

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 ENTERING INTO HOTEL MANAGEMENT AGREEMENT

SLIM-SG and the Project Co (a Singapore company ultimately owned as to 44.60% by the Company and 55.40% by Allgreen) entered into the Original Agreements, pursuant to which the Project Co engaged SLIM-SG to manage and operate the Hotel. The Original Agreements will expire on 31 March 2021 and the Project Co wishes to continue to appoint SLIM-SG to manage and operate the Hotel.

On 8 March 2021, SLIM-SG entered into the Hotel Management Agreement with the Project Co. Pursuant to the Hotel Management Agreement, the Project Co engages SLIM-SG to provide the Hotel Management Services for the Hotel.

The Project Co is an associate of Allgreen which is an associate of KHL (a substantial shareholder of the Company). Accordingly, the Project Co is a connected person of the Company. The entering into of the Hotel Management Agreement constitutes a continuing connected transaction for the Company.

As the Cap exceeds 0.1% but is less than 5% of the applicable Percentage Ratios, the entering into of the Hotel Management Agreement by SLIM-SG is subject to announcement and reporting requirements but is exempt from independent shareholders' approval requirement under the Listing Rules. Details of the Hotel Management 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

SLIM-SG and the Project Co (a Singapore company ultimately owned as to 44.60% by the Company and 55.40% by Allgreen) entered into the Original Agreements, pursuant to which the Project Co engaged SLIM-SG to manage and operate the Hotel. The Original Agreements will expire on 31 March 2021 and the Project Co wishes to continue to appoint SLIM-SG to manage and operate the Hotel.

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MAIN TERMS OF THE HOTEL MANAGEMENT AGREEMENT

- Date:** 8 March 2021
- Parties:** (i) Project Co (as Hotel owner)
(ii) SLIM-SG (as service provider)
- Services:** SLIM-SG will provide Hotel Management Services for the Hotel
- Term:** The term of the Hotel Management Agreement shall commence on 1 April 2021 (“**Commencement Date**”) and end on 31 March 2024. The term will be renewed for successive 3-year periods thereafter save where SLIM-SG determines that it is not able to comply with the applicable requirements under the Listing Rules. The entire term as extended shall not be longer than 9 years after the Commencement Date. 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 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
 - 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
 - Sales and Marketing fee a fixed percentage of the gross operating revenue of the Hotel per annum
 - Branding fund a fixed amount per room per annum
 - Training fee a fixed percentage of the annual total base salary of the employees of the Hotel

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 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 2021	3,800,000
31 December 2022	4,300,000
31 December 2023	4,400,000
31 December 2024 (for the entire year assuming the Hotel Management Agreement will be renewed upon expiry of the initial 3-year term)	4,500,000

The terms of the Hotel Management Agreement were arrived at after arm's length negotiations between SLIM-SG and the Project Co. 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 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 enter into 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 the hotel management agreements of other hotels operated under the brand "JEN by Shangri-La" in Asia 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 (including the independent non-executive Directors) take the view that the entering into 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 interest of the Company and its shareholder as a whole.

The Board confirms that none of the Directors had 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 entering into of the Hotel Management Agreement.

INFORMATION ABOUT THE GROUP, SLIM-SG AND THE PROJECT CO

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-SG are the provision of hotel management, marketing, communication, reservation, consultancy and other hotel related services.

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

IMPLICATIONS UNDER THE LISTING RULES

The Project Co is an associate of Allgreen which is an associate of KHL (a substantial shareholder of the Company). Accordingly, the Project Co is a connected person of the Company. The entering into of the Hotel Management Agreement constitutes a continuing connected transaction for the Company.

As the Cap exceeds 0.1% but is less than 5% of the applicable Percentage Ratios, the entering into of the Hotel Management Agreement by SLIM-SG is subject to announcement and reporting requirements but is exempt from independent shareholders' approval requirement under the Listing Rules. Details of the Hotel Management 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

“Allgreen”	Allgreen Properties Limited, a company incorporated in Singapore with limited liability, and is 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 the financial years as described under the heading of “Expected Maximum Annual Aggregate Amount 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-SG for the Hotel Management Services under the Hotel Management Agreement
“Group”	the Company and its subsidiaries
“Hotel”	JEN Singapore Tanglin by Shangri-La, a hotel owned by the Project Co
“Hotel Management Agreement”	the hotel management agreement dated 8 March 2021 entered into between the Project Co and SLIM-SG for the provision of, amongst others, Hotel Management Services by SLIM-SG for the Hotel
“Hotel Management Services”	hotel management, sales and marketing and training services to be provided for the Hotel
“KHL”	Kerry Holdings Limited, a substantial shareholder of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Agreements”	the management agreement and the marketing and reservations agreement both dated 1 March 1994 (as supplemented) entered into between the Project Co (as owner) and SLIM-HK (as original manager whose role was novated to SLIM-SG as current manager with effect from 1 June 2019) for the provision of the Hotel Management Services to the Hotel
“Percentage Ratios”	has the meaning ascribed to it in Chapter 14 of the Listing Rules

“Project Co”	Cuscaden Properties Pte Ltd, a company incorporated in Singapore and is owned as to 44.60% by the Company and 55.40% by Allgreen
“SLIM-HK”	Shangri-La International Hotel Management Limited, a company incorporated in Hong Kong and is ultimately wholly owned by the Company
“SLIM-SG”	Shangri-La International Hotel Management Pte Ltd , a company incorporated in Singapore 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, 8 March 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)

Non-executive director(s)

Mr HO Kian Guan (alternate – Mr HO Chung Tao)

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