

# SHANGRI-LA GROUP

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**Shangri-La Asia Limited**  
(Incorporated in Bermuda with limited liability)  
website: [www.ir.shangri-la.com](http://www.ir.shangri-la.com)  
(Stock code: 00069)

## **CONTINUING CONNECTED TRANSACTION RENEWAL OF HOTEL AGREEMENTS IN RELATION TO SHANGRI-LA AT THE FORT, MANILA**

Reference is made to the 2018 Announcement regarding the Hotel Agreements between SLIM-HK (as manager, a wholly owned subsidiary of the Company), SLIM-BVI (as IP head-licensor, a wholly owned subsidiary of the Company), SLIM-SG (as IP sub-licensor, a wholly owned subsidiary of the Company) and the Project Co (as owner, owned as to 40% by the Company and 60% by SPI) in relation to the provision of (i) the Hotel Marketing Services to the Hotel (a hotel owned by the Project Co and opened for operations in March 2016), and (ii) the licence of the IP to the Project Co enabling it to operate the Hotel bearing the name of Shangri-La for a term which will expire on 31 December 2020.

On 31 December 2020, pursuant to the terms of the Hotel Agreements, SLIM-HK, SLIM-BVI and SLIM-SG exercised their right to renew the Hotel Agreements under the same terms and conditions of the Hotel Agreements for a further 3-year term until 31 December 2023.

SLIM-HK, SLIM-BVI and SLIM-SG are subsidiaries of the Company. As the Project Co is owned as to 60% by SPI, an associate of KPL which in turn is a subsidiary of KHL (a substantial shareholder of the Company), the Project Co is an associate of the Company's substantial shareholder and is a connected person of the Company.

The renewal of the Hotel Agreements whereby SLIM-HK, SLIM-BVI and SLIM-SG will continue to provide Hotel Marketing Services and licence of the IP to the Hotel and the Project Co constitutes a continuing connected transaction for the Company under the Listing Rules.

As the Annual Caps in the renewed term of the Hotel Agreements exceed 0.1% but are less than 5% of the applicable Percentage Ratios, the Company is subject to announcement and reporting requirements but is exempt from independent shareholders' approval requirement. Details of the Hotel Agreements and the actual amount of the Fees will be disclosed in the future annual reports and accounts of the Company in accordance with the Listing Rules.

**INTRODUCTION**

Reference is made to the 2018 Announcement regarding the Hotel Agreements between SLIM-HK (as manager), SLIM-BVI (as IP head-licensor), SLIM-SG (as IP sub-licensor) and the Project Co (as owner) in relation to the provision of (i) the Hotel Marketing Services to the Hotel (a hotel owned by the Project Co and opened for operations in March 2016), and (ii) the licence of the IP to the Project Co enabling it to operate the Hotel bearing the name of Shangri-La for a term which will expire on 31 December 2020.

**RENEWAL OF THE HOTEL AGREEMENTS**

On 31 December 2020, pursuant to the terms of the Hotel Agreements, SLIM-HK, SLIM-BVI and SLIM-SG exercised their right to renew the Hotel Agreements under the same terms and conditions of the Hotel Agreements for a further 3-year term until 31 December 2023.

**MAIN TERMS OF THE HOTEL AGREEMENTS**

**Date of original agreements:** 10 December 2014

**Existing parties:** (i) Project Co (as owner)  
(ii) SLIM-HK (as manager)  
(iii) SLIM-BVI (as IP head-licensor)  
(iv) SLIM-SG (as IP sub-licensor)

**Services:** Provision of (a) the Hotel Marketing Services by SLIM-HK to the Hotel, and (b) the licence of the IP by SLIM-BVI and SLIM-SG to the Project Co enabling it to operate the Hotel bearing the name of Shangri-La

**Term:** The operating term commenced from the opening date of the Hotel and ended on 31 December of the first anniversary of such opening date (i.e., 31 December 2017). Each of SLIM-HK, SLIM-BVI and SLIM-SG under its respective Hotel Agreement has the right to decide whether the term shall be renewed for another consecutive 3-year term (or part thereof of the remaining term) provided that the entire initial term of each Hotel Agreement shall not be longer than 10 years from the opening date of the Hotel. The Hotel was opened in March 2016.

Upon expiry of the said initial term of 10 years, the relevant parties may each elect to extend the term for successive 3-year terms (or part thereof) provided that the aggregate term of the renewal period shall not exceed 10 years.

**Fees:** The fees payable under the Hotel Agreements are based on predetermined formulas set out in the Hotel Agreements and mainly comprise:

- Marketing fee – a fixed percentage of the gross operating revenue of the Project Co per annum for on-going marketing services
- Reservation fees – a fixed amount per booking for reservation services

- Licence fee – a fixed amount per annum for the licensing of the IP by SLIM-BVI as head-licensor
- Royalty fee – a fixed percentage of the gross operating revenue of the Project Co per annum for the sub-licensing by SLIM-SG to allow the Project Co to avail of the IP, thereby enabling the Project Co to operate the Hotel bearing the name of Shangri-La

## **EXPECTED MAXIMUM ANNUAL AGGREGATE AMOUNT OF FEES**

Based on the terms of the Hotel Agreements, the expected occupancy of the Hotel, possible inflation and change in foreign exchange rates, reasonable increase in occupancy and reasonable allowance for unexpected increase in occupancy and/or room rate of the Hotel, the Board expects that the amount of Fees 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 2021	2,600,000
31 December 2022	4,100,000
31 December 2023 (for the entire year assuming the Hotel Agreements will be renewed upon expiry of the 3-year term)	5,200,000

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 RENEWAL OF THE HOTEL AGREEMENTS**

As the provision of hotel marketing and related services is one of the main businesses of the Group, it is in the interests of the Group to renew the Hotel Agreements.

The Directors (including the independent non-executive Directors) consider that the pricing policy for the determination of the Fees (including the specified fixed percentages and fixed amounts as the basis for the Fees) was conducted on normal commercial terms by reference to the comparable fees under the hotel services agreements of the other five hotels managed by the Group within the jurisdiction and confirm that the Fees are comparable to or no less favourable to fees charged to such other hotels, which include a hotel owned by a third party owner. The Directors also take the view that the renewal of the Hotel Agreements is in the ordinary and usual course of business of the Group, and believe that the terms of the Hotel Agreements remain as normal commercial terms and 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 Hotel Agreements and accordingly none of such Directors was required to abstain from voting on the resolutions in relation to the renewal of the Hotel Agreements.

## **IMPLICATIONS UNDER THE LISTING RULES**

SLIM-HK, SLIM-BVI and SLIM-SG are subsidiaries of the Company. As the Project Co is owned as to 60% by SPI, an associate of KPL which in turn is a subsidiary of KHL (a substantial shareholder of the Company), the Project Co is an associate of the Company's substantial shareholder and is a connected person of the Company.

The renewal of the Hotel Agreements whereby SLIM-HK, SLIM-BVI and SLIM-SG will continue to provide Hotel Marketing Services and licence of the IP to the Hotel and the Project Co constitutes a continuing connected transaction for the Company under the Listing Rules.

As the Annual Caps in the renewed term of the Hotel Agreements exceed 0.1% but are less than 5% of the applicable Percentage Ratios, the Company is subject to announcement and reporting requirements but is exempt from independent shareholders' approval requirement. Details of the Hotel Agreements and the actual amount of the Fees will be disclosed in the future annual reports and accounts of the Company in accordance with the Listing Rules.

## **INFORMATION ABOUT THE GROUP, SLIM-HK, SLIM-BVI, SLIM-SG, PROJECT CO AND ITS ULTIMATE BENEFICIAL OWNERS**

The principal activities of the Group are the development, ownership and operations of hotel properties, the provision of hotel management and related services, the development, ownership and operations of investment properties and property development for sale. The Group operates its business under various brand names including "Shangri-La", "Kerry Hotel", "JEN by Shangri-La", "Traders Hotel", "Rasa", "Summer Palace", "Shang Palace" and "CHI, The Spa at Shangri-La".

The principal activities of SLIM-HK are the provision of hotel management, marketing, communication, reservation, consultancy and other hotel related services.

The principal activities of SLIM-BVI are the ownership and the licensing of trademarks and intellectual property rights, including the IP.

The principal activities of SLIM-SG are the provision of hotel management, marketing, communication, reservation, consultancy and other hotel related services, and the sub-licensing of the use of intellectual property rights, including the IP.

The principal activities of the Project Co are the ownership and operation of the Hotel and property investment and development.

The principal activities of SPI are real estate holding, investment and development.

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

The principal activity of KHL is investment holding.

## **DEFINITIONS**

"Agreement A"	the marketing and reservations agreement dated 10 December 2014 (as varied) entered into between SLIM-HK (as manager) and the Project Co (as owner) for the provision of Hotel Marketing Services by SLIM-HK to the Hotel
"Agreement B"	the licence agreement dated 10 December 2014 (as varied) entered into between SLIM-BVI (as IP head-licensor) and the Project Co (as owner) for the non-exclusive licence of the IP to the Project Co

“Agreement C”	the licence agreement dated 10 December 2014 (as varied) entered into between SLIM-Netherlands (as original IP sub-licensor whose benefits, rights, duties and obligations under the licence agreement have been novated to SLIM-SG as current IP sub-licensor with effect from 1 January 2020) and the Project Co (as owner) for the sub-licence of the IP to the Project Co to avail of the relevant intellectual property, thereby enabling the Project Co to operate the Hotel bearing the name of Shangri-La
“2018 Announcement”	the announcement of the Company dated 24 January 2018 in relation to the renewal of the Hotel Agreements for a 3-year term
“Annual Cap(s)”	the expected maximum Fee(s) for particular financial year(s) as described under the heading of “Expected Maximum Annual Aggregate Amount of Fees” in this announcement
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Shangri-La Asia Limited, incorporated in Bermuda as an exempted company with limited liability, the shares in 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
“Fee(s)”	the expected aggregate amount of the fee(s) payable by the Project Co to SLIM-HK, SLIM-BVI, SLIM-SG and/or the Group for the Hotel Marketing Services and the licence of the IP under the Hotel Agreements
“Group”	the Company and its subsidiaries
“Hotel”	Shangri-La at the Fort, Manila, a hotel owned by the Project Co
“Hotel Agreements”	the Agreement A, the Agreement B and the Agreement C
“Hotel Marketing Services”	hotel marketing, communication and reservation services under the Agreement A
“IP”	the intellectual property in relation to the brand of Shangri-La (including the trade name, the system and all proprietary rights thereof)

“KHL”	Kerry Holdings Limited, a substantial shareholder of the Company
“KPL”	Kerry Properties Limited, incorporated in Bermuda with limited liability, the shares in which are listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Percentage Ratios”	has the meaning ascribed to it in Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China
“Project Co”	Shang Global City Properties, Inc, a company incorporated in the Philippines and is owned as to 40% by the Company and 60% by SPI
“SLIM-BVI”	Shangri-La International Hotel Management Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“SLIM-HK”	Shangri-La International Hotel Management Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company
“SLIM-Netherlands”	Shangri-La International Hotel Management BV (as original IP sub-licensor), a company incorporated in the Netherlands and a wholly owned subsidiary of the Company
“SLIM-SG”	Shangri-La International Hotel Management Pte Ltd (as current IP sub-licensor), a company incorporated in the Singapore and a wholly owned subsidiary of the Company
“SPI”	Shang Properties, Inc, a company incorporated in the Philippines, the shares in which are listed on the Philippine Stock Exchange, Inc and is an associate of KPL
“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**  
**SEOW Chow Loong Iain**  
*Company Secretary*

Hong Kong, 31 December 2020

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

*Executive director(s)*

*Ms KUOK Hui Kwong (Chairman)*

*Mr LIM Beng Chee (Group CEO)*

*Non-executive director(s)*

*Mr HO Kian Guan (alternate – Mr HO Chung Tao)*

*Independent non-executive director(s)*

*Professor LI Kwok Cheung Arthur*

*Mr YAP Chee Keong*

*Mr LI Xiaodong Forrest*

*Mr ZHUANG Chenchao*

*Ms KHOO Shulamite N K*