

**SHANGRI-LA ASIA LTD:
HERE'S A CONUNDRUM ON WHICH TO CHEW**

The Kuok Family, the paterfamilias, de jure, being Mr Kuok Hock Nien (), will be pumping not less than \$HK2.35 billion into Shangri-La Asia Ltd (□) (Code: 69, Main Board, The Stock Exchange of Hongkong Ltd).

This is because the Kuok Family, directly and indirectly, own, beneficially, about 50 percent of this very successful, hotel-owning company which is, currently, pitching a Rights Issue.

The Rights Issue Document, sent to Shareholders on or about Wednesday, January 19, 2011, indicates the shareholdings of the Kuok Family.

Shangri-La Asia Ltd is raising about \$HK4,694 million before expenses by way of a One:12 Rights Issue at the Subscription Price of \$HK19.50 per share.

How many minority shareholders of this very large Company, other than the Kuok Family members and/or the extended Family members, many of whom live in a type of luxury compound at Shouson Hill, Hongkong Island, will be subscribing to the Rights Issue cannot be known, of course, but it is highly unlikely that the Controlling Shareholders will lose any sleep over such an insignificant matter, as far as they are concerned.

In short, such a consideration is inconsequential because, in the opinion of **TARGET** (), this Rights Issue is just a method, inter alia, of permitting the Kuoks to strengthen the Family's shareholding position in this Company.

One may only conjecture as to the true reason for this action.

According to the Rights Issue Document, it is stated, among other things, that the Company intends to issue between 240,698,984 and 241,670,769 shares in Shangri-La Asia Ltd at the Subscription Price of \$HK19.50 per Rights Share in order *'to settle a substantial part of the Group's bank loans to save interest costs ...'*.

Under **'REASON FOR THE RIGHTS ISSUE AND USE OF PROCEEDS'**, located at Page 22 of the Rights Issue Document, it is stated, also:

'The Company will, however, subsequently and progressively continue to draw down bank loans to fund its on-going hotel expansion programme, primarily in the PRC ... The Company intends to apply approximately HK\$50 million from such net proceeds of the Rights Issue as general working capital ...'

It is, really, such a pity that waffle of this kind was included in this Rights Issue Document because, if anything, it is demeaning of the very capable Management of this very successful, hotel-owning and operating company, with a history of being a winner in its genre since going public in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), back in 1992.

Page 32 of the Rights Issue Documents gives the indebtedness statement of Shangri-La Asia Ltd, as at November 30, 2010, as follows:

	'US\$'000
<i>Unsecured bank loans</i>	
– <i>guaranteed by the Company</i>	2,271,950
– <i>proportionate guarantees provided by the Company</i>	132,903

– guaranteed by a non-wholly owned subsidiary	5,009
– unguaranteed	<u>117,712</u>
	2,527,574
<i>Secured bank loans</i>	
– proportionate guarantees provided by the Company	50,000
– unguaranteed	<u>24,457</u>
	74,457
<i>Loans from non-controlling interests</i>	
(including equity loans) – unsecured	<u>73,947</u>
	<u>2,675,978'</u>

(The above debt statement is equivalent to about \$HK20.87 billion at the US dollar, translation factor of \$HK7.80:\$US1.00.)

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