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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)

Proposed Hotel Development in Yangon, Myanmar

Further to the announcement on 18 April 2013, the board of directors (the “Board”) of The Hongkong and Shanghai Hotels, Limited (the “Company”) is pleased to announce that it entered into a definitive shareholders’ agreement (the “Shareholders’ Agreement”) on 28 January 2014 with Peninsula International Investment Holdings Limited (“PIIHL”), Yoma Strategic Investments Ltd. (“Yoma”), First Myanmar Investment Co., Ltd. (“FMI”) and others in relation to the re-development of the former headquarters of the Burma Railway Company into “The Peninsula Yangon” (the “Proposed Hotel Development”).

The Shareholders’ Agreement is subject to a number of conditions precedent (the “Conditions”), which must be fulfilled by 31 March 2015 or such other date the parties may agree otherwise. These Conditions must be fulfilled before the Proposed Hotel Development would proceed. **Shareholders and potential investors of the Company should note that the transactions contemplated under the Shareholders’ Agreement may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.**

This announcement is made pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

Pursuant to the Shareholders’ Agreement, PIIHL, a wholly-owned subsidiary of the Company, will become the 70% majority owner in Peninsula Yangon Holdings Pte. Limited (“JVCo”), and Yoma and FMI will hold 24% and 6% of the equity interests in JVCo respectively. Yoma is the wholly-owned subsidiary of Yoma Strategic Holdings Ltd. (“YSH”), a Singapore-listed company (stock code: Z59). YSH is the holding company of a conglomerate group with interests in real estate, agriculture and automotive dealership primarily in Myanmar. It has also recently announced its intention to enter into the luxury travel and tourism business in Myanmar.

The parties have agreed, among other things, to participate in the Proposed Hotel Development in accordance with the terms of the Shareholders’ Agreement. On completion of the Proposed Hotel Development, The Peninsula Yangon will be operated and managed by wholly-owned subsidiaries of the Company in accordance with the terms of a suite of hotel agreements.

Subject to the terms of the Shareholders’ Agreement and other transaction documents, costs for the Proposed Hotel Development will be funded by the shareholders of JVCo in the proportion of their respective shareholdings. PIIHL’s overall investment is about US\$90 million (equivalent to HK\$702 million), taking into account the value of the leasehold interest pertaining to the Proposed Hotel Development and current development cost estimates which are made on a number of assumptions.

The funding of JVCo, the Proposed Hotel Development and other transactions contemplated under the Shareholders' Agreement (together the "Transactions") are subject to a number of Conditions, including, but not limited to, the obtaining of government approvals to renew the master lease for the larger mixed-use development known as the "Landmark Development" as announced by YSH, an unencumbered sub-lease for the Proposed Hotel Development site (the "Sub-Lease") being executed on terms satisfactory to the Company, the endorsement of the Sub-Lease by relevant government authorities, JVCo being granted the requisite government approvals for the Proposed Hotel Development, the completion of the acquisition of an 80% interest in the Landmark Development by Yoma, and the execution of other documents relating to the Transactions and the suite of agreements related to the proposed Peninsula-branded residences within the Landmark Development between the respective affiliates of the parties to the Shareholders' Agreement. The long stop date for fulfilment of the Conditions is 31 March 2015, which may be extended by agreement of the parties.

The Board believes that the Proposed Hotel Development presents the Company with a unique opportunity to establish its presence in the business centre of Yangon through a joint venture with the YSH Group, which has a proven track record in investments in Myanmar. The project is consistent with the Company's long term vision to invest and operate Peninsula hotels in strategically selected cities.

Shareholders and potential investors of the Company should note that the Transactions may or may not proceed. Further, the total cost for the Proposed Hotel Development, if it proceeds, may deviate from the current estimate, which is based on a number of assumptions. **Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.** Further announcements in relation to the Proposed Hotel Development will be made as and when appropriate in accordance with the Listing Rules. The Transactions do not constitute a notifiable transaction for the Company under the Listing Rules.

For the purpose of translation of currency in this announcement the following rate has been used, US\$1 = HK\$7.80.

By order of the Board
Christobelle Liao
Company Secretary

28 January 2014

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 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