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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)

**CONNECTED TRANSACTION
ENTERING INTO PROJECT MANAGEMENT AGREEMENT
FOR HOTEL IN QINHUANGDAO, PRC**

On 14 January 2015, the Hotel Project Co (a wholly owned subsidiary of the Company) and the Management Co (a wholly owned subsidiary of KPL) entered into the Project Management Agreement pursuant to which the Management Co will provide Project Management Services in relation to the construction of the Hotel owned by the Hotel Project Co at Qinhuangdao, PRC.

The Management Co is an associate of KPL which is a subsidiary of KHL, and KHL in turn is a substantial shareholder of the Company. Accordingly, the Management Co is a connected person of the Company and the entering into of the Project Management Agreement constitutes a connected transaction for the Company under the Listing Rules.

As the amount of the Fee exceeds 0.1% but is less than 5% of the applicable Percentage Ratios, the Hotel Project Co's entering into of the Project Management Agreement is subject to announcement and reporting requirements but is exempt from independent shareholders' approval requirement.

INTRODUCTION

On 14 January 2015, the Hotel Project Co and the Management Co entered into the Project Management Agreement pursuant to which the Management Co will provide Project Management Services in relation to the construction of the Hotel owned by the Hotel Project Co at Qinhuangdao, the PRC.

MAIN TERMS OF THE PROJECT MANAGEMENT AGREEMENT

Date: 14 January 2015

Parties: (i) the Hotel Project Co (as owner of the Hotel)
(ii) the Management Co (as project manager for the construction of the Hotel)

Services: The Project Management Services for the construction of the Hotel owned by the Hotel Project Co

- Hotel:** Shangri-La Hotel, Qinhuangdao
- Term:** The term shall commence from the date of the Project Management Agreement and end on the target date of completion of construction or such other date as mutually agreed between the Hotel Project Co and the Management Co. The parties agree that the terms of the agreement shall be applicable to services provided by the Management Co prior to the date of agreement.
- Fee:** The Fee for the provision of the Project Management Services shall be 2% of the cost of construction of the Hotel. The Fee payable by the Hotel Project Co under the agreement is currently estimated to be about RMB16,232,000.
- Reimbursement:** Management Co shall also be reimbursed of the expenses incurred by the Management Co in the course of provision of the Project Management Services.
- Payment:** In accordance with work completed or based on mutually agreed schedule.
- Termination right:** Each party has the right to terminate the Project Management Agreement by 30 days' advance notice.

The terms of the Project Management Agreement were arrived at after arms' length negotiations between the Hotel Project Co and the Management Co.

REASONS FOR AND BENEFIT OF ENTERING INTO THE PROJECT MANAGEMENT AGREEMENT

The Management Co's expertise and principal business activities are the provision of project management services. Accordingly, it is in the interests of the Company, through the Hotel Project Co, to engage the Management Co to manage the construction of the Hotel.

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

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

The Board confirms that, save for Mr KUOK Khoon Chen and Ms KUOK Hui Kwong, none of the Directors had material interest in the Project Management Agreement and accordingly none of such Directors was required to abstain from voting on the resolutions in relation to the entering into the Project Management Agreement.

INFORMATION ABOUT THE GROUP, THE HOTEL PROJECT CO, KPL AND THE MANAGEMENT CO

The principal activities of the Group are the ownership and operation of hotels and associated properties and the provision of hotel management and related services. The Company's subsidiaries are also the registered proprietors of various trademarks and service marks in various

countries, including the brand names “Shangri-La”, “Traders”, “Rasa”, “Hotel Jen”, “Summer Palace” and “Shang Palace” and related devices and logos.

The Hotel Project Co is a subsidiary of the Group. The principal activities of the Hotel Project Co are the ownership and the development of the Hotel.

The principal activities of KPL and its subsidiaries are (i) property development, investment and management in Hong Kong, the PRC and the Asia Pacific region; and (ii) hotel ownership in Hong Kong, and hotel ownership and operations in the PRC.

The Management Co is a wholly-owned subsidiary of KPL. The principal activity of the Management Co is the provision of project management services.

IMPLICATIONS UNDER THE LISTING RULES

The Management Co is an associate of KPL which is a subsidiary of KHL, and KHL in turn is a substantial shareholder of the Company. Accordingly, the Management Co is a connected person of the Company and the entering into of the Project Management Agreement constitutes a connected transaction for the Company under the Listing Rules.

As the amount of the Fee exceeds 0.1% but is less than 5% of the applicable Percentage Ratios, the Hotel Project Co’s entering into of the Project Management Agreement is subject to announcement and reporting requirements but is exempt from independent shareholders’ approval requirement.

DEFINITIONS

“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“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”	has the meaning ascribed to it in the Listing Rules
“Directors”	directors of the Company
“Fee”	the fee payable by the Hotel Project Co to the Management Co for the Project Management Services under the Project Management Agreement
“Group”	the Company and its subsidiaries
“Hotel”	Shangri-La Hotel, Qinhuangdao, a hotel situated in Qinhuangdao, PRC and owned by the Hotel Project Co
“Hotel Project Co”	Shangri-La Hotel (Qinhuangdao) Co, Limited 香格里拉大酒店(秦皇島)有限公司, a company incorporated in the PRC and is ultimately wholly owned by the Company

“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
“Management Co”	Kerry Project Management (H.K.) Limited 嘉里項目管理(香港)有限公司, a company wholly-owned by KPL.
“Percentage Ratios”	has the meaning ascribed to it in Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China
“Project Management Agreement”	the project management agreement entered into between the Hotel Project Co as hotel owner and the Management Co as project manager for the provision of Project Management Services
“Project Management Services”	the project management services in relation to the construction of the Hotel provided by the Management Co to the Hotel Project Co in accordance with the Project Management Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules

On behalf of the board of
Shangri-La Asia Limited
KUOK Khoon Chen
Chairman

Hong Kong, 14 January 2015

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

Executive directors

Mr KUOK Khoon Chen (Chairman)
Mr LUI Man Shing
Mr Madhu Rama Chandra RAO
Mr Gregory Allan DOGAN

Independent non-executive directors

Mr Alexander Reid HAMILTON
Mr Timothy David DATTELS
Mr WONG Kai Man
Professor LI Kwok Cheung Arthur

Non-executive directors

Mr HO Kian Guan
Ms KUOK Hui Kwong
Mr HO Kian Hock (alternate to Mr HO Kian Guan)