

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 AND SALES AND MARKETING SERVICES AGREEMENT

On 24 April 2019, SLIM-HK and SLIM-PRC (both of which are wholly owned subsidiaries of the Company) entered into the Hotel Management Agreement and the Sales and Marketing Services Agreement with the Project Co (a PRC company ultimately owned as to 50% by KHL, 25% by KPL and 25% by BEA), respectively. Pursuant to the Hotel Management Agreement and the Sales and Marketing Services Agreement, the Project Co engages SLIM-HK and SLIM-PRC to provide the Hotel Management Services and the Sales and Marketing Services for the Hotel which is owned by the Project Co.

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 entering into of the Hotel Management Agreement and Sales and Marketing Services Agreement constitutes a continuing connected transaction for the Company.

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

On 24 April 2019, SLIM-HK and SLIM-PRC entered into the Hotel Management Agreement and the Sales and Marketing Services Agreement with the Project Co, respectively. Pursuant to the Hotel Management Agreement and the Sales and Marketing Services Agreement, the Project Co engages SLIM-HK and SLIM-PRC to provide the Hotel Management Services and the Sales and Marketing Services for the Hotel.

MAIN TERMS OF THE HOTEL MANAGEMENT AGREEMENT

- Date:** 24 April 2019
- Parties:** (i) Project Co (as Hotel owner)
(ii) SLIM-HK (as service provider)
- Services:** SLIM-HK will provide Hotel Management Services for the Hotel
- Term:** The term of the Hotel Management Agreement shall commence from the date of the agreement and ending on 31 December 2021 (being the third calendar year end after the date of the agreement). The term will be renewed for consecutive 3-year period thereafter save where SLIM-HK 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 20 years after the Hotel's opening 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 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:** 24 April 2019
- Parties:** (i) Project Co (as Hotel owner)
(ii) SLIM-PRC (as service provider)
- Services:** SLIM-PRC will 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 commence business on or about 1 December 2021, no Fees are payable under the Hotel Management Agreement and the Sales and Marketing Services Agreement for the financial years from 2019 to 2020. After the opening of the Hotel and 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 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 2019	Nil
31 December 2020	Nil
31 December 2021	3,000,000
31 December 2022	17,300,000
31 December 2023	24,200,000
31 December 2024	28,700,000

The terms of the Hotel Management Agreement and the Sales and Marketing Services Agreement were arrived at after arms' length negotiations between SLIM-HK or SLIM-PRC and the Project Co. The Hotel Management Agreement and the Sales and Marketing Services Agreement will be renewed by 31 December 2021 for another 3-year period. Upon renewal, the Board will re-assess the Caps for those 3-year period and will re-comply with the requirements under Chapter 14A of the Listing Rules.

REASONS FOR ENTERING INTO 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 enter into the Hotel Management Agreement and the Sales and Marketing Services Agreement.

The Directors (including the independent non-executive Directors) take the view that the entering into 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 are on normal commercial terms, and are 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 Hotel Management Agreement and Sales and Marketing Services Agreement entered into with the Project Co.

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 entering into of these agreements.

INFORMATION ABOUT THE GROUP, SLIM-HK, SLIM-PRC AND THE PROJECT CO

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”, “Hotel Jen”, “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, hotel marketing and other related services.

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

IMPLICATIONS UNDER THE LISTING RULES

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 entering into of the Hotel Management Agreement and Sales and Marketing Services Agreement constitutes a continuing connected transaction for the Company.

As the Caps exceeds 0.1% but is less than 5% of the applicable Percentage Ratios, the entering into of the Hotel Management Agreement and Sales and Marketing Services Agreement by SLIM-HK and SLIM-PRC 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 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

“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”	Hotel Jen Qianhai, Shenzhen, 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, amongst others, Hotel Management Services by SLIM-HK for the Hotel
“Hotel Management Services”	hotel management services to be provided for the Hotel
“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 to be provided for the Hotel

“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, 24 April 2019

As at the date hereof, the directors of the Company are:

Executive director(s)

Ms KUOK Hui Kwong (Chairman)

Mr LIM Beng Chee (CEO)

Mr LUI Man Shing

Non-executive director(s)

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

Independent non-executive director(s)

Mr Alexander Reid HAMILTON

Professor LI Kwok Cheung Arthur

Dr LEE Kai-Fu

Mr YAP Chee Keong