

# SHANGRI-LA GROUP

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

## **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 AND SALES AND MARKETING SERVICES AGREEMENT IN RELATION TO JEN SHENZHEN QIANHAI BY SHANGRI-LA**

Reference is made to the 2019 Announcement regarding the entering into of the Hotel Management Agreement (between SLIM-HK and the Project Co) and the Sales and Marketing Services Agreement (between SLIM-PRC and the Project Co) pursuant to which the Project Co has engaged SLIM-HK and SLIM-PRC to provide Hotel Management Services and Sales and Marketing Services for the Hotel for the initial term which will expire on 31 December 2021.

Pursuant to the terms of the Hotel Management Agreement and the Sales and Marketing Services Agreement, the Hotel Management Agreement and the Sales and Marketing Services Agreement will be renewed under the same existing terms and conditions for a 3-year period which will expire on 31 December 2024.

SLIM-HK and SLIM-PRC are the wholly owned subsidiaries of the Company. The Project Co is owned as to 50% by KHL, 25% by KPL and 25% by BEA. The Project Co is an associate of KHL which is a substantial shareholder of the Company. Accordingly, the Project Co is a connected person of the Company.

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

As the Caps in the renewed term of the Hotel Management Agreement and the Sales and Marketing Services Agreement exceeds 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 each of the Hotel Management Agreement and the Sales and Marketing Services Agreement 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 2019 Announcement regarding the entering into of the Hotel Management Agreement (between SLIM-HK and the Project Co) and the Sales and Marketing Services Agreement (between SLIM-PRC and the Project Co) pursuant to which the Project Co has engaged SLIM-HK and SLIM-PRC to provide Hotel Management Services and the Sales and Marketing Services for the Hotel for the initial term which will expire on 31 December 2021.

**RENEWAL OF THE AGREEMENTS**

Pursuant to the terms of the Hotel Management Agreement and the Sales and Marketing Services Agreement, the Hotel Management Agreement and the Sales and Marketing Services Agreement will be renewed under the same existing terms and conditions for a 3-year period which will expire on 31 December 2024.

**MAIN TERMS OF THE HOTEL MANAGEMENT AGREEMENT**

**Date of original agreement:** 24 April 2019

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

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

**Term:** The initial term of the Hotel Management Agreement commenced from the date of the agreement and will end on 31 December 2021 (being the third calendar year end after the date of the agreement). Under and subject to the terms of the Hotel Management Agreement, the term will be renewed for consecutive 3-year periods until the date falling 20 years after the Hotel’s opening date save where SLIM-HK determines that it is not able to comply with the applicable requirements under the Listing Rules.

**Fees:** The fees payable under the agreement mainly comprise:

- Base management fee                      a fixed percentage of the gross operating revenue of the Hotel
- Incentive management fee                variable percentage of the gross operating profit of the Hotel
- Reservation fees                              a fixed percentage of room revenue per booking for reservation services

**MAIN TERMS OF THE SALES AND MARKETING SERVICES AGREEMENT**

**Date of original agreement:** 24 April 2019

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

- Services:** SLIM-PRC to provide Sales and Marketing Services for the Hotel
- Term:** Same as the Hotel Management Agreement
- Fees:** The fees payable under the agreement mainly comprise:
- Sales and Marketing fee a fixed percentage of the gross operating revenue of the Hotel per annum

## **EXPECTED MAXIMUM ANNUAL AGGREGATE AMOUNTS OF FEES**

As the Hotel is expected to delay commencing business until the fourth quarter of 2022, the expected Cap for financial year ending 31 December 2022 has been reduced as compared to the corresponding cap in the 2019 Announcement. Based on the terms of the Hotel Management Agreement and the Sales and Marketing Services Agreement, the possible inflation, the expected increase in occupancy and/or room rates 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 (RMB)</u>
31 December 2022	3,000,000
31 December 2023	20,000,000
31 December 2024	27,800,000

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

## **REASONS FOR RENEWAL OF THE AGREEMENTS**

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 and the Sales and Marketing Services Agreement.

The Directors (including the independent non-executive Directors) consider that the pricing policy for the determination of the Fees (including the specified fixed and variable percentages 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 under the brand “JEN by Shangri-La” in Asia which are managed by the Group (including 5 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 (including the independent non-executive Directors) also take the view that the renewal of the Hotel Management Agreement and the Sales and Marketing Services Agreement is in the ordinary and usual course of business of the Group and believe that the terms of these agreements remain as normal commercial terms and remain fair and reasonable and in the interest of the Company and its shareholder as a whole.

Ms KUOK Hui Kwong is deemed to have more than 5% interest in KHL within the meaning of Part XV of the Securities and Futures Ordinance and has accordingly abstained from voting on the resolutions in relation to the renewal of the Hotel Management Agreement and the Sales and Marketing Services Agreement.

The Board confirms that, save for Ms KUOK Hui Kwong, none of the Directors had material interest in the Hotel Management Agreement and the Sales and Marketing Services Agreement, and accordingly, none of such Directors was required to abstain from voting on the resolutions in relation to the renewal of these agreements.

## **INFORMATION ABOUT THE GROUP, SLIM-HK, SLIM-PRC, THE PROJECT CO AND ITS ULTIMATE BENEFICIAL OWNERS**

The principal activities of the Group are the development, ownership and operations 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 business activities of SLIM-HK and SLIM-PRC are the provision of hotel management, marketing, communication, reservation, consultancy and other related services.

The principal activities of the Project Co are the ownership and operation of its project in Qianhai, the PRC and which include the development of the Hotel.

The principal activities of BEA and its subsidiaries are the provision of banking and related financial services.

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

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 and SLIM-PRC are the wholly owned subsidiaries of the Company. The Project Co is owned as to 50% by KHL, 25% by KPL and 25% by BEA. The Project Co is an associate of KHL which is a substantial shareholder of the Company. Accordingly, the Project Co is a connected person of the Company.

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

As the Caps in the renewal term of the Hotel Management Agreement and the Sales and Marketing Services Agreement exceeds 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 each of the Hotel Management Agreement and the Sales and Marketing Services Agreement 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.

## DEFINITIONS

“2019 Announcement”	the announcement of the Company dated 24 April 2019 disclosing the entering into of the Hotel Management Agreement and the Sales and Marketing Services Agreement
“associate”	has the meaning ascribed to it in the Listing Rules
“BEA”	The Bank of East Asia, Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“Board”	the board of Directors
“Cap(s)”	the expected maximum annual aggregate amount(s) of the Fees for the financial years as described under the heading of “Expected Maximum Annual Aggregate Amounts of Fees”
“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 the 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 the Project Co to SLIM-HK or SLIM-PRC for the Hotel Management Services and the Sales and Marketing Services under the Hotel Management Agreement and the Sales and Marketing Services Agreement
“Group”	the Company and its subsidiaries
“Hotel”	JEN Shenzhen Qianhai by Shangri-La, a hotel owned by the Project Co
“Hotel Management Agreement”	the hotel management agreement dated 24 April 2019 entered into between the Project Co and SLIM-HK for the provision of Hotel Management Services by SLIM-HK for the Hotel
“Hotel Management Services”	hotel management services involving the provision of hotel management, marketing and reservation 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, whose shares 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
“Project Co”	Million Fortune Development (Shenzhen) Co, Limited 寰裕置業 (深圳) 有限公司, a company incorporated in the PRC and is indirectly owned by KHL, KPL and BEA as to 50%, 25% and 25% respectively
“Sales and Marketing Services Agreement”	the sales and marketing services agreement dated 24 April 2019 entered into between the Project Co and SLIM-PRC for the provision of Sales and Marketing Services by SLIM-PRC for the Hotel
“Sales and Marketing Services”	sales and marketing services involving the provision of sales and marketing services by SLIM-PRC pursuant to the Sales and Marketing Services Agreement
“SLIM-HK”	Shangri-La International Hotel Management Limited, a company incorporated in Hong Kong and is ultimately wholly owned by the Company
“SLIM-PRC”	Shangri-La Hotel Management (Shanghai) Co, Limited, a company incorporated in the PRC and is 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 2021

*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)*

*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*