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嘉里建設有限公司*

KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

website: www.kerryprops.com

(Stock Code: 683)

CONTINUING CONNECTED TRANSACTIONS FOR THE MANAGEMENT OF SHANGRI-LA NANCHANG

INTRODUCTION

On 5 July 2024, KREN (a non-wholly-owned subsidiary of the Company) entered into the Supplemental Agreement to the HMA and the Supplemental Agreement to the MTSA with SLIM and SLIM-SH (both wholly-owned subsidiaries of SA) respectively to amend certain terms of the HMA and the MTSA regarding the management of the Hotel. On the same date, KREN also entered into the PTSA with the Beijing branch of SLIM-SH for the provision of Proprietary Technology Services to the Hotel.

LISTING RULES IMPLICATIONS

KREN is held indirectly as to 80% and 20% by the Company and SA respectively. Each of SLIM and SLIM-SH is a wholly-owned subsidiary of SA. KHL is the controlling shareholder of both the Company and SA. Therefore, each of SA, SLIM and SLIM-SH is an associate of KHL and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

** For identification purpose only*

As a result of the Supplemental Agreement to the HMA, the Supplemental Agreement to the MTSA and the PTSA being entered into, one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the expected maximum annual aggregate amount of the fees payable by KREN under the Transactions are more than 0.1% but all are less than 5%. Consequently, the Transactions are subject to announcement and reporting requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

INTRODUCTION

On 5 July 2024, KREN (a non-wholly-owned subsidiary of the Company) entered into the Supplemental Agreement to the HMA and the Supplemental Agreement to the MTSA with SLIM and SLIM-SH (both wholly-owned subsidiaries of SA) respectively to amend certain terms of the HMA and the MTSA. Pursuant to the HMA and the MTSA (as amended), SLIM and SLIM-SH will provide to KREN, *inter alia*, the Hotel Management Services and the Marketing, Training and Shangri-La Circle Services. On the same date, KREN also entered into the PTSA with the Beijing branch of SLIM-SH for the provision of Proprietary Technology Services to the Hotel.

(1) HOTEL MANAGEMENT AGREEMENT (AS AMENDED BY THE SUPPLEMENTAL AGREEMENT TO THE HMA)

The principal terms of the HMA (as amended by the Supplemental Agreement to the HMA) are as follows:

Date of Supplemental Agreement to the HMA:

5 July 2024

Parties:

- (i) KREN (as the owner of the Hotel)
- (ii) SLIM (as the service provider)

Services:

SLIM provides Hotel Management Services to the Hotel.

Term:

From the date of the HMA until its termination or expiry of the operating term (only during which the fees under the HMA will accrue and become payable).

The operating term of the HMA is three (3) years from the opening date of the Hotel. At the end of the initial three-year term, if both parties mutually agree, the HMA may be renewed for a further three-year term and so on until the twentieth (20th) anniversary of the opening date of the Hotel. A new three-year renewal term has commenced with effect from 1 July 2024 pursuant to the Supplemental Agreement to the HMA.

Fees: The fees payable by KREN to SLIM are based on pre-determined formulas set out in the HMA and mainly comprise:

- (i) Base management fee: a fixed percentage of the gross operating revenue of the Hotel per annum.
- (ii) Incentive management fee: a variable percentage of the adjusted gross operating profit of the Hotel per annum.
- (iii) Branding fund: a fixed amount per room of the Hotel per annum.
- (iv) Direct channel fee: a fixed percentage of the materialised revenue of the Hotel in respect of those transactions conducted via the channels maintained or made available by SLIM and/or its affiliates.

(2) MARKETING, TRAINING AND SHANGRI-LA CIRCLE SERVICES AGREEMENT (AS AMENDED BY THE SUPPLEMENTAL AGREEMENT TO THE MTSA)

The principal terms of the MTSA (as amended by the Supplemental Agreement to the MTSA) are as follows:

Date of Supplemental Agreement to the MTSA: 5 July 2024

Parties: (i) KREN (as the owner of the Hotel)
(ii) SLIM-SH (as the service provider)

Services: SLIM-SH provides Marketing, Training and Shangri-La Circle Services to the Hotel.

Term: From the date of the MTSA until the termination of the HMA (for a term of 3-year). A new three-year renewal term has commenced with effect from 1 July 2024 (in line with the renewal term of the HMA).

Fees: The fees payable by KREN to SLIM-SH are based on pre-determined formulas set out in the MTSA and mainly comprise:

- (i) Marketing fee: a fixed percentage of the gross operating revenue of the Hotel per fiscal year.
- (ii) Training fee: a fixed percentage of the annual total base salary of all employees employed by KREN with respect to the Hotel.
- (iii) Shangri-La Circle frequent guest program fund: a fixed percentage of the amount billed by the Hotel to the members of Shangri-La Circle, such fee being a contribution to the costs and expenses of any frequent guest program.

(3) PROPRIETARY TECHNOLOGY SERVICES AGREEMENT

The principal terms of the PTSA are as follows:

Date of agreement:	5 July 2024
Parties:	(i) KREN (as the owner of the Hotel) (ii) The Beijing branch of SLIM-SH (as the service provider)
Services:	The Beijing branch of SLIM-SH will provide Proprietary Technology Services to the Hotel.
Term:	With effect from 1 July 2024 until the termination of the HMA (for a term of 3-year).
Fee:	A fixed percentage of the revenue derived from Hotel rooms per annum.

EXPECTED MAXIMUM ANNUAL AGGREGATE AMOUNT OF THE FEES

The annual aggregate fees paid by KREN to SLIM under the HMA and to SLIM-SH under the MTSA for the three financial years ended 31 December 2021, 2022 and 2023 were approximately RMB7,900,000 (approximately HK\$8,453,000), RMB6,600,000 (approximately HK\$7,062,000) and RMB9,000,000 (approximately HK\$9,630,000) respectively.

Based on the historical transaction amounts under the HMA and the MTSA, the amendments pursuant to the Supplemental Agreement to the HMA and the Supplemental Agreement to the MTSA, the expected occupancy level of the Hotel, the prevailing and projected market rates for similar hotels in the nearby area, and taking into account possible changes in the macroeconomic environment such as inflation and exchange rate, the Board expects that the maximum annual aggregate amount of the fees payable by KREN to SLIM and/or SLIM-SH for the Transactions for each of the financial years will not exceed the following respective annual caps:

Financial year ending	Annual Caps (RMB)	Annual Caps (Approximately HK\$)
31 December 2024	15,400,000	16,478,000
31 December 2025	17,700,000	18,939,000
31 December 2026	19,900,000	21,293,000
31 December 2027 (for the entire year assuming the HMA will be renewed upon expiry of the three-year renewal term from the date of the Supplemental Agreement to the HMA)	21,200,000	22,684,000

If the expected maximum annual aggregate amount of the fees payable by KREN to SLIM and/or SLIM-SH for the Transactions for any financial year exceed the respective annual caps stated above, the Company will re-comply with the requirements under the Listing Rules.

INTERNAL CONTROL PROCEDURES

In order to ensure that the continuing connected transactions of the Group are being conducted in a fair and reasonable manner, the Group has adopted the following internal control procedures:

- (i) the Company conducts regular reviews to ensure the transaction amounts of the continuing connected transactions are within the relevant annual caps;
- (ii) the independent non-executive Directors will review the Group's continuing connected transactions on an annual basis as required under Rule 14A.55 of the Listing Rules and confirm in the Company's annual report whether the continuing connected transactions have been entered into (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms or better; and (3) the terms of the agreements governing the relevant transactions are fair and reasonable and in the interests of the Company and its shareholders as a whole; and
- (iii) for compliance with Rule 14A.56 of the Listing Rules, the Company will also engage its external auditors to conduct an annual review of the continuing connected transactions including the Agreements to ensure that, among others, the transaction amounts are within the relevant annual cap limit and the transactions are conducted in accordance with the terms of the relevant agreements.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS

The SA Group has extensive experience in hotel operations and management and has a good track record in providing hotel management and related services to the Group. By entering into and maintaining the Agreements, the Group will continue to enjoy uninterrupted, smooth and quality Hotel Management Services provided to it and will enjoy the benefits of using Shangri-La's brand names. In addition, as the principal business activity of SLIM and SLIM-SH is the provision of hotel management and related services, and the principal business activities of KREN include, among others, the ownership of the Hotel, the Board believes that the parties can complement each other's strengths. Moreover, pursuant to the HMA, SLIM has agreed to grant KREN a sub-licence to use the brand names of "Shangri-La" and/or "香格里拉" and other related trade marks and logos, etc. for operating the Hotel as a first class international luxury hotel.

The terms of the Agreements were determined between the parties after arm's length negotiations. In particular, the fees payable by KREN pursuant to the Agreements were agreed after taking into account the Directors' understanding of typical pricing offered in the market by comparable service providers.

Drawing on the Group's experience in the hotel operation business, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreements are fair and reasonable, and the Transactions are entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and its shareholders as a whole. As Mr. Kuok Khoon Hua, the Chairman and Chief Executive Officer of the Company, has declared that he, together with his associates, holds more than 5% interest in SA, Mr. Kuok has abstained from voting on the relevant resolutions of the Board approving the Agreements and the Transactions.

INFORMATION OF THE GROUP AND THE PARTIES

The principal activity of the Company is investment holding, and the principal activities of the Company's subsidiaries, associates, and joint ventures comprise property development, investment and management in Hong Kong, the Mainland and the Asia Pacific region; hotel ownership in Hong Kong and hotel ownership and operations in the Mainland; and integrated logistics and international freight forwarding.

KREN is a company indirectly owned as to 80% by the Company and 20% by SA. The principal activities of KREN include the ownership and development of a mixed-use development comprising the Hotel, offices, commercial and related ancillary facilities.

Each of SLIM and SLIM-SH is a wholly-owned subsidiary of SA. The principal activity of each of them is the provision of hotel management, marketing, communication, reservation, consultancy and other hotel related services. SLIM is also engaged in investment holding. The principal activities of SA 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. SA 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".

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As a result of the Supplemental Agreement to the HMA, the Supplemental Agreement to the MTSA and the PTSA being entered into, one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the expected maximum annual aggregate amount of the fees payable by KREN under the Transactions are more than 0.1% but all are less than 5%. Consequently, the Transactions are subject to announcement and reporting requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Agreements”	the Supplemental Agreement to the HMA, the Supplemental Agreement to the MTSA and the PTSA;
“associate(s)”, “connected person(s)”, “continuing connected transactions” “controlling shareholder(s)” “percentage ratios” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	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;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HMA”	the hotel management agreement entered into on 25 December 2014 (as supplemented by the first supplemental agreement dated 1 November 2017, the second supplemental agreement dated 30 September 2020 and the third supplemental agreement dated 1 November 2022) between KREN and SLIM for the provision of the Hotel Management Services by SLIM to KREN;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Hotel”	a hotel being operated under the name “Shangri-La Nanchang” ;
“Hotel Management Services”	hotel management services and reservation services provided by SLIM to KREN for the management and operation of the Hotel pursuant to the HMA (including the Supplemental Agreement to the HMA);

“KHL”	Kerry Holdings Limited, a limited liability company incorporated in Hong Kong, which as at the date of this announcement is the controlling shareholder of the Company;
“KREN”	Kerry Real Estate (Nanchang) Co., Ltd.* 嘉里置業（南昌）有限公司, a company established in the PRC and indirectly owned as to 80% by the Company and 20% by SA, being an indirect non-wholly-owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Marketing, Training and Shangri-La Circle Services”	marketing services and training services (including provision and operation of Shangri-La Circle frequent guest program under the brand of “Shangri-La”) provided by SLIM-SH to KREN pursuant to the MTSA (including the Supplemental Agreement to the MTSA);
“MTSA”	the marketing, training and Shangri-La Circle services agreement entered into on 1 November 2017 (as supplemented by the first supplemental agreement dated 30 September 2020 and the second supplemental agreement dated 1 November 2022) between KREN and SLIM-SH for the provision of Marketing, Training and Shangri-La Circle Services by SLIM-SH to KREN;
“PRC” or “Mainland”	the People’s Republic of China;
“Proprietary Technology Services”	provision of Shangri-La standard electronic system (including hotel reservation management system and customers service management system) by the Beijing branch of SLIM-SH to the Hotel pursuant to the PTSA;
“PTSA”	the proprietary technology services agreement dated 5 July 2024 entered into between KREN and the Beijing branch of SLIM-SH for the provision of Proprietary Technology Services by the Beijing branch of SLIM-SH to KREN;
“RMB”	Renminbi, the lawful currency of the PRC;
“SA”	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 the Singapore Exchange Securities Trading Limited;
“SA Group”	SA and its subsidiaries;

“SLIM”	Shangri-La International Hotel Management Limited 香格里拉國際飯店管理有限公司, a company incorporated in Hong Kong and is a wholly-owned subsidiary of SA;
“SLIM-SH”	Shangri-La Hotel Management (Shanghai) Co., Ltd.* 香 格里拉飯店管理（上海）有限公司, a company established in the PRC and is a wholly-owned subsidiary of SA, and its Beijing branch;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement to the HMA”	the supplemental agreement to the HMA entered into on 5 July 2024 between KREN and SLIM for the purpose of amending certain terms of the HMA;
“Supplemental Agreement to the MTSA”	the supplemental agreement to the MTSA entered into on 5 July 2024 between KREN and SLIM-SH for the purpose of amending certain terms of the MTSA;
“Transactions”	the entering into of the Agreements and the transactions contemplated thereunder; and
“%”	per cent.

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*Amounts denominated in RMB in the announcement have been converted into HK\$ at the rate of
RMB1 = HK\$1.07 for illustration purpose.*

By order of the Board
Kerry Properties Limited
Cheng Wai Sin
Company Secretary

Hong Kong, 5 July 2024

As at the date of this announcement, the Directors of the Company are:

Executive Directors: *Mr. Kuok Khoon Hua and Mr. Au Hing Lun, Dennis*

**Independent Non-
executive Directors:** *Mr. Hui Chun Yue, David, Mr. Chum Kwan Lock, Grant and Dr. Li Rui*

Non-executive Director: *Ms. Tong Shao Ming*