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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)

**CONTINUING CONNECTED TRANSACTION
RENEWAL OF HOTEL MANAGEMENT AGREEMENT IN RELATION TO
SHANGRI-LA HOTEL, NANJING**

Reference is made to the 2014 Announcement regarding (amongst other things) the entering into of the Hotel Management Agreement between SLIM-HK (as manager, a subsidiary of the Company) and Nanjing Project Co (as owner, ultimately owned as to 55% by the Company and 45% by KPL) in relation to the provision of Hotel Management Services by SLIM-HK to the Hotel (a hotel owned by Nanjing Project Co) for a term of 3 years commencing from the opening date of the Hotel and ending on its third anniversary. The Hotel was opened on 25 October 2014 and therefore, the 3-year term of the Hotel Management Agreement will expire on 25 October 2017.

Pursuant to the terms of the Hotel Management Agreement, SLIM-HK has decided to renew the Hotel Management Agreement for another consecutive 3-year term which will expire on 25 October 2020. All existing terms and conditions of the Hotel Management Agreement will remain unchanged.

As Nanjing Project Co is owned as to 45% by KPL which in turn is a non-wholly owned subsidiary of KHL (a substantial shareholder of the Company), Nanjing Project Co is an associate of the Company's substantial shareholder and is a connected person of the Company. Therefore, the renewal of the Hotel Management Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

As the Caps for each financial year in the renewed term of the Hotel Management Agreement exceed 0.1% but less than 5% of the applicable Percentage Ratios, the Company is subject to announcement and reporting requirements but is exempt from the requirement for independent shareholders' approval. Details of the Hotel Management Agreement and the actual amount of the Fees will be disclosed in the future annual reports and accounts of the Company in accordance of the Listing Rules.

INTRODUCTION

Reference is made to the 2014 Announcement regarding (amongst other things) the entering into of the Hotel Management Agreement between SLIM-HK (as manager) and Nanjing Project Co (as owner) in relation to the provision of Hotel Management Services by SLIM-HK to the Hotel for a term of 3 years commencing from the opening date of the Hotel and ending on its third anniversary. The Hotel was opened on 25 October 2014 and therefore, the 3-year term of the Hotel Management Agreement will expire on 25 October 2017.

RENEWAL OF THE HOTEL MANAGEMENT AGREEMENT

Pursuant to the terms of the Hotel Management Agreement, SLIM-HK has decided to renew the Hotel Management Agreement for another consecutive 3-year term which will expire on 25 October 2020. All existing terms and conditions of the Hotel Management Agreement will remain unchanged.

EXPECTED MAXIMUM ANNUAL AGGREGATE AMOUNT OF FEES

Based on the terms of the Hotel Management Agreement, the expected occupancy of the Hotel, possible inflation, reasonable increase in occupancy and reasonable allowance for unexpected increase in occupancy and/or room rate of the Hotel, the Board expects that the amount of the Fees for each of the following financial years will not exceed the following respective Caps:

| <u>Financial year ending</u> | <u>Cap (US\$)</u> |
|-------------------------------------------------------------------------------------------------------------------------------|-------------------|
| 31 December 2018 | 3,800,000 |
| 31 December 2019 | 3,900,000 |
| 31 December 2020 (for the entire year assuming the Hotel Management Agreement will be renewed upon expiry of the 3-year term) | 4,000,000 |

If any of the Caps stated above is exceeded, the Company will re-comply with the requirements under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE RENEWAL OF THE HOTEL MANAGEMENT AGREEMENT

As the provision of hotel management and related services is one of the main businesses of the Group, it is in the interest of the Group to renew the Hotel Management Agreement.

The Directors (including the independent non-executive Directors) take the view that the renewal of the Hotel Management Agreement is in the ordinary and usual course of business of the Group and believe that the terms of the Hotel Management Agreement remain as normal commercial terms and remain fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Board confirms that none of the Directors had any material interest in the renewal of the Hotel Management Agreement, and accordingly none of such Directors was required to abstain from voting on the resolutions in relation to the renewal of the Hotel Management Agreement.

INFORMATION ABOUT THE GROUP, SLIM-HK AND NANJING PROJECT CO

The principal activities of the Group are the ownership and operation of hotels, the provision of hotel management and related services, the ownership of investment properties for property rentals and property sales. 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 principal activities of SLIM-HK are the provision of hotel management, marketing, communication, reservation, consultancy and other hotel related services.

The principal activities of Nanjing Project Co are the ownership and operation of the Hotel.

IMPLICATIONS UNDER THE LISTING RULES

SLIM-HK is a subsidiary of the Company. As Nanjing Project Co is owned as to 45% by KPL which in turn is a non-wholly owned subsidiary of KHL (a substantial shareholder of the Company), Nanjing Project Co is an associate of the Company’s substantial shareholder and is a connected person of the Company. Therefore, the renewal of the Hotel Management Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

As the Caps for each financial year in the renewed term of the Hotel Management Agreement exceed 0.1% but are less than 5% of the applicable Percentage Ratios, the Company is subject to announcement and reporting requirements but is exempt from the requirement for independent shareholders’ approval. Details of the Hotel Management Agreement and the actual amount of the Fees will be disclosed in the future annual reports and accounts of the Company in accordance with the Listing Rules.

DEFINITIONS

| | |
|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “2014 Announcement” | the announcement of the Company dated 26 June 2014 regarding (amongst other things) the entering into of the Hotel Management Agreement |
| “associate” | has the meaning ascribed to it in the Listing Rules |
| “Board” | the board of Directors |
| “Cap(s)” | the expected maximum annual aggregate amount(s) of the Fees for particular financial year(s) as described under the heading of “Expected Maximum Annual Aggregate Amount of Fees” |
| “Company” | Shangri-La Asia Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are primarily listed on the Main Board of the Stock Exchange with secondary listing on the Singapore Exchange Securities Trading Limited |
| “connected person(s)” | has the meaning ascribed to it in the Listing Rules |
| “Directors” | the directors of the Company |

| | |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Fees” | the fees payable by Nanjing Project Co to SLIM-HK and/or the Group for the Hotel Management Services under the Hotel Management Agreement |
| “Group” | the Company and its subsidiaries |
| “Hotel” | Shangri-La Hotel, Nanjing, a hotel owned by Nanjing Project Co |
| “Hotel Management Agreement” | the hotel management agreement dated 26 June 2014 (as varied) entered into between SLIM-HK (as manager) and Nanjing Project Co (as owner) for the provision of Hotel Management Services by SLIM-HK to the Hotel |
| “Hotel Management Services” | hotel management, marketing, communication and reservation services under the Hotel Management Agreement |
| “KHL” | Kerry Holdings Limited, a substantial shareholder of the Company |
| “KPL” | Kerry Properties Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Nanjing Project Co” | Shangri-La Hotel (Nanjing) Co, Ltd 香格里拉大酒店（南京）有限公司 (previously known as Ji Xiang Real Estate (Nanjing) Co, Ltd 吉祥置業（南京）有限公司), a company incorporated in PRC and is ultimately owned as to 55% by the Company and 45% by KPL |
| “Percentage Ratios” | has the meaning ascribed to it in Chapter 14 of the Listing Rules |
| “PRC” | the People’s Republic of China |
| “SLIM-HK” | Shangri-La International Hotel Management Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “substantial shareholder” | has the meaning ascribed to it in the Listing Rules |

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

Hong Kong, 23 October 2017

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

Mr Madhu Rama Chandra RAO

Independent non-executive director(s)

Mr Alexander Reid HAMILTON

Professor LI Kwok Cheung Arthur

Dr LEE Kai-Fu

Non-executive director(s)

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