

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 HOTEL SERVICES AGREEMENTS IN RELATION TO SHANGRI-LA, NANCHANG

SLIM-HK and SLIM-PRC (both wholly-owned subsidiaries of the Company) entered into the Hotel Management Agreement and Marketing Services Agreement with Project Co (a company ultimately owned as to 20% by the Company and 80% by KPL) on 25 December 2014 and 1 November 2017 respectively, pursuant to which Project Co engaged SLIM-HK and SLIM-PRC to provide Hotel Management Services and Sales and Marketing Services to the Hotel. As the annual amount of the fees receivable by SLIM-HK and SLIM-PRC from Project Co under the Hotel Management Agreement and the Marketing Services Agreement for each earlier term was less than 0.1% of the applicable Percentage Ratios, the entering into of the Hotel Management Agreement and the Marketing Services Agreement constituted a de minimis transaction pursuant to Rule 14A.76(1) of the Listing Rules and was fully exempt from shareholders' approval, annual review and reporting requirements under Listing Rules.

On 5 July 2024, SLIM-HK, SLIM-PRC and Project Co entered into the Supplemental HMA and Supplemental MSA to, among other things, renew and supplement the terms of the Hotel Management Agreement and the Marketing Services Agreement.

On 5 July 2024, SLIM-PRC also entered into the Proprietary Technology Services Agreement with Project Co, pursuant to which Project Co engages SLIM-PRC to provide Proprietary Technology Services to the Hotel.

Project Co is owned as to 80% by KPL which in turn is a non-wholly owned subsidiary of KHL (a substantial shareholder of the Company). Accordingly, Project Co is an associate of the Company's substantial shareholder and is a connected person of the Company.

The entering into of the Supplemental HMA, Supplemental MSA and Proprietary Technology Services Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

As the Caps for each financial year in the renewed term of the Hotel Services 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 Services Agreements and the actual amount of the Fees will be disclosed in future annual reports and financial statements of the Company in accordance with the Listing Rules.

INTRODUCTION

SLIM-HK and SLIM-PRC (both wholly-owned subsidiaries of the Company) entered into the Hotel Management Agreement and Marketing Services Agreement with Project Co (a company ultimately owned as to 20% by the Company and 80% by KPL) on 25 December 2014 and 1 November 2017 respectively, pursuant to which Project Co engaged SLIM-HK and SLIM-PRC to provide Hotel Management Services and Sales and Marketing Services to the Hotel. As the annual amount of the fees receivable by SLIM-HK and SLIM-PRC from Project Co under the Hotel Management Agreement and the Marketing Services Agreement for each earlier term was less than 0.1% of the applicable Percentage Ratios, the entering into of the Hotel Management Agreement and the Marketing Services Agreement constituted a de minimis transaction pursuant to Rule 14A.76(1) of the Listing Rules and was fully exempt from shareholders’ approval, annual review and reporting requirements under Listing Rules.

On 5 July 2024, SLIM-HK, SLIM-PRC and Project Co entered into the Supplemental HMA and Supplemental MSA to, among other things, renew and supplement the terms of the Hotel Management Agreement and the Marketing Services Agreement.

On 5 July 2024, SLIM-PRC also entered into the Proprietary Technology Services Agreement with Project Co, pursuant to which Project Co engages SLIM-PRC to provide Proprietary Technology Services to the Hotel.

MAIN TERMS OF THE HOTEL SERVICES AGREEMENTS

(1) Hotel Management Agreement

Original date of HMA: 25 December 2014

Date of Supplemental HMA: 5 July 2024

Parties: (i) Project Co (as Hotel owner)
(ii) SLIM-HK (as manager)

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

Term: The initial term commenced on the hotel opening date and ended on its third anniversary. Upon expiry of each term, both parties may by agreement renew the agreement for successive three-year terms, provided that the entire term as renewed shall not exceed 20 years from the hotel opening date. The current renewed term will expire on 1 July 2027.

Fees: The fees payable under the Hotel Management Agreement are based on pre-determined 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

- Incentive management fee variable percentage of the adjusted gross operating profit of the Hotel per annum
- Branding fund a fixed amount per room per annum
- Direct channel fee a fixed percentage of the materialized revenue of the Hotel in respect of those transactions conducted via the channels maintained or made available by SLIM-HK and/or its affiliates

(2) Marketing Services Agreement

Original date of MSA: 1 November 2017

Date of the Supplemental MSA: 5 July 2024

Parties: (i) Project Co (as Hotel owner)
 (ii) SLIM-PRC (as service provider)

Services: SLIM-PRC to provide Sales and Marketing Services to the Hotel

Term: From the date of the Marketing Services Agreement and otherwise following the term of the Hotel Management Agreement

Fees: The fees payable under the Marketing Services Agreement are based on pre-determined formulas set out in the Marketing Services Agreement and mainly comprise:

- Marketing fee a fixed percentage of the gross operating revenue of the Hotel per annum
- Shangri-La Circle frequent guest programme fund a fixed percentage of the amount billed by the Hotel to members of Shangri-La Circle
- Training fee a fixed percentage of the annual total base salary of the employees of the Hotel

(3) Proprietary Technology Services Agreement

Date:	5 July 2024
Parties:	(i) Project Co (as Hotel owner) (ii) SLIM-PRC (as service provider)
Services:	SLIM-PRC to provide Proprietary Technology Services to the Hotel
Term:	From the date of the Proprietary Technology Services Agreement and otherwise following the term of the Hotel Management Agreement
Fee:	▪ Technical services fee a fixed percentage of revenue from rooms of the Hotel per annum

The Directors (including the independent non-executive Directors) consider that the terms of the Hotel Services Agreements based on the pricing policy for the determination of the Fees (including the specified fixed and variable percentages and fixed amounts as the basis for the Fees) are on normal commercial terms by reference to comparable fees under hotel services agreements of other hotels operated in the provinces of Southern district of Mainland China which are managed by the Group (including 6 hotels owned by third parties or with interests of 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 Services 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 maximum annual 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 2024	2,100,000
31 December 2025	2,400,000
31 December 2026	2,700,000
31 December 2027 (for the entire year assuming renewal of the Hotel Services Agreements upon expiry of the current term during that calendar year)	2,900,000

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 ENTERING INTO THE SUPPLEMENTAL HMA, SUPPLEMENTAL MSA AND PROPRIETARY TECHNOLOGY SERVICES 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 enter into the Supplemental HMA, the Supplemental MSA and the Proprietary Technology Services Agreement.

The Directors (including the independent non-executive Directors) consider that the terms of the Hotel Services Agreements based on the pricing policy for the determination of the Fees (including the specified fixed and variable percentages and fixed amounts as the basis for the Fees) are on normal commercial terms by reference to comparable fees under hotel services agreements of other hotels operated in the provinces of Southern district of Mainland China which are managed by the Group (including 6 hotels owned by third parties or with interests of third parties), and confirm that the Fees are comparable to or no less favourable to fees charged to such other hotels. The Directors also take the view that the entering into of the Supplemental HMA, the Supplemental MSA and the Proprietary Technology Services Agreement is in the ordinary and usual course of business of the Group and believe that the terms of the Hotel Services 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 material interest in the Hotel Services Agreements and accordingly none of the Directors was required to abstain from voting on the resolutions in relation to the entering into of the Supplemental HMA, the Supplemental MSA and the Proprietary Technology Services Agreement.

IMPLICATIONS UNDER THE LISTING RULES

Project Co is owned as to 80% by KPL which in turn is a non-wholly owned subsidiary of KHL (a substantial shareholder of the Company). Accordingly, Project Co is an associate of the Company's substantial shareholder and is a connected person of the Company.

The (i) renewal of the Hotel Management Agreement and the Marketing Services Agreement and (ii) entering into of the Proprietary Technology Services Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

As the Caps for each financial year in the renewed term of the Hotel Services 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 Services 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.

INTERNAL CONTROL MEASURES

In order to safeguard the interests of the Company and the shareholders as a whole, the Company has adopted the following internal control measures in relation to the continuing connected transactions of the Company:

- (i) the Company's finance department carries out periodic review to monitor whether transaction amounts might be expected to exceed relevant annual caps;
- (ii) independent non-executive Directors conduct an annual review of continuing connected transactions of the Company pursuant to the requirements of Rule 14A.55 of the Listing Rules; and
- (iii) the auditor of the Company is engaged to conduct an annual review of continuing connected transactions pursuant to the requirements of Rule 14A.56 of the Listing Rules.

INFORMATION ABOUT THE GROUP, SLIM-HK, SLIM-PRC, 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-PRC are the provision of hotel management, marketing, communication, reservation, consultancy and other hotel-related services.

The principal activities of Project Co are the ownership and development of a mixed-use development comprising the Hotel, offices, commercial and related ancillary facilities.

The principal activity of KPL is investment holding and the principal activities of KPL’s subsidiaries, associates and joint ventures comprise 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

“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 a financial year
“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 Singapore Exchange Securities Trading Limited
“connected person”	has the meaning ascribed to it in the Listing Rules
“Directors”	directors of the Company
“Fees”	the fees payable by Project Co to SLIM-HK, SLIM-PRC and/or the Group for the related services rendered under the Hotel Services Agreements
“Group”	the Company and its subsidiaries

“Hotel”	Shangri-La Nanchang, a hotel owned by Project Co
“Hotel Management Agreement”	the hotel management agreement dated 25 December 2014 (as supplemented by the Supplemental HMA) entered into between SLIM-HK (as manager) and Project Co (as Hotel owner) for the provision of Hotel Management Services
“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
“Hotel Services Agreements”	Hotel Management Agreement, Marketing Services Agreement and Proprietary Technology Services 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 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
“Marketing Services Agreement”	the marketing services agreement dated 1 November 2017 (as supplemented by the Supplemental MSA) entered into between SLIM-PRC (as service provider) and Project Co (as Hotel owner) for the provision of Sales and Marketing Services
“Percentage Ratios”	has the meaning ascribed to it in Chapter 14 of the Listing Rules
“Project Co”	Kerry Real Estate (Nanchang) Co, Ltd 嘉里置業(南昌)有限公司, a company incorporated in Mainland China and owned as to 20% by the Company and 80% by KPL
“Proprietary Technology Services”	the proprietary technology services to be provided by SLIM-PRC to the Hotel for accessing technology products and solution suites developed by the Group in accordance with the Proprietary Technology Services Agreement
“Proprietary Technology Services Agreement”	the proprietary technology services agreement entered into between SLIM-PRC and Project Co for the provision of Proprietary Technology Services
“Sales and Marketing Services”	the sales and marketing services involving the provision of sales and marketing services by SLIM-PRC pursuant to the Marketing Services Agreement

“Shangri-La Circle”	the Shangri-La Circle frequent guest programme or any Shangri-La group-wide frequent guest programmes as introduced and administered from time to time by SLIM-PRC or its affiliates (under such programme name as may be prescribed by SLIM-PRC or its affiliates) in the Hotel
“SLIM-HK”	Shangri-La International Hotel Management Limited, a company incorporated in Hong Kong and ultimately wholly owned by the Company
“SLIM-PRC”	Shangri-La Hotel Management (Shanghai) Co, Limited 香格里拉飯店管理(上海)有限公司, a company (with several local branches) incorporated in Mainland China 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
“Supplemental HMA”	the supplemental agreement entered into between SLIM-HK and Project Co in relation to the revision and supplement to the terms of the Hotel Management Agreement
“Supplemental MSA”	the supplemental agreement entered into between SLIM-PRC and Project Co in relation to the revision and supplement to the terms of the Marketing Services Agreement

By order of the Board of
Shangri-La Asia Limited
SEOW Chow Loong Iain
Company Secretary

Hong Kong, 5 July 2024

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*