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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 LAND LEASE IN RELATION TO EDSA SHANGRI-LA, MANILA**

The Board announces that the Lessee, a wholly-owned subsidiary of the Company, has exercised its option to renew the Land Lease for the Renewed Term and entered into the Renewed Lease with the Lessor.

The Lessor is an associate of Kerry Properties Limited which in turn is a non-wholly owned subsidiary of Kerry Holdings Limited (a substantial shareholder of the Company). Accordingly, the Lessor is a connected person of the Company. In view of the size of the Annual Caps, the Renewed Lease constitutes a continuing connected transaction for the Company under the Listing Rules and is subject to announcement and reporting requirements, but is exempt from independent shareholders' approval requirement.

INTRODUCTION

On 28 January 1995, the Company entered into a disclosable and connected transaction to acquire various hotel interests from certain parties, including connected persons of the Company. Included in these hotel interests was the Edsa Hotel which was built on the Land leased from the Lessor under the Land Lease. Pursuant to the Land Lease, (1) the Lessor had granted to the Lessee the Initial Term, being a 25-year term commencing in 1992 (the year in which the Edsa Hotel opened), (2) upon the expiry of the Initial Term, the Lessee has an option to renew the Land Lease for the Renewed Term, being another 25-year term, upon the same terms as those during the last year of the Initial Term, and (3) upon expiry of the Renewed Term, subject to the Philippine laws, rules and regulations then in effect, the Lessee has an option to further renew the Land Lease for a further 25-year term upon the same terms (except that the rent rates shall be as agreed between the Lessor and the Lessee).

The Initial Term expired on 27 August 2017. In connection with such expiry, the Lessee has exercised its option to renew the Land Lease for the Renewed Term and entered into the Renewed Lease with the Lessor.

RENEWED LEASE AND ITS EXTRACT TERMS

The Renewed Lease is a renewal of the Land Lease. The terms of the Renewed Lease are the same as those during the last year of the Initial Term except for that of the lease term specified below. The extract terms of the Renewed Lease are set out below:

Date of Renewed Lease:	26 August 2017
Lessor:	Shang Properties, Inc, the shares of which are listed on the Philippine Stock Exchange, Inc and is an associate of KPL which in turn is a non-wholly owned subsidiary of KHL (a substantial shareholder of the Company)
Lessee:	Edsa Shangri-La Hotel & Resort, Inc, a wholly-owned subsidiary of the Company
Leased subject:	The Land on which the Edsa Hotel was built
Rent:	<p>The rent rates of the Renewed Lease are same as those during the last year of the Initial Term and are:</p> <ul style="list-style-type: none"> ▪ Hotel room operations – a fixed percentage of room sales revenue ▪ Retail/restaurant/other hotel operations – respective applicable fixed percentages of sales revenue of these operations ▪ Subleasing operations – respective applicable fixed percentages of sales revenue from sub-lessees and concessionaires
Lease term:	The initial duration of the Renewed Term commences on 28 August 2017 and shall end on its third anniversary (ie, 27 August 2020). Upon expiry of the initial 3-year term and thereafter, the Lessee has the right to decide whether the term shall be renewed for succeeding terms of 3-year each provided that the entirety of the Renewed Term shall not be longer than 25 years from 28 August 2017. The Company will comply with the relevant requirements under the Listing Rules upon each renewal.

EXPECTED MAXIMUM ANNUAL AGGREGATE AMOUNTS OF RENT

Based on the terms of the Renewed Lease, the expected occupancy of the Edsa Hotel, possible inflation, reasonable increase in occupancy and reasonable allowance for unexpected increase in occupancy and/or room rate of the Edsa Hotel, the Board expects that the amount of rent to be paid for each of the following financial year will not exceed the following respective Annual Caps:

<u>Financial year ending</u>	<u>Annual Cap (US\$)</u>
31 December 2017	1,919,000
31 December 2018	2,111,000
31 December 2019	2,322,000
31 December 2020 (for the entire year assuming the lease will be renewed upon expiry of its initial 3-year term)	2,554,000

If any of the Annual 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 RENEWED LEASE

The Renewed Lease relates to the Land on which the Edsa Hotel was built. The Board considers that the Renewed Lease facilitates continuous uninterrupted operations of the Edsa Hotel.

The Directors (including the independent non-executive Directors) consider that the Renewed Lease is made in the ordinary and usual course of business of the Group and is on normal commercial terms, and that the terms of the Renewed Lease are 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 Renewed Lease, and accordingly none of such Directors was required to abstain from voting on the resolutions in relation to the Renewed Lease.

INFORMATION ABOUT THE GROUP, THE LESSEE AND THE LESSOR

The principal activities of the Group are the ownership and operation of hotels, the provision of hotel management and related services, and 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 the Lessee is the ownership and operation of the Edsa Hotel.

The principal activities of the Lessor is real estate holding, investment and development.

IMPLICATIONS UNDER THE LISTING RULES

The Lessor is an associate of KPL which in turn is a non-wholly owned subsidiary of KHL (a substantial shareholder of the Company). Accordingly, the Lessor is a connected person of the Company. In view of the size of the Annual Caps, the Renewed Lease constitutes a continuing connected transaction for the Company under the Listing Rules and is subject to announcement and reporting requirements, but is exempt from independent shareholders’ approval requirement.

DEFINITIONS

“Annual Cap(s)”	the expected maximum annual aggregate amount(s) of the rent payable to the Lessor for particular financial year(s) as described under the heading of “Expected Maximum Annual Aggregate Amounts of Rent”
“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(s)”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company

“Edsa Hotel”	Edsa Shangri-La, Manila, a hotel owned by the Lessee
“Group”	the Company and its subsidiaries
“Initial Term”	the lease of the first lease term of 25 years under the Land Lease and such term commenced on 28 August 1992 and expired on 27 August 2017
“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
“Land”	a parcel of land where the Edsa Hotel was built and located at the corner of Shaw Boulevard and St Francis Street, Mandaluyong City, Metro Manila, the Philippines with an area of 25,000 square meters approximately
“Land Lease”	the contract of lease dated 18 April 1989 and entered into between the Lessor and the Lessee in respect of the lease of the Land and pursuant to such contract, (1) the Land has been leased for an initial term of 25 years and such term commenced in 1992, (2) upon the expiry of the initial 25-year term, the Lessee has an option to renew the lease for another 25 years upon the same terms as those during the last year of the Initial Term, and (3) upon expiry of the second 25-year term, subject to the Philippine laws, rules and regulations then in effect, the Lessee has an option to further renew the lease for a further 25 years upon the same terms (except for the rent rates)
“Lessee”	Edsa Shangri-La Hotel & Resort, Inc, a company incorporated in the Philippines and a wholly-owned subsidiary of the Company
“Lessor”	Shang Properties, Inc, a company incorporated in the Philippines with limited liability, the shares of which are listed on the Philippine Stock Exchange, Inc and is an associate of KPL
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Renewed Lease”	the letter agreement dated 26 August 2017 and entered into between the Lessor and the Lessee in relation to the Renewed Term
“Renewed Term”	the lease of the second lease term of 25 years under the Land Lease and such term commences on 28 August 2017 and will expire on 27 August 2042

“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, 28 August 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)