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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](http://www.ir.shangri-la.com)

(Stock code: 00069)

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

In 2014, the Project Co (as Hotel owner, ultimately owned as to 40% by the Company and 60% by SPI) entered into the Hotel Agreements, being (a) the Agreement A with SLIM-HK (as Hotel manager, a subsidiary of the Company), (b) the Agreement B with SLIM-BVI (as IP head-licensor, a subsidiary of the Company) and (c) the Agreement C with SLIM-Netherlands (as IP sub-licensor, a subsidiary of the Company) in relation to the provision of (i) the Hotel Marketing Services for the Hotel, and (ii) the licence of the IP to the Project Co enabling it to operate the Hotel bearing the name of Shangri-La.

At the time of entering into the Hotel Agreements in 2014, the then applicable Percentage Ratios were less than 0.1% and the entering into of the Hotel Agreements constituted de minimis continuing connected transaction for the Company under the Listing Rules and was not subject to announcement, reporting and independent shareholders' approval requirements.

Based on the information currently available to the Company and the preliminary assessment of the unaudited management financial statements of SLIM-HK, SLIM-BVI and SLIM-Netherlands, the Board anticipates that the Fees for the financial year ended 31 December 2017 would collectively exceed the above-mentioned exemption threshold. The Company is therefore required to re-comply with the requirements under Chapter 14A of the Listing Rules.

In view of the size of the Caps exceeding 0.1% but less than 5% of the applicable Percentage Ratios, the Company is subject to announcement and reporting requirements but is exempt from the requirement for independent shareholders' approval. Details of the Hotel Agreements and the actual amount of the Fees will be disclosed in the future annual reports and financial statements of the Company in accordance with the Listing Rules.

**INTRODUCTION**

In 2014, the Project Co (as Hotel owner) entered into the Hotel Agreements, being (a) the Agreement A with SLIM-HK (as Hotel manager), (b) the Agreement B with SLIM-BVI (as head-licensor) and (c) the Agreement C with SLIM-Netherlands (as sub-licensor) in relation to the provision of (i) the Hotel Marketing Services for the Hotel, and (ii) the licence of the IP to the Project Co enabling it to operate the Hotel bearing the name of Shangri-La.

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**MAIN TERMS OF THE HOTEL AGREEMENTS**

**Date of the first agreements:** 10 December 2014

**Parties:** (i) Project Co (as Hotel owner)  
(ii) SLIM-HK (as Hotel manager)  
(iii) SLIM-BVI (as IP head-licensor)  
(iv) SLIM-Netherlands (as IP sub-licensor)

**Services:** Provision of (a) the Hotel Marketing Services by SLIM-HK for the Hotel, and (b) the licence of the IP by SLIM-BVI and SLIM-Netherlands 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 (ie, 31 December 2017). Each of SLIM-HK, SLIM-BVI and SLIM-Netherlands 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. Each of SLIM-HK, SLIM-BVI and SLIM-Netherlands will cause the Company to comply with the relevant requirements under the Listing Rules if the relevant Hotel Agreements are renewed.

Upon expiry of the said initial term of 10 years, the relevant parties may elect to extend the term for consecutive 3-year term each (or part thereof) by written notice of not more than 12 months and not less than 6 months prior to the end of the initial term provided that the aggregate term of the renewal period shall not exceed 10 years.

**Fees:** The fees payable under the Hotel Agreements 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-Netherlands to allow the Project Co to exploit 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 information currently available to the Company and the preliminary assessment of the unaudited management financial statements of SLIM-HK, SLIM-BVI and SLIM-Netherlands, the anticipated Fees for 2017 would amount to approximately US\$3,200,000, exceeding 0.1% of the applicable Percentage Ratios. The Company will report in its forthcoming annual report the actual amount of the Fees for 2017.

Based on the terms of the Hotel Agreements, the expected occupancy of the Hotel, possible inflation, 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 the Fees for each of the following financial years will not exceed the following respective Caps:

| <u>Financial year ending</u> | <u>Cap (US\$)</u> |
|------------------------------|-------------------|
| 31 December 2018             | 5,200,000         |
| 31 December 2019             | 5,500,000         |
| 31 December 2020             | 5,800,000         |

If any of the 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 ENTERING INTO 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 interest of the Group to enter into the Hotel Agreements.

The Directors (including the independent non-executive Directors) take the view that the entering into of the Hotel Agreements are in the ordinary and usual course of business of the Group and believe that the terms of the Hotel Agreements are on 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 Hotel Agreements.

## **INFORMATION ABOUT THE GROUP, SLIM-HK, SLIM-BVI, SLIM-NETHERLANDS AND THE PROJECT CO**

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

SLIM-Netherlands is a licensee of various trademarks and intellectual property rights, including the IP with rights to use or to sub-license the IP in certain territories. Its principal activities are the sub-licensing of the use of intellectual property rights.

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

## **IMPLICATIONS UNDER THE LISTING RULES**

SLIM-HK, SLIM-BVI and SLIM-Netherlands are subsidiaries of the Company. The Project Co is a subsidiary of SPI, an associate of KPL which in turn is a non-wholly owned subsidiary of KHL (a substantial shareholder of the Company). Accordingly, the Project Co is a connected person of the Company.

In view of the size of the Caps exceeding 0.1% but less than 5% of the applicable Percentage Ratios, the Company is subject to announcement and reporting requirements but is exempt from the requirement for independent shareholders' approval. Details of the Hotel Agreements and the actual amount of the Fees will be disclosed in the future annual reports and financial statements of the Company in accordance with the Listing Rules.

## **DEFINITIONS**

|               |   |
|---------------|---|
| “Agreement A” | the marketing and reservations agreement dated 10 December 2014 (as varied) entered into between SLIM-HK (as Hotel manager) and the Project Co (as Hotel owner) for the provision of Hotel Marketing Services by SLIM-HK for the Hotel  |
| “Agreement B” | the licence agreement dated 10 December 2014 (as varied) entered into between SLIM-BVI (as head-licensor) and the Project Co (as Hotel 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 sub-licensor) and the Project Co (as Hotel owner) for the sub-licence of the IP to the Project Co to exploit the relevant intellectual property, thereby enabling the Project Co to operate the Hotel bearing the name of Shangri-La |
| “associate”   | has the meaning ascribed to it in the Listing Rules   |
| “Board”       | the board of Directors  |
| “Cap(s)”      | the expected maximum annual aggregate amount(s) of the Fees for particular financial year(s) as described under the heading of “Expected Maximum Annual Aggregate Amount of Fees”   |

|                            |   |
|----------------------------|---|
| “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  |
| “Fees”                     | the aggregate fees receivable by SLIM-HK, SLIM-BVI and SLIM-Netherlands from the Project Co 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, an exempted company incorporated in Bermuda with limited liability, the shares of 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   |
| “Project Co”               | Shang Global City Properties, Inc, a company incorporated in the Philippines and is ultimately 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 is a wholly-owned subsidiary of the Company   |
| “SLIM-HK”                  | Shangri-La International Hotel Management Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company  |

|                           |   |
|---------------------------|---|
| “SLIM-Netherlands”        | Shangri-La International Hotel Management BV, a company incorporated in the Netherlands and is a wholly-owned subsidiary of the Company   |
| “SPI”                     | 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 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**  
**TEO Ching Leun**  
*Company Secretary*

Hong Kong, 24 January 2018

*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*

Non-executive director(s)

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

Independent non-executive director(s)

*Mr Alexander Reid HAMILTON*

*Professor LI Kwok Cheung Arthur*

*Dr LEE Kai-Fu*

*Mr YAP Chee Keong*