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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)

PROFIT ALERT

This announcement is made by Shangri-La Asia Limited (“**Company**”, and together with its subsidiaries, “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance.

The board of directors (“**Board**”) of the Company would like to inform the shareholders of the Company and potential investors that, based on the financial information currently available to the Company and the preliminary assessment of the unaudited management financial statements, the Board anticipates that the Group’s unaudited consolidated profit before non-operating items attributable to equity holders of the Company for the year ending 31 December 2016 (which is derived by excluding non-operating items comprising mainly the net fair value gains/losses on investment properties, impairment losses for hotel properties and net gains/losses on financial assets held for trading) will increase by at least 25% as compared to that for the year ended 31 December 2015.

However, the Group expects to record a material decline in the consolidated profit attributable to equity holders of the Company after non-operating items (ie, after recording a reduction in fair value gains in investment properties and making a material provision for impairment losses for hotel properties) for the year ending 31 December 2016.

The improvement in the Group’s unaudited consolidated profit attributable to equity holders of the Company before non-operating items is principally due to the substantial reduction in the operation losses of the hotel ownership segment in Mainland China as a result of the Group’s cost savings effort and the improvement in the operating results of the hotel management services segment and the significant increase in share of net profit from property sales segment following the improvement of the property sales market in Mainland China in the first three quarter of 2016. The Group recorded a 35% increment in the consolidated profit attributable to equity holders of the Company before non-operating items for the 10 months ended 31 October 2016 and expects this trend can be largely maintained for the rest of the year.

The Group’s investment properties are stated at fair value based on valuations carried out by independent professional valuers (“**Valuers**”). The Group assesses the carrying value of a group-owned operating hotel when there is any indication that the asset may be impaired. These include continuing adverse changes in the local market conditions in which the hotel operates or will operate, when the hotel continues to operate at a loss position and its financial performance is worse than expected. Valuations are carried out by Valuers for those hotels for which the internal assessment results need independent confirmation. The Group recorded its share of the net fair value gains on investment properties of US\$38.0 million and its share of net impairment losses of US\$76.6 million for hotel properties based on the professional valuations carried out by Valuers as at 30 June 2016. The Group has engaged Valuers to carry out professional valuations as at year end 2016. Based on the

valuations as at 30 June 2016 and despite the currently forecasted operating results of the Group for the year ending 31 December 2016, the Group expects to record a material decline in the consolidated profit attributable to equity holders of the Company after recording a reduction in fair value gains in investment properties and making a material provision for impairment losses for hotel properties.

The Board emphasizes that the information in this announcement is based on financial information currently available to the Company and its preliminary assessment. The information in this announcement is not based on any figures or information which have been audited by the Company's auditor and may be subject to change. The financial results of the Group are subject to review, adjustment and finalization by the Company's auditor, the Company's audit committee and the Board. The final results of the Group are expected to be approved by the Board and released before end of March 2017.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

On behalf of the board of
Shangri-La Asia Limited
Madhu Rama Chandra RAO
Executive Director

Hong Kong, 9 December 2016

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

Executive directors

Mr KUOK Khoon Chen (Chairman & CEO)
Ms KUOK Hui Kwong (Deputy Chairman)
Mr LIU Kung Wei Christopher (MD & COO)
Mr LUI Man Shing
Mr Madhu Rama Chandra RAO

Independent non-executive directors

Mr Alexander Reid HAMILTON
Mr Timothy David DATTELS
Professor LI Kwok Cheung Arthur
Dr LEE Kai-Fu

Non-executive directors

Mr HO Kian Guan
Mr LIM Beng Chee
Mr HO Chung Tao (alternate to Mr HO Kian Guan)