

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 RENEWAL OF HOTEL MANAGEMENT AGREEMENT IN RELATION TO SHANGRI-LA NANJING

Reference is made to the 2020 Announcement regarding the renewal of the Hotel Management Agreement entered into between SLIM-HK (as manager) and Nanjing Project Co (as owner) in relation to the provision of Hotel Management Services by SLIM-HK to the Hotel (a hotel owned by Nanjing Project Co) for a subsequent three-year term which will expire on 25 October 2023.

Pursuant to the terms of the Hotel Management Agreement, SLIM-HK has decided to renew the Hotel Management Agreement for another consecutive three-year term which will expire on 25 October 2026. All existing terms and conditions of the Hotel Management Agreement will remain unchanged.

SLIM-HK is a subsidiary of the Company. Nanjing Project Co is owned as to 45% by KPL which in turn is a subsidiary of KHL (a substantial shareholder of the Company). Accordingly, Nanjing Project Co is an associate of the Company's substantial shareholder and is a connected person of the Company.

The renewal of the Hotel Management Agreement whereby SLIM-HK will continue to provide Hotel Management Services to the Hotel constitutes a continuing connected transaction for the Company under the Listing Rules.

As the Annual Caps in the renewed term of the Hotel Management Agreement 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 Management Agreement 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 Management Agreement entered into between SLIM-HK (as manager) and Nanjing Project Co (as owner) in relation to the provision of Hotel Management Services by SLIM-HK to the Hotel (a hotel owned by Nanjing Project Co) for a subsequent three-year term which will expire on 25 October 2023.

RENEWAL OF THE HOTEL MANAGEMENT AGREEMENT

Pursuant to the terms of the Hotel Management Agreement, SLIM-HK has decided to renew the Hotel Management Agreement for another consecutive three-year term which will expire on 25 October 2026. All existing terms and conditions of the Hotel Management Agreement will remain unchanged.

MAIN TERMS OF THE HOTEL MANAGEMENT AGREEMENT

Date of original agreement: 26 June 2014

Existing parties: (i) Nanjing Project Co (as Hotel owner)
(ii) SLIM-HK (as manager)

Services: SLIM-HK to provide Hotel Management Services for the Hotel

Term: Three years commencing on the opening date of the Hotel with SLIM-HK having the right to decide whether the term shall be renewed for successive three-year terms provided that the entire term as renewed shall not be longer than 20 years from 25 October 2014. The Company will comply with the relevant requirements under the Listing Rules upon each renewal.

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

- Base management fee – a fixed percentage of the gross operating revenue of the Hotel per annum
- Marketing fee – a fixed percentage of the gross operating revenue of the Hotel per annum
- Reservation fees – a fixed amount per net booking for reservation services

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 management agreements of other hotels operated in Jiangsu province, the Mainland China which are managed by the Group (including 2 hotels owned by third parties or with interests from third parties), 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 Management Agreement, 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 Caps (US\$)</u>
31 December 2024	3,400,000
31 December 2025	3,500,000
31 December 2026 (for the entire year assuming the Hotel Management Agreement will be renewed upon expiry of the three-year term)	3,600,000

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 MANAGEMENT AGREEMENT

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

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 management agreements of other hotels operated in Jiangsu province, the Mainland China which are managed by the Group (including 2 hotels owned by third parties or with interests from third parties), 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 Management Agreement is in the ordinary and usual course of business of the Group, and believe that the terms of the Hotel Management Agreement 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 Management Agreement and accordingly none of such Directors was required to abstain from voting on the resolutions in relation to the renewal of the Hotel Management Agreement.

IMPLICATIONS UNDER THE LISTING RULES

SLIM-HK is a subsidiary of the Company. Nanjing Project Co is owned as to 45% by KPL which in turn is a subsidiary of KHL (a substantial shareholder of the Company). Accordingly, Nanjing Project Co is an associate of the Company's substantial shareholder and is a connected person of the Company.

The renewal of the Hotel Management Agreement whereby SLIM-HK will continue to provide Hotel Management Services to the Hotel constitutes a continuing connected transaction for the Company under the Listing Rules.

As the Annual Caps in the renewed term of the Hotel Management Agreement 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 Management Agreement 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, NANJING 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 the provision of hotel management, marketing, communication, reservation, consultancy and other hotel related services.

The principal activities of Nanjing Project Co are the ownership and operation of the Hotel.

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

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 23 October 2020 in relation to the previous renewal of the Hotel Management Agreement for a three-year term
“Annual Caps”	the expected maximum Fee(s) for particular financial years 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, an exempted company incorporated in Bermuda 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”	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 Nanjing Project Co to SLIM-HK and/or the Group for the Hotel Management Services under the Hotel Management Agreement
“Group”	the Company and its subsidiaries
“Hotel”	Shangri-La Nanjing, a hotel owned by Nanjing Project Co
“Hotel Management Agreement”	the hotel management agreement dated 26 June 2014 (as varied and supplemented) entered into between SLIM-HK (as manager) and Nanjing Project Co (as owner) for the provision of Hotel Management Services by SLIM-HK to the Hotel
“Hotel Management Services”	hotel management services involving the provision of hotel management, marketing, communication, reservation and other related services by SLIM-HK pursuant to the Hotel Management Agreement
“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 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
“Nanjing Project Co”	Shangri-La Hotel (Nanjing) Co, Ltd 香格里拉大酒店 (南京) 有限公司, a company incorporated in the Mainland China and is owned as to 55% by the Company and 45% by KPL
“Percentage Ratios”	has the meaning ascribed to it in Chapter 14 of the Listing Rules
“SLIM-HK”	Shangri-La International Hotel Management Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company
“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, 24 October 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