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SHANGRI-LA ASIA LIMITED

香格里拉(亞洲)有限公司

(Incorporated in Bermuda with limited liability)

website: www.ir.shangri-la.com

(Stock code: 00069)

PROPOSED AMENDMENTS TO THE SHARE AWARD SCHEME

Reference is made to the circular of the Company dated 26 April 2012 and the announcement of the Company dated 10 August 2012 with respect to, amongst other things, (i) the adoption of the Award Scheme and the Option Scheme, and (ii) the amendments to the rules governing the Award Scheme (the “**Scheme Rules**”). Unless otherwise defined, terms used in this announcement shall have the same meanings ascribed to them in the circular of the Company dated 26 April 2012.

PROPOSED AMENDMENTS

The Board is pleased to announce that it has resolved to propose certain amendments to the Scheme Rules to optimise and enhance the incentivising features of the Award Scheme and to provide flexibility to the Company in its implementation of incentives for Qualified Participants. In accordance with the Scheme Rules, the amendments proposed to be made to the terms and conditions of the Award Scheme (the “**Proposed Amendments**”) require the prior sanction of an ordinary resolution of the Shareholders in a general meeting. Accordingly, the Company proposes to put forward the Proposed Amendments for Shareholders’ approval at a special general meeting of the Company (the “**SGM**”) to be convened on or around the same date as the Company’s annual general meeting on 31 May 2018 (the “**AGM**”).

The Proposed Amendments are summarised in this announcement. Further details of the Proposed Amendments will be set out in the Shareholders’ circular relating to the SGM to be despatched by the Company on or around 14 May 2018.

Allotment Mechanism

The Board proposes to enhance the Share Award Scheme by allowing the Company to allot and issue new Shares pursuant to a General Mandate and/or a Specific Mandate for use under the Award Scheme (the “**Allotment Mechanism**”). Prior to the Proposed Amendments, the Company may only instruct the Trustee to purchase existing Shares from the market under the existing Scheme Rules (the “**Purchase Mechanism**”).

The Allotment Mechanism is intended to complement the Purchase Mechanism. In deciding whether to use the Purchase Mechanism or the Allotment Mechanism, the Board would consider various factors, including whether the Selected Participant is a director, employee or officer of a member of the Group, the number of Shares in the Trust and the number of Award Shares required based on the Company's remuneration and incentive policies and plans (as updated from time to time), the liquidity of existing Shares in the market, and the market price of the existing Shares and hence the actual cost (including ad valorem stamp duty) that would be incurred in purchasing the Shares in the market.

Except for Award Shares that are allotted directly to a Selected Participant, the Award Shares, whether obtained by way of the Purchase Mechanism (the "**Trustee Purchased Shares**") or the Allotment Mechanism (the "**Trustee Subscribed Shares**"), will be held on trust by the Trustee in accordance with the provisions of the Trust Deed which will in due course be updated to reflect the Proposed Amendments.

Conditions for use of the Allotment Mechanism

Any allotment and issue of new Shares as Award Shares pursuant to the Allotment Mechanism shall be subject to the following conditions:

- (i) a General Mandate and/or a Specific Mandate (as applicable) is available pursuant to which such Award Shares are to be allotted and issued;
- (ii) the Listing Committee of HKSE granting approval of the listing of, and permission to deal in, such Shares to be allotted and issued pursuant to the Award Scheme and the General Mandate and/or Specific Mandate; and
- (iii) all applicable laws, rules and regulations, including without limitation the requirements of the Listing Rules and the Takeovers Code.

Taking into account the Company's obligation to comply with the Listing Rules requirements, the Proposed Amendments also include the following provisions:

- (i) Awards made to a Selected Participant who is not a connected person of the Company shall be satisfied by: (a) the transfer of Trustee Subscribed Shares by the Trustee to the Selected Participant; (b) the transfer of Trustee Purchased Shares by the Trustee to the Selected Participant; and/or (c) new Shares allotted and issued directly by the Company to the Selected Participant, each as decided by the Board in its absolute discretion, and in accordance with the Scheme Rules and all applicable laws, rules and regulations, including but not limited to the Listing Rules and Takeovers Code; and

- (ii) Awards made to a Selected Participant who is a connected person of a Company shall only be satisfied by Trustee Purchased Shares, and shall not be satisfied by Trustee Subscribed Shares or new Shares allotted and issued directly by the Company to the Selected Participant, unless the Company has, where required, obtained the approval by the Shareholders for the issue of Award Shares to such Selected Participant in accordance with all applicable laws, rules and regulations, including but not limited to the Listing Rules and Takeovers Code.

Scheme limits

The total number of Award Shares (excluding Lapsed Award Shares) to be granted to Selected Participants pursuant to the Award Scheme shall not exceed 10% of the Shares in issue from time to time. No further Grant may be made under the Award Scheme if this will result in this limit being exceeded. Subject to the aforesaid limit, in addition, (i) in the Initial Term, the total number of Award Shares (excluding Lapsed Award Shares) granted and to be granted pursuant to the Award Scheme shall not exceed 3% of the Shares in issue from time to time; and (ii) in each Subsequent Term, the total number of Award Shares (excluding Lapsed Award Shares) granted and to be granted pursuant to the Award Scheme in any 12-month period shall not exceed 3% of the Shares in issue from time to time.

Save for the above, all other provisions of the Award Scheme shall remain substantially unchanged.

REASONS FOR THE PROPOSED AMENDMENTS

The Board believes that the Proposed Amendments are in the best and long-term interests of the Company.

The purpose of the Award Scheme is to support the long-term growth of the Group and enhance its reputation as an employer-of-choice in the industry. The Award Scheme is intended to attract suitable personnel for the further development of the Group, to recognise contributions by Qualified Participants and incentivise them to continue making contributions to the Group and to retain talent. It will also help to align the interests of Directors and senior management of the Group with the Group's long-term performance.

The Award Scheme is intended to complement the Option Scheme, in order to serve the long-term development and growth of the Group. As a share award scheme is structured and operates in a different way as compared to a share option scheme, the Proposed Amendments to the Award Scheme would enable the Group to enhance and optimise long-term incentives for its employees and to attract talent based on prevailing market conditions, the Group's achievements, growth cycle and prospects. While both the Option Scheme and the Award Scheme involve Share ownership in the Company, the Award Scheme enables the Company the flexibility to grant Award Shares in lieu of or in addition to cash bonuses as well as control the vesting period of Award Shares to Selected Participants. In addition, Award Shares would be a more meaningful incentive as it is not dependant on the exercise price of a share option granted under the Option Scheme and does not necessarily require any cash payment by Selected Participants.

The Board believes that the Proposed Amendments are beneficial to the Company and its Shareholders as a whole and are in the best and long-term interests of the Company and the Shareholders, as the Company will be able to better utilise the Award Scheme to attract talent and motivate the Qualified Participants.

LISTING RULES IMPLICATIONS

The Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules and is a discretionary scheme of the Company.

The Company intends to utilise the 2018 General Mandate to be obtained at Company’s AGM to be held on 31 May 2018 to allot and issue new Shares as Award Shares pursuant to the Award Scheme.

So far as the Company is aware, none of the Shareholders is materially interested in the Proposed Amendments, thus no Shareholder is required to abstain from voting on the resolution in respect of the Proposed Amendments to be proposed at the SGM.

DEFINITIONS

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

- “2018 General Mandate” the general mandate proposed to be granted to the Directors by the Shareholders at the Company’s upcoming annual general meeting to be held on 31 May 2018 to, amongst other things, authorise the Directors to allot and issue additional Shares and to make or grant offers, agreements and options which would or might require the exercise of such powers

- “Award(s)” award(s) of Award Shares to Selected Participant(s) pursuant to the Award Scheme

- “Award Scheme” the share award scheme of the Company constituted by the Scheme Rules, as approved and adopted on 28 May 2012 and revised on 10 August 2012, and amended pursuant to the Proposed Amendments proposed to be approved at the SGM

- “Award Share(s)” Trust Shares and/or new Shares to be allotted and issued by the Company directly to a Selected Participant pursuant to the Award Scheme, in each case granted under a Grant

“General Mandate”	a general mandate granted to the Directors by the Shareholders at a general meeting of the Company, and as may be enlarged, refreshed and/or renewed at any subsequent general meeting of the Company, from time to time, to authorise the Directors to allot and issue new Shares to, amongst others, the Trustee and/or a Selected Participant pursuant to the Award Scheme, including the 2018 General Mandate
“Initial Term”	the period commencing on 28 May 2012, the date on which the Award Scheme was adopted by the Company, and ending on the expiration of 10 years
“Option Scheme”	the share option scheme of the Company, as approved and adopted by the Company on 28 May 2012
“Qualified Participant”	any director (including executive, non-executive and independent non-executive director), existing or incoming employee (full time or part time) or officer of any member of the Group, other than those who reside in any country or jurisdiction where the grant of Award Shares or the transfer or allotment and issue of any Award Shares to him under the Award Scheme would not be permitted under the laws and regulations of such country or jurisdictions or would be subject to such requirements under those laws and regulations compliance with which would, in the Board’s sole discretion, be unduly burdensome or impractical
“Specific Mandate”	a specific mandate granted to the Directors by the Shareholders at a general meeting of the Company, from time to time, to authorise the Directors to allot and issue new Shares to the Trustee and/or a Selected Participant pursuant to the Award Scheme
“Subsequent Term”	the period commencing on the date on which the Initial Term expires and ending on (i) the expiration of 7 successive subsequent terms of 10 years each, subject to the Board’s discretion not to continue with a new subsequent term upon the end of the Initial term or any relevant Subsequent Term, or (ii) the date of termination of the Award Scheme pursuant to the Scheme Rules
“Trust”	the Shangri-La Asia 2012 Share Award Scheme Trust, the assets of which comprise mainly the Trust Shares and pursuant to which a Grant may be made from time to time

“Trust Deed”

the amended and restated trust deed to be entered into between the Company and the Trustee to reflect the Proposed Amendments constituting the Trust, as restated, supplemented and amended or revised from time to time

“Trust Shares”

the Trustee Purchased Shares, the Trustee Subscribed Shares and/or such Shares received from time to time by the Trustee under the Trust (including but not limited to the Derived Interest, such Shares purchased from time to time on HKSE using surplus funds from the Trust pursuant to the provisions of the Award Scheme and Lapsed Award Shares), all forming the assets of the Trust

By order of the Board of
Shangri-La Asia Limited
TEO Ching Leun
Company Secretary

Hong Kong, 2 May 2018

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

Executive director(s)

Ms KUOK Hui Kwong (Chairman)

Mr LIM Beng Chee (CEO)

Mr LUI Man Shing

Non-executive director(s)

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

Independent non-executive director(s)

Mr Alexander Reid HAMILTON

Professor LI Kwok Cheung Arthur

Dr LEE Kai-Fu

Mr YAP Chee Keong