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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)

**Non-Binding Heads of Terms for
London Project**

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).

Reference is made to the announcements made by The Hongkong and Shanghai Hotels, Limited (the “Company”) on 19 June 2013, 19 July 2013 and 9 December 2015 (the “Announcements”) in respect of the redevelopment of the existing commercial and residential properties located at 1-5 Grosvenor Place, Belgravia, London, the United Kingdom into a mixed use development consisting of a luxury hotel to be branded “The Peninsula London”, and luxury residential apartments (the “London Project”) and Westminster City Council’s planning committee granting of planning consent for a new 190-room hotel, The Peninsula London.

Unless otherwise defined, all terms used herein shall be as defined in the Announcements.

The Board of Directors of the Company wishes to announce that on 26 July 2016, Peninsula London, LP, an indirect wholly-owned subsidiary of the Company and our partner Grosvenor, among other parties, entered into a non-legally binding heads of terms (the “HOT”), to restructure the current arrangement between the parties. Subject to signing definitive and legally binding agreements, the relationship between Grosvenor and Peninsula London, LP will be changed from a partnership to develop the London Project into a pure landlord and tenant relationship, whereby Peninsula London, LP will assume 100% ownership of the project. Grosvenor will remain as the landlord under the Lease. Peninsula London, LP will, as a partner of One GP LLP, the developer, have full responsibility and control for the development of the London Project upon completion of the restructuring. One GP LLP will become an indirect wholly-owned limited liability partnership of the Company. This restructure will result in Peninsula London, LP funding all the remaining development cost of the London Project, representing a significant increase in investment by Peninsula London, LP. In return for this additional investment, Peninsula London, LP will have full control over the development, management and future operations of the London Project, as well as be entitled to 100% of the proceeds from the future sales of the residential units in the project and the profits of the hotel. Details of the commercial aspects of the proposed transaction are being negotiated between the parties, and the Company shall make an announcement as and when the definitive agreements are signed.

Shareholders and potential investors of the Company should note that the HOT is a non-legally binding agreement and the definitive agreements may or may not be signed. Therefore, the London Project may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company. If the transaction contemplated under the HOT materialises, it will constitute a notifiable transaction on the part of the Company under Chapter 14 of the Listing Rules and a further announcement will be made by the Company in compliance with the Listing Rules accordingly.

By order of the Board
Christobelle Liao
Company Secretary

Hong Kong, 26 July 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 Winsor