Estate Belgravia, the landlord of the Site
“GLLP”	GP Lessee LLP, the head lessee of the Site and the original direct landlord of PLLP prior to Completion pursuant to the head lease granted by GEB. At Completion, GLLP surrendered its interest to GEB so that GEB became the direct landlord of PLLP
“Grosvenor”	collectively, GLLP and GEB
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollar(s), the lawful currency of Hong Kong
“HSH London”	HSH London Limited, a limited company registered in England and Wales and an indirect wholly-owned subsidiary of the Company
“Lease”	the existing 150 years lease (146 years left) over the Site commencing on 23 February 2012 and expiring on 22 February 2162 and supplemental related leases of a small amount of airspace above the premises and surrounding areas demised by such existing lease
“Listing Rules”	the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited
“London Project”	the project for the redevelopment of the Site into a mixed use development consisting of a luxury hotel to be branded “The Peninsula London”, and luxury residences
“Peninsula London”	Peninsula London Limited, a limited company registered in England and Wales and an indirect wholly-owned subsidiary of the Company, and general partner of PLLP
“Peninsula London Hotel Management”	Peninsula London Hotel Management Services Limited, a limited company registered in England and Wales and an indirect wholly-owned subsidiary of the Company, from which future hotel management services will be provided to the hotel

“PLL”	Peninsula London, LP, a limited partnership registered in England and Wales and an indirect wholly-owned subsidiary of the Company
“Shareholders”	shareholders of the Company
“Site”	the site of 1-5 Grosvenor Place, Belgravia, London, the United Kingdom
“Termination and Release Agreement”	an agreement dated 30 September 2016 and entered into between, amongst others, GLLP, Peninsula London as general partner of PLLP, the Developer and the Company to terminate and release the joint venture arrangements between PLLP and GLLP
“Total Consideration”	the total cash consideration of £107.5 million (approximately HK\$1,087 million) paid by PLLP to GLLP under the Termination and Release Agreement, exclusive of value added tax and other applicable taxes
“Total Redevelopment Cost”	the estimated redevelopment and renovation cost for the London Project
“Transaction”	Acquisition of Grosvenor’s 50% economic interest in the redevelopment of the Site and the termination of Grosvenor’s involvement in the joint venture arrangements to redevelop the existing property located at the Site for a consideration of £107.5 million (approximately HK\$1,087 million), exclusive of value added tax and other applicable taxes, on terms and conditions set out in the Termination and Release Agreement, Framework Agreement and other related transaction agreements and documentation
“%”	per cent.
“£”	Sterling Pound(s), the lawful currency of the United Kingdom

For the purpose of translation of currency in this announcement the following rate has been used, £1 = HK\$10.115.

By order of the Board
Christobelle Liao
Company Secretary

30 September 2016

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

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

Matthew James Lawson

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

Dr Kim Lesley Winser