

# 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 REVISION OF ANNUAL CAPS**

Reference is made to the 2022 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 3-year term which will expire on 5 January 2026.

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

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

In view of the entering into of the Supplemental HMA, Supplemental TSA and Proprietary Technology Services Agreement, the Board anticipates that the Fees receivable for 2024 and 2025 under the Hotel Services Agreements may exceed the Previous Annual Caps for the financial years from 2024 to 2025. Accordingly, the Board has re-estimated the Fees receivable under the Hotel Services Agreements and has set the Revised Annual Caps.

Both SLIM-HK and SLIM-PRC are wholly owned subsidiaries 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 entering into of the Supplemental HMA, Supplemental TSA and Proprietary Technology Services Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

As the Revised Annual Caps in the renewed terms of the Hotel Services Agreements exceed 0.1% but are less than 5% of the applicable Percentage Ratios, the Company remains 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.

**INTRODUCTION**

Reference is made to the 2022 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 3-year term which will expire on 5 January 2026.

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

On 5 July 2024, SLIM-PRC also entered into the Proprietary Technology Services Agreement with KHPU, pursuant to which KHPU 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:** 2 June 2010

**Date of Supplemental HMA:** 5 July 2024

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

**Services:** SLIM-HK to provide Hotel Management Services to 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 successive three-year terms, provided that the entire term as renewed shall not be longer than 20 years. The Company will comply with relevant requirements under the Listing Rules if the Hotel Management Agreement is renewed.

**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

- Marketing fee a fixed percentage of the gross operating revenue 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) Training Services Agreement**

**Original date of TSA:** 30 September 2020

**Date of the Supplemental TSA:** 5 July 2024

**Parties:** (i) KHPU (as Hotel owner)  
(ii) SLIM-PRC (as service provider)

**Services:** SLIM-PRC to provide Training Services to the Hotel

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

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

- 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) KHPU (as Hotel owner)  
(ii) SLIM-PRC (as service provider)

**Services:** SLIM-PRC to provide Proprietary Technology Services to the Hotel

<b>Term:</b>	From the date of the Proprietary Technology Services Agreement and otherwise following the term of the Hotel Management Agreement	
<b>Fee:</b>	▪ 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 Shanghai, Mainland China which are managed by the Group (including 4 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

## **REVISION OF ANNUAL CAPS**

In view of the entering into of the Supplemental HMA, Supplemental TSA and Proprietary Technology Services Agreement, the Board anticipates that the Fees receivable for 2024 and 2025 under the Hotel Services Agreements may exceed the Previous Annual Caps for the financial years from 2024 to 2025. Accordingly, the Board has re-estimated the Fees receivable under the Hotel Services Agreements and has set the Revised Annual Caps.

For the financial year of 2023 and the period up to 31 May 2024, the Fees received/receivable were US\$3,568,000 and US\$1,425,000, respectively.

Upon the re-estimation of the expected Fees receivable, the Board expects that the Revised Annual Caps will not exceed the following amounts:

<u>Financial year ending</u>	<u>Cap (US\$)</u>
31 December 2024	5,200,000
31 December 2025	6,700,000

If the Revised Annual Cap 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 TSA 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 interest of the Group to enter into the Supplemental HMA, Supplemental TSA 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 Shanghai, Mainland China which are managed by the Group (including 4 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, Supplemental TSA 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 setting of the Revised Annual Caps and the entering into of the Supplemental HMA, the Supplemental TSA and the Proprietary Technology Services Agreement.

## **IMPLICATIONS UNDER THE LISTING RULES**

Both SLIM-HK and SLIM-PRC are wholly owned subsidiaries 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 entering into of the Supplemental HMA, Supplemental TSA and Proprietary Technology Services Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

As the Revised Annual Caps in the renewed terms of the Hotel Services Agreements exceed 0.1% but are less than 5% of the applicable Percentage Ratios, the Company remains 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, 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 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 KHPU are the ownership and development of a mixed-use development comprising the Hotel, offices, serviced suites/serviced 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).

## DEFINITIONS

“2022 Announcement”	the announcement of the Company dated 28 December 2022 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
“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 KHPU 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”	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, reservation and other related services by SLIM-HK pursuant to the Hotel Management Agreement
“Hotel Services Agreements”	Hotel Management Agreement, Training Services Agreement and Proprietary Technology Services 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 Mainland China 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
“Previous Annual Cap(s)”	the previous expected maximum annual amount of Fees for particular financial year(s) as set out in the 2022 Announcement
“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 KHPU for the provision of Proprietary Technology Services
“Revised Annual Cap(s)”	the revised expected maximum annual amount of Fees for the financial years ending 31 December 2024 and 31 December 2025 as described under the heading “Revision of Annual Caps” in this announcement
“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 KHPU in relation to the revision and supplement to the terms of the Hotel Management Agreement
“Supplemental TSA”	the supplemental agreement entered into between SLIM-PRC and KHPU in relation to the revision and supplement to the terms of the Training Services Agreement
“Training Services”	the training services involving the provision of certain training services by SLIM-PRC pursuant to the Training Services Agreement
“Training Services Agreement”	the training services agreement dated 30 September 2020 (as supplemented) entered into between SLIM-PRC (as service provider) and KHPU (as Hotel owner) for the provision of Training Services

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*