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SHANGRI-LA ASIA LIMITED

香格里拉(亞洲)有限公司

(Incorporated in Bermuda with limited liability)

website: [www.ir.shangri-la.com](http://www.ir.shangri-la.com)

(Stock code: 00069)

### **CONTINUING CONNECTED TRANSACTIONS**

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

The Group Members from time to time order Wines from various wine suppliers (including the KW Members) on an ongoing basis for the Group's hotel operations in food and beverage business.

Each KW Member is a non-wholly owned subsidiary of KHL which in turn is a substantial shareholder of the Company. Accordingly, the KW Members 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 under Chapter 14A of the Listing Rules.

### **INTRODUCTION**

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

It is anticipated that the total amount of the Group Members' purchase of the Wines from the KW Members for the financial year ending 31 December 2016 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 the KW Wine Orders for the financial year ending 31 December 2016.

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

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

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

The Group has maintained the Wine Program with various wine suppliers (including the KW Members). Under the Wine Program, each wine supplier has offered and/or continues to offer to supply certain unique stock wines at certain agreed unit prices (subject to revision) to the Group Members. The Wines and the unit prices offered by the wine suppliers have been and/or are independently verified, reviewed and negotiated by wine experts 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. Once the wine offer list with each wine supplier is finalized for the purposes of the Wine Program, any Group Member who is interested in purchasing wines on the wine offer list may enter into a written agreement with the respective wine supplier to purchase wines under the Wine Program. 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 Group Members select their wines based on their respective local market trends and guests' preferences. Through the Wine Program, each of the Group Members may order wines directly from any of the wine suppliers participating in the Wine Program (including the KW Members). The wines ordered or to be ordered may include (1) the wines offered under the Wine Program and at the unit prices indicated thereunder, and (2) other wines not having been listed under the Wine Program and at the unit prices to be agreed between the Group Member 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 Wine Contract with Kerry Wines on 1 January 2016 for the supply of wines by KW Members, on a non-exclusive basis, to the hotels operated and managed by SLIM-HK for a period from 1 January 2016 to 31 December 2016. The parties agreed that the unit prices offered by Kerry Wines to the Group Members must be on terms more competitive or at least no less favourable than those ordinarily offered by Kerry Wines to its other customers.

All KW Wine Orders placed or to be placed were or will be effected by purchase orders in written form. The unit prices were or will be determined on a fair and reasonable basis with reference to the relevant market prices. The other terms including the payment terms were or will be arrived at after arm's length negotiation between the respective Group Member and the respective KW Member.

The Wine Program is a normal purchase and sourcing arrangement of the relevant Group Members' business and facilitates, as well as benefits, the daily operations of the Group's hotels located across different territories. Neither SLIM-HK nor the Group Members have any form of binding obligation to purchase any minimum quantity/amount of Wines from any KW Member under the Wine Program or the Wine Contract.

The Wine Contract 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 at the appropriate seasons of a year. The Group's purchase(s) of wines en primeur from the KW Member(s), if any, will be effected by purchase order(s) to be entered into between a Group Member and a KW Member. 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 2016 to 30 June 2016, the aggregate value of the KW Wine Orders amounted to approximately US\$1,600,000.

Based on (i) the value of the KW Wine Orders recognized during the period from 1 January 2016 to 30 June 2016, and (ii) the business plans of the Group Members for the remaining months of 2016, the Group has estimated the maximum aggregate value of the KW Wine Orders to be placed for the financial year ending 31 December 2016. 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 the Annual Cap for the KW Wine Orders for the financial year ending 31 December 2016, as set out below (the actual figure for the previous year is also provided for reference purpose):

	<b>2016</b>	2015
	<b>Annual Cap</b>	Actual amount
	<b>(US\$)</b>	(US\$)
Total annual amount	<b>5,000,000</b>	3,367,000

The Company will report in its next annual report the annual amount payable/committed for the KW Wine Orders for the year ending 31 December 2016.

## 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 Group Members from time to time order Wines from various wine suppliers, including the KW Members, on an ongoing basis.

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

Mr KUOK Khoon Chen and Ms KUOK Hui Kwong are deemed to have more than 5% ultimate interest in KHL within the meaning of Part XV of the Securities and Futures Ordinance and have accordingly abstained from voting on the resolutions in relation to the KW Wine Orders. The Board confirms that, save for Mr KUOK Khoon Chen and Ms KUOK Hui Kwong, none of the other Directors had 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 Group Members, 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 THE KW MEMBERS

The principal activities of the Group are the ownership and operation of hotels and associated properties and the provision of hotel management and related services. The Company's subsidiaries are also the registered proprietors of various trademarks and service marks in various countries, including the brand names "Shangri-La", "Hotel Jen", "Traders", "Rasa", "Summer Palace" and "Shang Palace" and related devices and logos.

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 Mr KUOK Khoon Chen and Ms KUOK Hui Kwong, both being Directors, under Rule 14A.12 of the Listing Rules.

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

## **IMPLICATIONS UNDER THE LISTING RULES**

Each KW Member is a non-wholly owned subsidiary of KHL which in turn is a substantial shareholder of the Company. Accordingly, the KW Members 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 under Chapter 14A of the Listing Rules.

In the event any future KW Wine Order of the current financial year causes to exceed the Annual Cap or any term of it is 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 2016 as described under the heading of “Maximum Aggregate Annual Value”
“Board”	the board of Directors
“Company”	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 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 Member(s)”	certain selected subsidiary(ies) (acting through such subsidiary or the underlying hotel owned by such subsidiary) of the Group
“HKSE”	The Stock Exchange of Hong Kong Limited

“Kerry Wines”	Kerry Wines Limited, a company incorporated in Hong Kong
“KHL”	Kerry Holdings Limited, a substantial shareholder of the Company
“KW Member(s)”	Kerry Wines and/or its subsidiary(ies)
“KW Wine Order(s)”	the purchase order(s) of the Wines placed by the Group Member(s) with the KW Member(s)
“Listing Rules”	the Rules Governing the Listing of Securities on HKSE
“SLIM-HK”	Shangri-La International Hotel Management Limited, a company incorporated in Hong Kong and is ultimately wholly owned by the Company
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Wine(s)”	a wide range of alcoholic beverages including, but not limited to, stock wines and wines en primeur, and the associated services related thereto
“Wine Contract”	the wine contract dated 1 January 2016 entered into between SLIM-HK and Kerry Wines in respect of the supply of wines by KW Members to the Group Members
“Wine Program”	the program established by a Group Member with various wine suppliers in relation to the Group Members’ purchases of stock wines, as described under the sub-heading of “Purchases of Stock Wines and the Wine Program”

On behalf of the board of  
**Shangri-La Asia Limited**  
**KUOK Khoon Chen**  
*Chairman*

Hong Kong, 23 August 2016

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

Executive directors

*Mr KUOK Khoon Chen (Chairman & CEO)*  
*Ms KUOK Hui Kwong (Deputy Chairman)*  
*Mr LIU Kung Wei Christopher (MD & COO)*  
*Mr LUI Man Shing*  
*Mr Madhu Rama Chandra RAO*

Independent non-executive directors

*Mr Alexander Reid HAMILTON*  
*Mr Timothy David DATTELS*  
*Professor LI Kwok Cheung Arthur*  
*Dr LEE Kai-Fu*

Non-executive directors

*Mr HO Kian Guan*  
*Mr HO Kian Hock (alternate to Mr HO Kian Guan)*