

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 RENEWAL OF HOTEL MANAGEMENT AGREEMENT IN RELATION TO SHANGRI-LA HOTEL, NANJING

Reference is made to the 2014 Announcement regarding (amongst other things) the entering into of the Hotel Management Agreement between SLIM-HK (as manager, a wholly owned subsidiary of the Company) and Nanjing Project Co (as owner, owned as to 55% by the Company and 45% by KPL) in relation to the provision of Hotel Management Services by SLIM-HK to the Hotel (a hotel owned by Nanjing Project Co) which opened for operations on 25 October 2014. Reference is also made to the 2017 Announcement regarding the previous renewal of the Hotel Management Agreement for a 3-year term which will expire on 25 October 2020.

On 23 October 2020, pursuant to the terms of the Hotel Management Agreement, SLIM-HK exercised its right to renew the Hotel Management Agreement under the same terms and conditions of the Hotel Management Agreement for a further 3-year term until 25 October 2023.

SLIM-HK is a subsidiary of the Company. As Nanjing Project Co is owned as to 45% by KPL which in turn is a subsidiary of KHL (a substantial shareholder of the Company), Nanjing Project Co 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 Annual Caps 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 2014 Announcement regarding (amongst other things) the entering into of the Hotel Management Agreement between SLIM-HK (as manager) and Nanjing Project Co (as owner) in relation to the provision of Hotel Management Services by SLIM-HK to the Hotel (a hotel owned by Nanjing Project Co) which opened for operations on 25 October 2014. The operating term of the Hotel Management Agreement commenced from the date of hotel opening

with an initial term of 3 years following which SLIM-HK has the right to renew the Hotel Management Agreement for successive 3-year terms in accordance with the terms of the Hotel Management Agreement.

Reference is also made to the 2017 Announcement regarding the previous renewal of the Hotel Management Agreement for a 3-year term which will expire on 25 October 2020.

RENEWAL OF THE HOTEL MANAGEMENT AGREEMENT

On 23 October 2020, pursuant to the terms of the Hotel Management Agreement, SLIM-HK exercised its right to renew the Hotel Management Agreement under the same terms and conditions of the Hotel Management Agreement for a further 3-year term until 25 October 2023.

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 amount of Fees to be paid for each of the following financial year will not exceed the following respective Annual Caps:

<u>Financial year ending</u>	<u>Annual Cap (US\$)</u>
31 December 2021	2,600,000
31 December 2022	3,400,000
31 December 2023 (for the entire year assuming the Hotel Management Agreement will be renewed upon expiry of the 3-year term)	4,000,000

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

REASONS FOR AND BENEFITS OF THE 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 interests 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 was conducted on normal commercial terms by reference to the comparable fees under the hotel management agreements of other hotels managed by the Group and 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 remain as 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 any 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 renewal of the Hotel Management Agreement.

IMPLICATIONS UNDER THE LISTING RULES

SLIM-HK is a subsidiary of the Company. As Nanjing Project Co is owned as to 45% by KPL which in turn is a subsidiary of KHL (a substantial shareholder of the Company), Nanjing Project Co 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 Annual Caps 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.

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

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

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.

DEFINITIONS

"2014 Announcement"	the announcement of the Company dated 26 June 2014 in relation to (amongst other things) the entering into of the Hotel Management Agreement
"2017 Announcement"	the announcement of the Company dated 23 October 2017 in relation to the previous renewal of the Hotel Management Agreement for a 3-year term
"Annual Cap(s)"	the expected maximum Fee(s) for particular financial year(s) as described under the heading of "Expected Maximum Annual Aggregate Amount of Fees" in this announcement

“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Shangri-La Asia Limited, incorporated in Bermuda as an exempted company with limited liability, the shares in which are primarily listed on the Main Board of the Stock Exchange with secondary listing on the Singapore Exchange Securities Trading Limited
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Fee(s)”	the expected aggregate amount of the fee(s) payable by Nanjing Project Co to SLIM-HK and/or the Group for the Hotel Management Services under the Hotel Management Agreement
“Group”	the Company and its subsidiaries
“Hotel”	Shangri-La Hotel, Nanjing, a hotel owned by Nanjing Project Co
“Hotel Management Agreement”	the hotel management agreement dated 26 June 2014 (as varied) entered into between SLIM-HK (as manager) and Nanjing Project Co (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 pursuant to the Hotel Management Agreement
“KHL”	Kerry Holdings Limited, a substantial shareholder of the Company
“KPL”	Kerry Properties Limited, incorporated in Bermuda with limited liability, the shares in which are listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanjing Project Co”	Shangri-La Hotel (Nanjing) Co, Ltd 香格里拉大酒店（南京）有限公司, a company incorporated in PRC and is owned as to 55% by the Company and 45% by KPL
“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 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

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

Hong Kong, 23 October 2020

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