

# 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 MANAGEMENT AGREEMENT IN RELATION TO KERRY HOTEL PUDONG, SHANGHAI**

Reference is made to the 2019 Announcement regarding the renewal of the Hotel Management Agreement entered into between SLIM-HK (as manager) and KHPU (as owner) in relation to the provision of Hotel Management Services by SLIM-HK to the Hotel (a hotel owned by KHPU) for a consecutive 3-year term which will expire on 5 January 2023.

Pursuant to the terms of the Hotel Management Agreement, SLIM-HK has decided to renew the Hotel Management Agreement for another consecutive 3-year term which will expire on 5 January 2026. All existing terms and conditions of the Hotel Management Agreement will remain unchanged.

SLIM-HK is a subsidiary of the Company. KHPU is owned as to 40.8% by KPL which in turn is a non-wholly owned subsidiary of KHL (a substantial shareholder of the Company). Accordingly, KHPU 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 Caps for each financial year 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 2019 Announcement regarding the renewal of the Hotel Management Agreement entered into between SLIM-HK (as manager) and KHPU (as owner) in relation to the provision of Hotel Management Services by SLIM-HK to the Hotel for a consecutive 3-year term which will expire on 5 January 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 3-year term which will expire on 5 January 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:** 2 June 2010

**Parties:** (i) KHPU (as Hotel owner)  
(ii) SLIM-HK (as manager)

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

**Term:** Three years commencing from the date of approval of the Hotel Management Agreement by the PRC government with the right of renewal exercisable by SLIM-HK for consecutive three-year terms, provided that the entire term as renewed shall not be longer than 20 years. The Company will comply with the relevant requirements under the Listing Rules if the Hotel Management Agreement is renewed.

**Fees:** The fees payable under the agreement 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
- Advertising fund the higher of a fixed amount per room per annum or a fixed percentage of the gross revenue of the Hotel per annum

**EXPECTED MAXIMUM ANNUAL AGGREGATE AMOUNT OF FEES**

Based on the terms of the Hotel Management Agreement, 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 Cap(s) will not exceed the following amounts:

<u>Financial year ending</u>	<u>Cap (US\$)</u>
31 December 2023	3,800,000
31 December 2024	4,200,000
31 December 2025	4,600,000

If any of the Caps stated above is exceeded, the Company will re-comply with the requirements under Chapter 14A of the Listing Rules.

## **REASON FOR 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 interest 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 comparable fees under hotel management agreements of other hotels operated in Shanghai, PRC which are managed by the Group (including 4 owned by third parties or with third party interests), 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 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 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 Management Agreement and accordingly none of the Directors was required to abstain from voting on the resolutions in relation to the renewal of the Hotel Management Agreement.

## **INFORMATION ABOUT THE GROUP, SLIM-HK, KHPU 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 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 KHPU are the ownership and development of a mixed-use development comprises the Hotel, offices, services suites/services apartments, commercial and related ancillary facilities.

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).

## **IMPLICATIONS UNDER THE LISTING RULES**

SLIM-HK is a subsidiary of the Company. KHPU is owned as to 40.8% by KPL which in turn is a non-wholly owned subsidiary of KHL (a substantial shareholder of the Company). Accordingly, KHPU 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 Caps for each financial year 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.

## DEFINITIONS

“2019 Announcement”	the announcement of the Company dated 23 December 2019 disclosing the previous renewal of the Hotel Management Agreement
“Allgreen”	Allgreen Properties Limited, a company incorporated in Singapore with limited liability, and an associate of KHL
“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, whose shares 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 KHPU to SLIM-HK and/or the Group for the Hotel Management Services under the Hotel Management Agreement
“Group”	the Company and its subsidiaries
“Hotel”	Kerry Hotel Pudong, Shanghai, a hotel owned by KHPU
“Hotel Management Agreement”	the hotel management agreement dated 2 June 2010 (as supplemented) entered into between SLIM-HK (as manager) and KHPU (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 and reservation services by SLIM-HK as per the Hotel Management Agreement

“KHL”	Kerry Holdings Limited, a substantial shareholder of the Company
“KHPU”	Shanghai Pudong Kerry City Properties Co, Limited 上海浦東嘉里城房地產有限公司, a sino-foreign equity joint venture company incorporated in PRC and ultimately owned by the Company, KPL, Allgreen and a party independent of the Company in the proportion of 23.2%, 40.8%, 16% and 20% respectively
“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
“PRC”	the People’s Republic of China
“SLIM-HK”	Shangri-La International Hotel Management Limited, a company incorporated in Hong Kong and ultimately wholly owned by 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, 28 December 2022

*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)*

*Mr CHUA Chee Wui (Group CFO & Group CIO)*

*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*