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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)

OVERSEAS REGULATORY ANNOUNCEMENT

Shangri-La Hotels (Malaysia) Berhad (“SHMB”) is a company listed on Bursa Malaysia Securities Berhad (“**Bursa Malaysia**”) and a 52.78% owned subsidiary of Shangri-La Asia Limited (“**Company**”). SHMB released to Bursa Malaysia an announcement (“**Announcement**”) today. The following is a reproduction of the Announcement as required by the Note to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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)

Hong Kong, 10 November 2016

TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) : RELATED PARTY TRANSACTIONS HOTEL AND GOLF CLUB MANAGEMENT AGREEMENTS - for Shangri-La's Rasa Ria Resort & Spa and Dalit Bay Golf & Country Club

SHANGRI-LA HOTELS (MALAYSIA) BERHAD

Type	Announcement
Subject	TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) RELATED PARTY TRANSACTIONS
Description	HOTEL AND GOLF CLUB MANAGEMENT AGREEMENTS - for Shangri-La's Rasa Ria Resort & Spa and Dalit Bay Golf & Country Club

The Board of Directors of Shangri-La Hotels (Malaysia) Berhad ("SHMB") wishes to announce that on 10 November 2016, its 75% owned subsidiary, Pantai Dalit Beach Resort Sdn Bhd ("PDBR") and PDBR's wholly-owned subsidiary, Dalit Bay Golf & Country Club Berhad ("DBGCC") entered into:-

- a. Offshore Hotel and Golf Club Management Agreements with Shangri-La International Hotel Management Limited (Hong Kong) ("SLIM HK") as Offshore Manager for the Shangri-La's Rasa Ria Resort & Spa and Dalit Bay Golf & Country Club respectively; and
- b. Onshore Hotel and Golf Club Management Agreements with Shangri-La International Hotel Management Pte Ltd (Singapore) ("SLIM Singapore") as Onshore Manager for the Shangri-La's Rasa Ria Resort & Spa and Dalit Bay Golf & Country Club respectively;

(collectively referred to as "the Transactions") for the continued provision of hotel management, marketing and reservation services to Shangri-La's Rasa Ria Resort & Spa and golf club management and marketing services to Dalit Bay Golf & Country Club.

The above Transactions are related party transactions pursuant to Paragraph 10.08 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The full details of the Announcement are provided in the attachment below.

Please refer attachment below.

Attachments

Announcement on Related Party Transactions.pdf
77.7 kB

Announcement Info

Company Name	SHANGRI-LA HOTELS (MALAYSIA) BERHAD
Stock Name	SHANG
Date Announced	10 Nov 2016
Category	General Announcement for PLC
Reference Number	GA1-10112016-00033

**TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS)
RELATED PARTY TRANSACTIONS**

HOTEL AND GOLF CLUB MANAGEMENT AGREEMENTS – for Shangri-La’s Rasa Ria Resort & Spa and Dalit Bay Golf & Country Club

1. INTRODUCTION

The Board of Directors of Shangri-La Hotels (Malaysia) Berhad (“SHMB”) wishes to announce that on 10 November 2016, its 75% owned subsidiary, Pantai Dalit Beach Resort Sdn Bhd (“PDBR”) and PDBR’s wholly-owned subsidiary, Dalit Bay Golf & Country Club Berhad (“DBGCC”) entered into:-

- a) Offshore Hotel and Golf Club Management Agreements with Shangri-La International Hotel Management Limited (Hong Kong) (“SLIM HK”) as Offshore Manager for the Shangri-La’s Rasa Ria Resort & Spa and Dalit Bay Golf & Country Club respectively; and
- b) Onshore Hotel and Golf Club Management Agreements with Shangri-La International Hotel Management Pte Ltd (Singapore) (“SLIM Singapore”) as Onshore Manager for the Shangri-La’s Rasa Ria Resort & Spa and Dalit Bay Golf & Country Club respectively;

(collectively referred to as “the Transactions”) for the continued provision of hotel management, marketing and reservation services to Shangri-La’s Rasa Ria Resort & Spa and golf club management and marketing services to Dalit Bay Golf & Country Club.

The above Transactions are related party transactions pursuant to Paragraph 10.08 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Listing Requirements”).

2. INFORMATION ON PANTAI DALIT BEACH RESORT SDN BHD (“PDBR”) AND ITS SUBSIDIARIES

PDBR was incorporated in Malaysia under the Companies Act, 1965 on 16 July 1990 as a private limited company. PDBR has an authorised share capital of RM150,000,000 comprising 150,000,000 ordinary shares of RM1.00 each, of which 135,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The principal activities of PDBR are investment holding and the operation of a 499-room deluxe resort namely the Shangri-La’s Rasa Ria Resort & Spa located at Pantai Dalit in Tuaran Sabah, which commenced operations in 1996.

PDBR has two wholly-owned subsidiaries namely Dalit Bay Golf & Country Club Berhad (“DBGCC”) and Pantai Dalit Development Sdn Bhd. DBGCC owns and operate a golf course and clubhouse whilst Pantai Dalit Development Sdn Bhd is currently dormant.

DBGCC was incorporated as a private limited company in March 1993 under the Companies Act, 1965. The authorised, issued and fully paid-up ordinary shares of DBGCC is RM1,000,000 comprising 1,000 ordinary shares of RM1,000.00 each. DBGCC commenced operations in 1996 and consists of an 18-hole championship golf course, a Clubhouse and other related facilities, which are also located at Pantai Dalit in Tuaran, Sabah.

PDBR recorded an audited consolidated profit after taxation of RM30,108,000 for the financial year ended 31 December 2015 with an audited consolidated NTA of RM313,593,000.

3. INFORMATION ON RELATED PARTIES

3.1 Shangri-La International Hotel Management Limited, Hong Kong (“SLIM HK”)

SLIM HK is a company incorporated under the laws of Hong Kong having its registered office at 28/F, Kerry Centre, 683 King’s Road, Quarry Bay, Hong Kong. SLIM HK is an international hotel management company with knowledge and experience in providing management, marketing and reservation as well as project management consultancy services to international hotels and leisure clubs.

SLIM HK is ultimately wholly-owned by Shangri-La Asia Limited (“SAL”), a company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited and the Singapore Exchange Securities Trading Limited. SAL is also the ultimate holding company of SHMB as it owns 52.78% of SHMB.

3.2 Shangri-La International Hotel Management Pte Ltd, Singapore (“SLIM Singapore”)

SLIM Singapore is a company incorporated under the laws of Singapore having its registered office at No.1, Kim Seng Promenade, #07-01 Great World City, Singapore 237994. SLIM Singapore is an international hotel management company with knowledge and experience in providing management and operating services to international hotels and leisure clubs.

SLIM Singapore is ultimately wholly-owned by SAL.

4. MAIN TERMS OF THE HOTEL AND GOLF CLUB MANAGEMENT AGREEMENTS

4.1 Offshore Hotel and Golf Club Management Agreements between PDBR and DBGCC with SLIM HK for the Shangri-La’s Rasa Ria Resort & Spa and Dalit Bay Golf & Country Club respectively.

SLIM HK (Offshore Hotel and Golf Club Management Agreements)	
Base Management Fee	a fixed percentage per annum of Gross Operating Revenue
Incentive Management Fee	a fixed percentage per annum of Gross Operating Profit
Reservation Fee <i>(Applies only to PDBR)</i>	a fixed amount per booking for reservation services
Marketing Fee	a fixed percentage per annum of Gross Operating Revenue
Payment Terms	payable on a monthly basis and subsequently adjusted upon issuance of Audited Accounts for the relevant Fiscal Year
Commencement Date and Term	ten (10) years, commencing from 22 June 2016, with an option for SLIM HK to renew for a further ten (10) years

4.2 Onshore Hotel and Golf Club Management Agreements between PDBR and DBGCC with SLIM Singapore for the Shangri-La’s Rasa Ria Resort & Spa and Dalit Bay Golf & Country Club respectively.

SLIM Singapore (Onshore Hotel and Golf Club Management Agreements)	
Base Management Fee	a fixed percentage per annum of Gross Operating Revenue
Payment Terms	payable on a monthly basis and subsequently adjusted upon issuance of Audited Accounts for the relevant Fiscal Year
Commencement Date and Term	ten (10) years, commencing from 22 June 2016, with an option for SLIM Singapore to renew for a further ten (10) years
Termination Fee <i>(Applies only to PDBR)</i>	in the event of termination due to an event of default by PDBR under the Onshore and/or Offshore Hotel Management Agreements, a termination fee of a pre-agreed amount which is dependent on the period of the remaining term, would be payable.

5. RATIONALE FOR THE TRANSACTIONS

The previous management and marketing services arrangements with SLIM HK and SLIM Singapore expired on 21 June 2016 after a tenure of 20 years in respect of Shangri-La's Rasa Ria Resort & Spa and after a tenure of approximately 15 years in respect of the Dalit Bay Golf & Country Club.

Under the new agreements, SLIM HK and SLIM Singapore will provide management and marketing services to Shangri-La's Rasa Ria Resort & Spa and Dalit Bay Golf & Country Club for a further term of 10 years from 22 June 2016 with an option to renew for a further 10 years.

The Transactions ensure that both Shangri-La's Rasa Ria Resort & Spa and Dalit Bay Golf & Country Club continue to benefit from the strong management and marketing expertise and experience provided by SLIM HK and SLIM Singapore. It also allows the Resort and the Golf Club to fully leverage the strength of the "Shangri-La" brand and its extensive global sales and marketing network. Therefore, this would enable the Resort to maintain its position as a leading deluxe resort with a premier golf course and related facilities within the hotel industry.

The agreements with SLIM HK and SLIM Singapore were entered into on arm's length basis and on normal commercial terms which are fair and reasonable and in the interest of SHMB and its shareholders as a whole.

In this regard, the annual percentage of the management fees payable under the Transactions over the combined revenue of PDBR and DBGCC is approximately 3.6%. This percentage is consistent with market benchmark of management fees over revenue of other hotels of comparable class and standing.

6. FINANCIAL EFFECTS

Effects on Share Capital and Substantial Shareholding Structure

The Transactions will have no effect on the issued and paid-up share capital and substantial shareholding structure of SHMB.

Effects on Earnings per Share, Net Assets per Share and Gearing

The Transactions are not expected to have a material effect on Earnings per Share and Net Assets per Share of SHMB and have no impact on the gearing of SHMB Group.

7. PERCENTAGE RATIOS AND WHETHER SHAREHOLDERS' APPROVAL REQUIRED

The total fees payable to SLIM HK and SLIM Singapore by PDBR and DBGCC for the entire 10 year term pursuant to the Transactions, which includes the base management fees, incentive management fees, reservation fees and marketing fees, is estimated to be RM44 million, representing 4.2% of the audited net assets of SHMB as at 31 December 2015, which is the highest percentage ratio applicable pursuant to Paragraph 10.02 (g) of the Bursa Listing Requirements.

Therefore, the Transactions are subject to announcement to Bursa pursuant to paragraph 10.08 (1) of the Bursa Listing Requirements but are not subject to the approval of shareholders under the Bursa Listing Requirements nor any other relevant authority.

8. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Shangri-La Asia Limited ("SAL") is a major shareholder of SHMB with a 52.78% equity interest in SHMB. SAL is also the ultimate 100% holding company of SLIM HK and SLIM Singapore.

Madam Kuok Oon Kwong is a Director of SHMB and also a Director of SLIM Singapore. She has a direct interest in 695,556 shares in SAL which represents 0.02% of the issued and paid-up share capital of SAL. In addition, she has a deemed interest in 189,455 shares in SAL, representing 0.01% in SAL.

Datin Rozina Mohd Amin, a Director of SHMB is also a Director of SLIM Singapore.

Mr Tan Yew Jin, a director of SHMB, holds 138,121 shares in SAL.

Accordingly, Madam Kuok Oon Kwong, Datin Rozina Mohd Amin and Mr Tan Yew Jin (collectively the "Interested Directors") have abstained from all Board deliberations and voting relating to the Transactions.

Save as disclosed above, none of the other Directors, major shareholders and/or persons connected to them has any interest, direct or indirect, in the Transactions.

9. STATEMENT BY THE AUDIT COMMITTEE

The Audit Committee of SHMB (save for Mr Tan Yew Jin), having considered all aspects of the Transactions is of the opinion that the Transactions are:

- (a) in the best interest of SHMB;
- (b) fair, reasonable and on normal commercial terms; and
- (c) not detrimental to the interest of the minority shareholders.

The Audit Committee had not sought any independent advice but in arriving in its view, the Audit Committee was guided by the market benchmark of percentages of management fees over revenue of comparable hotels and determined that the percentage of management fees over revenue for the Transactions is within the range of comparable hotels.

10. STATEMENT BY THE DIRECTORS

The Board of Directors, with the exception of the Interested Directors, having considered all aspects of the Transactions is of the opinion that the terms of the Transactions are fair and reasonable, and have been agreed on normal commercial terms.

Further, in the Board's view, the Transactions are in the best interest of SHMB and not detrimental to the interest of SHMB's minority shareholders.

In forming its view, the Board assessed the market benchmark of the range of percentages of management fees over revenue for hotels of comparable class and standing and concluded that the percentage of total management fee over revenue payable under the Transactions is well within the range of the market benchmark.

11. LIABILITIES UNDER THE HOTEL AND GOLF CLUB MANAGEMENT AGREEMENTS

Other than the liability to pay the management fees, marketing fees and reservation fees as well as other costs and expenses under or pursuant to the Hotel and Golf Club Management Agreements, there are no other liabilities to be assumed by PDBR and DBGCC arising from the said management agreements.

12. TOTAL AMOUNT TRANSACTED WITH THE SAME RELATED PARTIES FOR THE PRECEDING 12 MONTHS

The total amount transacted by SHMB with SLIM HK and SLIM Singapore for the preceding 12 months from the date of this Announcement is approximately RM16 million.

This amount represents the payments by the Group's 5 hotels, namely Shangri-La Hotel Kuala Lumpur, Rasa Sayang Resort & Spa, Golden Sands Resort, Hotel Jen Penang and Rasa Ria Resort & Spa, as well as Dalit Bay Golf & Country Club.

13. DOCUMENTS AVAILABLE FOR INSPECTION

The Hotel and Golf Club Management Agreements are available for inspection at the registered office of SHMB at 13th Floor, UBN Tower, 10 Jalan P. Ramlee, 50250 Kuala Lumpur during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.