

SHANGRI-LA GROUP

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Shangri-La Asia Limited

(Incorporated in Bermuda with limited liability)
website: www.ir.shangri-la.com
(Stock code: 00069)

CONNECTED TRANSACTION Renewal of Tenancy of Office Premises

The Board announces that the Lessee/Licensee, a wholly owned subsidiary of the Company, (a) entered into the Tenancy Offer Letter to renew the Tenancy of the Group's office premises, and (b) will continue the Licences of the car parking spaces, all at Kerry Centre.

The Lessor/Licensor is a subsidiary of KHL which in turn is a substantial shareholder of the Company. Accordingly, the Lessor/Licensor is a connected person of the Company and the Renewal and the continuation of the Licences constitute a connected transaction and a continuing connected transaction for the Company, respectively. As the value of the right-of-use asset for the Renewal exceeds 0.1% but is less than 5% of the applicable Percentage Ratios, the Renewal is subject to announcement and reporting requirements, but is exempt from independent shareholders' approval requirement under Listing Rules.

Apart from the Rent, the Group would also need to pay the Variable Payments, which constitute continuing connected transactions for the Company, to the Lessor/Licensor. As the annual associated amount of the Variable Payments is less than 0.1% of the applicable Percentage Ratios, the Variable Payments constitute de minimis transactions pursuant to Rule 14A.76(1) of the Listing Rules and are fully exempt from shareholders' approval, annual review and reporting requirements under Listing Rules.

INTRODUCTION

On 18 October 2016, the Company announced that the Lessee/Licensee entered into an offer letter in relation to the renewal of the tenancy of various office premises for a term not exceeding 3 years commencing on 19 November 2016 and has continued the Licences for using various car parking spaces at Kerry Centre.

In view of the forthcoming expiry of the said Tenancy, the Lessee entered into the Tenancy Offer Letter to renew the Tenancy. The Licensee will continue the Licences which are terminable by either of the Licensee or the Licensor by one month notice.

TENANCY OFFER LETTER

The particulars of the Tenancy Offer Letter are as follows:

Date:	15 November 2019
Lessor:	Ubagan Limited, a subsidiary of KHL which in turn is a substantial shareholder of the Company, and accordingly, a connected person of the Company
Lessee:	Shangri-La International Hotel Management Limited, a wholly owned subsidiary of the Company
Leased properties:	Units 1 and 2 on Level 20, Level 21, Level 27, Level 28 and Level 29 of Kerry Centre
Term:	3 years commencing on 19 November 2019
Rent:	HK\$4,498,157.70 per month, determined with reference to the current market rates
Management fee and air-conditioning charge:	currently HK\$577,057.50 per month, subject to revision from time to time by the building manager of Kerry Centre
Termination right:	<p>The Lessee may surrender the whole of Level 21 (but not part thereof) by giving not less than 6 months' prior written notice to the Lessor provided that the effective date of such surrender shall not be earlier than the expiration of 12 months from the commencement date of the renewal of the Tenancy</p> <p>The Rent (exclusive of management fee, air-conditioning charge, government rates and other outgoings) shall be reduced by HK\$934,584.00 as from the date immediately following the surrender date of the whole of Level 21</p>

The terms of the Tenancy Offer Letter were arrived at after arm's length negotiation between the Lessee and the Lessor.

CAR PARKING LICENCES

The particulars of the current in-effect Licences are as follows:

Licensor:	Ubagan Limited
Licensee:	Shangri-La International Hotel Management Limited
Licensed car parking spaces:	10 floating car parking spaces and 5 fixed car parking spaces on basement of Kerry Centre
Term:	Terminable by either party by one month notice and such is the normal arrangement for licensing of the car parking spaces at Kerry Centre

Licence fee: HK\$3,000 per month for each floating car parking space and HK\$3,800 per month for each fixed car parking space, such fees being the prevailing licence fees charged for other car parking spaces at Kerry Centre and subject to revision by the Licensor from time to time upon giving to the Licensee one month notice

The Company will continue such Licences on a continuous basis and will, if required under the Listing Rules, observe all compliance requirements including the timely disclosure.

REASONS FOR AND BENEFITS OF THE RENEWAL

The Group's principal place of business is situated at the office premises of which the Tenancy is concerned. The Board considers that the Renewal facilitates continuous uninterrupted operations of the Group.

The Directors (including the independent non-executive Directors) consider that the Renewal is made in the ordinary and usual course of business of the Group and is on normal commercial terms, and the terms of the Renewal are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Ms KUOK Hui Kwong is deemed to have more than 5% ultimate interest in KHL within the meaning of Part XV of the Securities and Futures Ordinance and has accordingly abstained from voting on the resolutions in relation to the Renewal.

The Board confirms that, save for Ms KUOK Hui Kwong, none of the Directors had any material interest in the Tenancy, and accordingly, none of such Directors was required to abstain from voting on the resolutions in relation to the Renewal.

INFORMATION ABOUT THE GROUP AND THE KHL GROUP

The principal activities of the Group are the development, ownership and operation of hotel properties, the provision of hotel management and related services, the development, ownership and operations of investment properties and property development for sale. The Group operates its business under various brand names including "Shangri-La", "Kerry Hotel", "Hotel Jen", "Traders Hotel", "Rasa", "Summer Palace", "Shang Palace" and "CHI, The Spa at Shangri-La".

The Lessor/Licensor is a subsidiary of KHL whose principal business is investment holding. The principal subsidiaries of KHL include Kerry Properties Limited whose shares are listed on HKSE and which is principally engaged in (i) property development, investment and management in Hong Kong, the Mainland and the Asia Pacific region; (ii) hotel ownership in Hong Kong, and hotel ownership and operations in the Mainland; and (iii) integrated logistics and international freight forwarding.

IMPLICATIONS UNDER THE LISTING RULES

The Lessor/Licensor is a subsidiary of KHL which in turn is a substantial shareholder of the Company. Accordingly, the Lessor/Licensor is a connected person of the Company and the Renewal and the continuation of the Licences constitute a connected transaction and a continuing connected transaction for the Company, respectively.

In accordance with the newly implemented Hong Kong Financial Reporting Standards (“**HKFRS**”) 16 “Leases” which came into effect on 1 January 2019, the Group, as lessee, will recognize a lease as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use in its consolidated statement of financial position. The right-of-use asset and lease liability are initially measured based on the present value of the future lease payments and the right-of-use asset will be depreciated over the lease period on a straight-line basis. As such, the Renewal should be regarded as an acquisition of asset of the Group under the Listing Rules and constitutes a one-off connected transaction for the Company. The value of the right-of-use asset recognized based on the Rent under the Renewal is HK\$153,543,000. As the value of the right-of-use asset for the Renewal exceeds 0.1% but is less than 5% of the applicable Percentage Ratios, the Renewal is subject to announcement and reporting requirements, but is exempt from independent shareholders’ approval requirement under Listing Rules.

Apart from the Rent, the Group would also need to pay the Variable Payments, which constitute continuing connected transactions for the Company, to the Lessor/Licensor. As the annual associated amount of the Variable Payments is less than 0.1% of the applicable Percentage Ratios, the Variable Payments constitute de minimis transactions pursuant to Rule 14A.76(1) of the Listing Rules and are fully exempt from shareholders’ approval, annual review and reporting requirements under Listing Rules.

DEFINITIONS

“Board”	the board of Directors
“Company”	Shangri-La Asia Limited, incorporated in Bermuda as an exempted company with limited liability, whose shares are primarily listed on the Main Board of HKSE with secondary listing on the Singapore Exchange Securities Trading Limited
“connected person”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HKSE”	The Stock Exchange of Hong Kong Limited
“Kerry Centre”	the office building situated at 683 King’s Road, Quarry Bay, Hong Kong
“KHL”	Kerry Holdings Limited, a substantial shareholder of the Company
“KHL Group”	KHL and its subsidiaries
“Lessee/Licensee”	Shangri-La International Hotel Management Limited, a company incorporated in Hong Kong and is ultimately wholly owned by the Company
“Lessor/Licensor”	Ubagan Limited, a subsidiary of KHL

“Licences”	the licences for using the car parking spaces at Kerry Centre granted by the Licensor to the Licensee
“Listing Rules”	the Rules Governing the Listing of Securities on HKSE
“Percentage Ratios”	has the meaning ascribed to it in Chapter 14 of the Listing Rules
“Renewal”	the renewal of the Tenancy under the Tenancy Offer Letter
“Rent”	the rent payable by the Lessee to the Lessor for the Renewal (exclusive of management fee and air-conditioning charge)
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Tenancy”	the tenancy of the Group’s office premises at Kerry Centre leased by the Lessor to the Lessee under the current in-effect tenancy and/or the Tenancy Offer Letter
“Tenancy Offer Letter”	the offer letter in relation to the renewal of the lease of the Group’s office premises as described under the heading of “Tenancy Offer Letter”
“Variable Payments”	the management fee, air-conditioning charge and car parking licence fee

By order of the Board of
Shangri-La Asia Limited
SEOW Chow Loong Iain
Company Secretary

Hong Kong, 15 November 2019

As at the date hereof, the directors of the Company are:

Executive director(s)

Ms KUOK Hui Kwong (Chairman)

Mr LIM Beng Chee (CEO)

Non-executive director(s)

Mr HO Kian Guan (alternate – Mr HO Chung Tao)

Independent non-executive director(s)

Professor LI Kwok Cheung Arthur

Mr YAP Chee Keong

Mr LI Xiaodong Forrest