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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)

Continuing Connected Transaction

The Board announces that on 27 November 2012, PML, an indirect wholly owned subsidiary of the Company, entered into the Transaction under a Distributorship Agreement with DFS for the supply of Peninsula Merchandises to DFS and the non-exclusive distribution of Peninsula Merchandises by DFS at designated outlets commencing 28 November 2012 and continuing up to and including 31 December 2014.

Mr Miller, an Independent Non-Executive Director of the Company, has indirect interest as to 38.75% of DFS. Accordingly, DFS is an “associate” of Mr Miller and a “connected person” of the Company under the Listing Rules. The Transaction therefore constitutes a continuing connected transaction of the Company under Rule 14A.14 of the Listing Rules.

Given that the Transaction is a continuing connected transaction solely because of the indirect interest of Mr Miller in DFS, and Mr Miller does not control the Company nor PML and Mr Miller’s principal business interest is unrelated to the Company and PML; and further given that the pricing arrangements of the Transaction is commercially sensitive in nature and the size of the Transaction is immaterial to the Company and also immaterial in the context of Mr Miller’s business, the Company has applied for and has been granted a waiver by the Stock Exchange pursuant to Rule 14A.42(1) of the Listing Rules from compliance with certain requirements under Chapter 14A of the Listing Rules.

BACKGROUND

The Board announces that on 27 November 2012, PML entered into the Transaction under a Distributorship Agreement with DFS for the supply of Peninsula Merchandises to DFS and the non-exclusive distribution of Peninsula Merchandises by DFS at designated outlets commencing 28 November 2012 and continuing up to and including 31 December 2014.

Mr Miller, an Independent Non-Executive Director of the Company, has indirect interest as to 38.75% of DFS. Accordingly, DFS is an “associate” of Mr Miller and a “connected person” of the Company under the Listing Rules. The Transaction therefore constitutes a continuing connected transaction of the Company under Rule 14A.14 of the Listing Rules.

SUMMARY OF THE TRANSACTION

Parties

- (1) PML (as supplier); and
- (2) DFS (as distributor).

Date of Agreement

27 November 2012

Term of the Transaction

The term of the Distributorship Agreement shall commence on 28 November 2012 and continuing up to and including 31 December 2014.

Nature of the Transaction

The supply of Peninsula Merchandises by PML to DFS and the non-exclusive distribution of Peninsula Merchandises by DFS at (i) DFS' store at Chinachem Golden Plaza in Tsim Sha Tsui, Hong Kong, and (ii) DFS' general merchandise stores at the Hong Kong International Airport.

The wholesale and distribution terms of Peninsula Merchandises are based on normal commercial terms concluded at an arm's length basis in the ordinary and usual course of business of PML. The highest applicable percentage ratio under the Listing Rules for the Transaction is slightly more than 0.1%.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Board, including the Independent Non-executive Directors except Mr Miller, considers that the entering into the Transaction is in the ordinary and usual course of business of PML and on normal commercial terms which are fair and reasonable, were negotiated at arm's length and are in the interests of the shareholders of the Company as a whole. Mr Miller is not required to abstain from voting on the relevant board resolution of the Company as he does not have material interest in the Transaction. However, for good corporate governance purpose, Mr Miller was asked to abstain from approving the resolution. No Director has any material interest in the Transaction.

WAIVER UNDER RULE 14A.42(1)

Given that the Transaction is a continuing connected transaction solely because of the indirect interest of one of our Independent Non-Executive Directors, Mr Miller, in DFS, and Mr Miller does not control the Company nor PML and Mr Miller's principal business interest is unrelated to the Company and PML; and further given that the pricing arrangements of the Transaction is commercially sensitive in nature and the size of the Transaction is immaterial to the Company and also immaterial in the context of Mr Miller's business, the Company has applied for and has been granted a waiver by the Stock Exchange pursuant to Rule 14A.42(1)

of the Listing Rules from compliance with the requirements under Rules 14A.35(2), (3) and (5), Rules 14A.37 to 14A.40, Rule 14A.45, Rule 14A.46 and Rule 14A.47(3) of the Listing Rules in respect of disclosure of an annual cap, annual review and reporting requirements.

INFORMATION RELATING TO THE GROUP

The Group engages in the business of 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.

INFORMATION RELATING TO DFS

DFS is principally engaged in the operation of duty-free stores, large downtown Galleria stores and travel retail.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	The Hongkong and Shanghai Hotels, Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 45)
“connected person”	has the meaning ascribed to it under the Listing Rules
“DFS”	DFS Group Limited, a company incorporated in Hong Kong which Mr Miller has indirect interest as to 38.75% of DFS
“Director(s)”	director(s) of the Company
“Distributorship Agreement”	the distributorship agreement dated 27 November 2012 between PML and DFS
“Group”	the Company and its subsidiaries
“PML”	Peninsula Merchandising Limited, a company incorporated in Hong Kong and is an indirect wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr Miller”	Mr Robert Warren Miller, an Independent Non-Executive Director of the Company
“Peninsula Merchandises”	Peninsula branded merchandises including but not limited to chocolates, coffee, tea and other products sold by PML
“Transaction”	the transaction contemplated under the Distributorship Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
Christobelle Liao
Company Secretary

Hong Kong, 27 November 2012

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