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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)

Connected Transaction
Sale of a Unit of The Peninsula London Residences

The Board would like to announce that on 19 July 2019, the Seller, an indirect wholly-owned subsidiary of the Company, has entered into the Agreement with the Buyer for sale of the Property at a consideration of £28.75 million (approximately HK\$281 million).

The Buyer is a company beneficially wholly-owned by The Hon. Sir Michael Kadoorie, the Non-Executive Chairman and a substantial shareholder of the Company. As such, the Buyer is a connected person of the Company under the Listing Rules. Accordingly, the Sale constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (as defined in the Listing Rules) calculated in respect of the Sale are more than 0.1% but less than 5%, the Sale is subject to reporting and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Agreement

Date: 19 July 2019

Parties: Seller: Peninsula London, LP
Buyer: Hyde Park Properties Limited

Property: A unit on an upper floor of The Peninsula London Residences, 1-5 Grosvenor Place, Belgravia, London, the United Kingdom.

The Peninsula London Residences comprises 26 luxury residential apartments, which are currently under construction as part of the London Project. All of the apartments are being offered on sale.

Consideration and Terms of Payment: The Consideration for the Sale is £28.75 million (approximately HK\$281 million) which shall be paid by the Buyer to the Seller in cash in the following manner:

- (1) £2.875 million (approximately HK\$28 million), being the deposit, has been paid by the Buyer to the Seller upon the signing of the Agreement;
- (2) £2.875 million (approximately HK\$28 million), being the stage payment, shall be paid by the Buyer to the Seller on the business day immediately following the first anniversary of the date of Agreement; and
- (3) £23 million (approximately HK\$225 million), being the balance of the Consideration, shall be paid by the Buyer to the Seller upon completion of the Sale.

The deposit and stage payment shall be held by the Seller's solicitors as stakeholder and will not be released to the Seller until upon completion.

Completion: Completion of the Sale shall take place on a date as set out in the Seller's notice which will be sent out on the completion of the London Project which is expected to be in 2021.

Reasons for and Benefits of the Sale

The Peninsula London Residences is part of the London Project, and the Sale was conducted in the ordinary course of the Group's property development business. The Consideration was comparable to those offered by the Seller to other independent third party buyers of the units of the luxury residential apartments for sale under the London Project.

The Consideration, like the offer prices of the other apartments at The Peninsula London Residences, was determined based on prices for the apartments set by two independent agents with reference to the prevailing market prices of luxury properties in the vicinity of the London Project. The Board considered that the Consideration reflects the fair value of the Property and the Sale is on normal commercial terms and on arm's length basis.

The Property is under development and the book value only reflects the cost of the completed portion. As the final construction cost is not yet available, the management is unable to calculate the gain on disposal at current stage. However, it is expected that a profit margin of no less than 20% will be achieved. The proceeds of the Sale are expected to be used as a repayment of the bank loan of the Group.

For the reasons stated above, the Board, including the independent non-executive directors, considers that the Sale has been conducted in the ordinary and usual course of business of the Group and the terms of the Sale are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Hon. Sir Michael Kadoorie and Messrs Philip L. Kadoorie, William E. Mocatta, John A.H. Leigh and Nicholas T.J. Colfer are considered to have an interest or potential conflict of interest in the Sale by

virtue of their direct or indirect interests or directorship in the Buyer, have abstained from voting on the Board resolution of the Company to approve the Sale.

Compliance with Listing Rules

The Buyer is a company beneficially wholly-owned by The Hon. Sir Michael Kadoorie, the Non-Executive Chairman and a substantial shareholder of the Company. As such, the Buyer is a connected person under the Listing Rules. Accordingly, the Sale constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (as defined in the Listing Rules) calculated in respect of the Sale are more than 0.1% but less than 5%, the Sale is subject to reporting and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Information relating to the Group

The Company, through its subsidiaries, joint ventures 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.

Information relating to Buyer

The Buyer is a company beneficially wholly-owned by The Hon. Sir Michael Kadoorie, the Non-Executive Chairman and a substantial shareholder of the Company.

Definitions

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

“Agreement”	the apartment sale agreement dated 19 July 2019 entered into between the Seller and the Buyer in respect of the Sale
“Board”	the board of Directors
“Buyer”	Hyde Park Properties Limited, a company incorporated in Bermuda with limited liability
“Company”	The Hongkong and Shanghai Hotels, Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	£28.75 million (approximately HK\$281 million), being the total amount payable by the Buyer to the Seller for the Property pursuant to the Agreement

“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“London Project”	the project for the redevelopment of the site of 1-5 Grosvenor Place, Belgravia, London, the United Kingdom into a mixed use development consisting of a 189-room Peninsula hotel with 26 luxury Peninsula branded residential apartments for sale
“Property”	a unit on an upper floor of The Peninsula London Residences, 1-5 Grosvenor Place, Belgravia, London, the United Kingdom
“Sale”	the sale of the Property to the Buyer pursuant to the Agreement
“Seller”	Peninsula London, LP, a limited partnership registered in the England & Wales
“Shareholders”	shareholders of the Company
“%”	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\$9.7913.

By order of the Board
Christobelle Liao
Company Secretary

Hong Kong, 19 July 2019

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

William Elkin Mocatta

John Andrew Harry Leigh

Nicholas Timothy James Colfer

James Lindsay Lewis

Philip Lawrence Kadoorie

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

Ada Koon Hang Tse