

SHANGRI-LA GROUP

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

CONTINUING CONNECTED TRANSACTION REVISION OF ANNUAL CAP FOR 2023 AND RENEWAL OF HOTEL AGREEMENTS IN RELATION TO SHANGRI-LA THE FORT, MANILA

Reference is made to the 2020 Announcement regarding the renewal of the Hotel Agreements entered into 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 (ii) the licence of the IP to the Project Co enabling it to operate the Hotel bearing the name of Shangri-La for a subsequent three-year term which will expire on 31 December 2023, and the setting of the annual caps for such renewal in accordance with the Listing Rules.

Part of the Fees is dependent on the sales revenue of the Hotel. In view of an expected potential increase in occupancy, room rates, food and beverage revenue for the financial year ending 31 December 2023, and hence the sales revenue of the Hotel, the Board anticipates that the Fees receivable for 2023 under the Hotel Agreements may exceed the Previous Annual Cap for 2023. Accordingly, the Board has re-estimated the Fees receivable and has set the Revised Annual Cap for 2023.

Pursuant to the terms of the Hotel Agreements, SLIM-HK, SLIM-BVI and SLIM-SG have decided to renew the Hotel Agreements for the remaining initial term of the Hotel Agreements which will expire on 28 February 2026. All existing terms and conditions of the Hotel Agreements will remain unchanged.

SLIM-HK, SLIM-BVI and SLIM-SG are subsidiaries of the Company. 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). Accordingly, 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 each of the Revised Annual Cap for 2023 and the Annual Caps for 2024 to 2026 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 2020 Announcement regarding the renewal of the Hotel Agreements entered into 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 (ii) the licence of the IP to the Project Co enabling it to operate the Hotel bearing the name of Shangri-La for a subsequent three-year term which will expire on 31 December 2023, and the setting of the annual caps for such renewal in accordance with the Listing Rules.

REVISION OF ANNUAL CAP FOR 2023

Part of the Fees is dependent on the sales revenue of the Hotel. In view of an expected potential increase in occupancy, room rates, food and beverage revenue for the financial year ending 31 December 2023, and hence the sales revenue of the Hotel, the Board anticipates that the Fees receivable for 2023 under the Hotel Agreements may exceed the Previous Annual Cap for 2023. Accordingly, the Board has re-estimated the Fees receivable and has set the Revised Annual Cap for 2023.

For the financial year of 2022 and the period up to 31 October 2023, the Fees received/receivable were US\$4,086,000 and US\$4,885,000, respectively.

Upon the re-estimation of the expected sales revenue of the Hotel, the Board anticipates that the Fees for the financial year ending 31 December 2023 will not exceed the following Revised Annual Cap for 2023:

<u>Financial year ending</u>	<u>Previous Annual Cap (US\$)</u>	<u>Revised Annual Cap (US\$)</u>
31 December 2023 (for the entire year assuming the Hotel Agreements will be renewed upon expiry of the three-year term)	5,200,000	7,000,000

If the Revised Annual Cap for 2023 stated above is exceeded, the Company will re-comply with the requirements under Chapter 14A of the Listing Rules.

RENEWAL OF THE HOTEL AGREEMENTS

Pursuant to the terms of the Hotel Agreements, SLIM-HK, SLIM-BVI and SLIM-SG have decided to renew the Hotel Agreements for the remaining initial term of the Hotel Agreements which will expire on 28 February 2026. All existing terms and conditions of the Hotel Agreements will remain unchanged.

MAIN TERMS OF THE HOTEL AGREEMENTS

Date of original agreements: 10 December 2014

Existing parties: (i) Project Co (as Hotel 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 successive three-year term (or part thereof of the remaining term) provided that the entire initial term as renewed 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 three-year terms (or part thereof) provided that the aggregate term of the renewal period shall not exceed 10 years.

The Company will comply with the relevant requirements under the Listing Rules upon each renewal.

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
- Reservation fees – a fixed amount per net 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

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 four 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.

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 years will not exceed the following respective Annual Caps:

<u>Financial year ending</u>	<u>Annual Caps (US\$)</u>
31 December 2024	10,000,000
31 December 2025	11,000,000
31 December 2026 (for the entire year assuming the Hotel Agreements will be renewed upon expiry of the remaining initial term)	12,000,000

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 four 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. The Directors (including the independent non-executive 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 setting of the Revised Annual Cap for 2023 and the renewal of the Hotel Agreements.

IMPLICATIONS UNDER THE LISTING RULES

SLIM-HK, SLIM-BVI and SLIM-SG are subsidiaries of the Company. 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). Accordingly, the Project Co is an associate of the Company's substantial shareholder and is a connected person of the Company.

This announcement is made pursuant to Rule 14A.54 of the Listing Rules.

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 each of the Revised Annual Cap for 2023 and the Annual Caps for 2024 to 2026 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 operation of hotel properties, the provision of hotel management and related services, the development, ownership and operation 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 investment holding, and 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, associates and joint ventures include investment holding, property development, investment and management in Hong Kong, Mainland China and the Asia Pacific region, hotel ownership in Hong Kong and hotel ownership and operations in Mainland China, and integrated logistics and international freight forwarding.

The principal activity of KHL is investment holding. KHL is a substantial shareholder of the Company, KPL and Kerry Logistics Network Limited (all of which are listed in Hong Kong).

DEFINITIONS

“2020 Announcement”	the announcement of the Company dated 31 December 2020 in relation to the previous renewal of the Hotel Agreements for a three-year term and the setting of the annual caps for such renewal in accordance with the Listing Rules
“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
“Annual Caps”	the expected maximum Fees for particular financial years as described under the heading “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, 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”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Fees”	the expected aggregate amount of the fees 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 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
“Previous Annual Cap for 2023”	the previous expected maximum annual amount of Fees for the financial year ending 31 December 2023 as set out in the 2020 Announcement
“Project Co”	Shang Global City Properties, Inc, a company incorporated in the Philippines and owned as to 40% by the Company and 60% by SPI
“Revised Annual Cap for 2023”	the revised expected maximum annual amount of Fees for the financial year ending 31 December 2023 as described under the heading “Revision of Annual Cap for 2023” in this announcement
“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 (liquidated in 2022) and formerly 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 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
SEOW Chow Loong Iain
Company Secretary

Hong Kong, 12 December 2023

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

Executive directors

Ms KUOK Hui Kwong (Chairman)
Mr CHUA Chee Wui (Group Chief Financial Officer & Group Chief Investment Officer)

Non-executive director

Mr LIM Beng Chee

Independent non-executive directors

Professor LI Kwok Cheung Arthur
Mr YAP Chee Keong
Mr LI Xiaodong Forrest
Mr ZHUANG Chenchao
Ms KHOO Shulamite N K