

# SHANGRI-LA GROUP

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## **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 TRANSACTIONS**

#### **Purchases of Wines through Kerry Wines Limited and its Subsidiary(ies)**

The Hotels from time to time order wines from various wine suppliers (including KW Companies) on an ongoing basis for the Group's hotel operations in the food and beverage business. Some of the Hotels are owned by Group Companies.

Each KW Company is a non-wholly owned subsidiary of KHL which in turn is a substantial shareholder of the Company. Accordingly, the KW Companies are connected persons of the Company and KW Wine Orders constitute continuing connected transactions for the Company under the Listing Rules. In view of the size of the Annual Cap, the KW Wine Orders are subject to announcement, annual review and reporting requirements, but are exempt from independent shareholders' approval requirement.

### **INTRODUCTION**

The Hotels from time to time order wines from various wine suppliers (including KW Companies) on an ongoing basis for the Group's hotel operations in the food and beverage business. Some of the Hotels are owned by Group Companies. As the KW Companies are considered connected persons of the Company, KW Wine Orders constitute continuing connected transactions for the Company under the Listing Rules.

It is anticipated that the total value of KW Wine Orders for the financial year ending 31 December 2019 may exceed the de minimis threshold. Therefore, the KW Wine Orders are subject to disclosure under the Listing Rules and the Company is required to set a maximum aggregate annual value for KW Wine Orders for the financial year ending 31 December 2019.

### **WINES AND KW WINE ORDERS**

The wines purchased or to be purchased from KW Companies mainly include (1) stock wines and (2) wines en primeur.

## **Purchases of Stock Wines and the Wine Program**

The Group maintains the Wine Program with various wine suppliers (including KW Companies). Under the Wine Program, each wine supplier offers to supply certain agency label stock wines at certain agreed unit prices (subject to revision) to some or all of the Hotel(s). The wines and the unit prices offered by the wine suppliers are independently verified, reviewed and negotiated by wine experts and purchasing divisions from the hotel operations unit(s) of the Group to ensure that offered prices are reasonable and competitive compared to other suppliers in the market. Save for suppliers of rare or unique wines, the terms and conditions of the Wine Program are consistently applied to the purchases of all wine suppliers participating in the Wine Program.

The Hotels select their wines based on their respective local market trends and guests' preferences. Any Hotel which is interested in purchasing wines from offers extended to such Hotel under the Wine Program may enter into a purchase order with the respective wine supplier (including KW Companies) directly to purchase wines. The wines ordered may include (1) the wines offered under the Wine Program and at the unit prices indicated thereunder, and (2) other wines not listed under the Wine Program and at the unit prices to be agreed between the Hotel and the relevant wine supplier with reference to current comparable market prices for the specific wines at the time the purchase order is placed.

For the purposes of the Wine Program, SLIM-HK (a wholly owned subsidiary of the Company) entered into a Master Agreement with Kerry Wines on 9 January 2019 for the supply of wines by KW Companies, on a non-exclusive basis, to the Hotels for the period from 1 January 2019 to 31 December 2019. Under the Master Agreement, Kerry Wines undertakes that the unit prices offered by KW Companies to the Hotels must be on terms no less favourable than those ordinarily offered by KW Companies to their other customers.

All wine orders placed by the Hotels with KW Companies under the Wine Program are effected by purchase orders in written form. The unit prices are determined on a fair and reasonable basis with reference to the relevant market prices. The other terms including the payment terms are arrived at after arm's length negotiation between the respective Hotel and the respective KW Company.

The Wine Program is a normal purchase and sourcing arrangement of the Hotels' business and it facilitates, as well as benefits, the daily operations of the Hotels located across different territories. Neither SLIM-HK nor the Hotels have any form of binding obligation to purchase any minimum quantity/amount of wines from any KW Company under the Master Agreement or the Wine Program.

The Master Agreement may be terminated by either SLIM-HK or Kerry Wines by giving the other party not less than 90 days' written notice.

## **Purchases of Wines En Primeur**

The Group's decisions on purchases of wines en primeur will depend heavily on various market conditions including the types, the quality and the quantity of wines then anticipated to be available for certain regions for a particular year. The Group's purchase(s) of wines en primeur from KW Companies, if any, will be effected by purchase order(s) to be entered into between a Group Company or a Hotel and a KW Company. Such purchase order(s) will set out the detailed particulars of each type of the wines to be ordered including the unit price, the quantity, the payment terms and the delivery terms which will be negotiated and concluded on normal commercial terms and arm's length basis.

## MAXIMUM AGGREGATE ANNUAL VALUE

During the period from 1 January 2019 to 30 June 2019, the aggregate value of KW Wine Orders amounted to approximately US\$1,502,000.

Based on (i) the value of KW Wine Orders recognised during the period from 1 January 2019 to 30 June 2019, and (ii) the business plans of the Hotels for the remaining months of 2019, the Group has estimated the maximum aggregate value of KW Wine Orders to be placed for the financial year ending 31 December 2019. In view of the volatility of the business forecasts, the cyclical seasons and the unique nature of wines en primeur, the Board has applied an optimistic forecast in arriving at the Annual Cap for KW Wine Orders for the financial year ending 31 December 2019, as set out below (the actual figure for the previous year is also provided for reference):

	<b>2019</b>	2018
	<b>Annual Cap</b>	Actual amount
	<b>(US\$)</b>	(US\$)
Total annual amount	<b>5,000,000</b>	3,122,000

The Company will report in its next annual report the annual amount payable/committed for KW Wine Orders for the year ending 31 December 2019.

## REASONS FOR THE KW WINE ORDERS

One of the major business activities of the Group is operation of luxury hotels. For part of their ordinary food and beverage services, the Hotels from time to time order wines from various wine suppliers, including the KW Companies, on an ongoing basis.

The Board considers that the wine choices available from each of such wine suppliers (including KW Companies) support a comprehensive wine list providing a wide range of wine choices for the Hotels' food and beverage business. The Board also believes that the expertise and the advisory services of the KW Companies can facilitate the selection of wines en primeur suitable for the operations of the Hotels and that the KW Companies are able to offer preferred pricing of wines through their bulk purchases directly from the wineries.

Ms KUOK Hui Kwong is deemed to have more than 5% ultimate 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 KW Wine Orders. The Board confirms that, save for Ms KUOK Hui Kwong, none of the other Directors has any material interest in the transactions contemplated under the KW Wine Orders.

The other Directors (including the independent non-executive Directors) consider that the KW Wine Orders are made in the ordinary and usual course of business of the Hotels in which the Group maintains interest and are on normal commercial terms, and that such terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## INFORMATION ABOUT THE GROUP AND KW COMPANIES

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 sales. 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".

Kerry Wines is owned as to:

- (a) 20% by a wholly owned subsidiary of the Company;
- (b) 60% by a wholly owned subsidiary of KHL; and
- (c) 20% by a company which is an associate of Ms KUOK Hui Kwong, a Director, under Rule 14A.12 of the Listing Rules.

The principal activities of the KW Companies include sourcing, trading, wholesale and retailing of quality wines, and wine related services.

## **IMPLICATIONS UNDER THE LISTING RULES**

Each KW Company is a non-wholly owned subsidiary of KHL which in turn is a substantial shareholder of the Company. Accordingly, the KW Companies are connected persons of the Company and the KW Wine Orders constitute continuing connected transactions for the Company. In view of the size of the Annual Cap, the KW Wine Orders are subject to announcement, annual review and reporting requirements, but are exempt from independent shareholders' approval requirement.

In the event any future KW Wine Order of the current financial year causes the Annual Cap to be exceeded or contains any term materially different from those disclosed herein, the Company will, if required under the Listing Rules or by HKSE, make timely disclosure and/or re-comply with the relevant requirements.

## **DEFINITIONS**

“Annual Cap”	the anticipated maximum aggregate annual cap of the amounts payable/committed for the KW Wine Orders for the financial year ending 31 December 2019 as described under the heading “Maximum Aggregate Annual Value”
“Board”	the board of Directors
“Company”	Shangri-La Asia Limited, incorporated in Bermuda as an exempted company with limited liability, whose shares are primarily listed on the Main Board of HKSE 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
“Group”	the Company and its subsidiaries
“Group Company(ies)”	the company member(s) of the Group
“HKSE”	The Stock Exchange of Hong Kong Limited

“Hotel(s)”	the hotel(s) operated and managed by SLIM-HK (which may or may not be owned by a Group Company), each such hotel (1) bearing a Group-operated brand name, including Shangri-La, Kerry Hotel, Hotel Jen, Traders Hotel, etc, and (2) acting through the hotel itself or the company holding it
“Kerry Wines”	Kerry Wines Limited, a company incorporated in Hong Kong and a non-wholly owned subsidiary of KHL
“KHL”	Kerry Holdings Limited, a substantial shareholder of the Company
“KW Company(ies)”	Kerry Wines and/or its subsidiary(ies)
“KW Wine Order(s)”	the purchase order(s) of wines placed by the Group Company(ies) with the KW Company(ies)
“Listing Rules”	the Rules Governing the Listing of Securities on HKSE
“Master Agreement”	the master agreement dated 9 January 2019 entered into between SLIM-HK and Kerry Wines in respect of the supply of wines by KW Companies to the Hotels
“SLIM-HK”	Shangri-La International Hotel Management Limited, a company incorporated in Hong Kong, and ultimately wholly owned by the Company
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Wine Program”	the program established by the Group with various wine suppliers in relation to the Hotels’ purchases of stock wines, as described under the sub-heading “Purchases of Stock Wines and the Wine Program”

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

Hong Kong, 17 October 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)*

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*