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## **CONVENIENCE RETAIL ASIA LIMITED**

**利亞零售有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 00831)**

### **CONTINUING CONNECTED TRANSACTIONS**

The Board is pleased to announce that on 22 November 2012, the Company entered into two master agreements with FH 1937 relating to (1) the purchases of various products (being both food and non-food products) by the Group from FH 1937 Group and (2) the properties leasing and / or licensing arrangements between the Group and FH 1937 Group both for a term of three years commencing from 1 January 2013 and ending on 31 December 2015.

The Transactions constitute continuing connected transactions for the Group, which are subject to the reporting and announcement requirements, but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

#### **1. PURCHASES OF VARIOUS PRODUCTS (BEING BOTH FOOD AND NON-FOOD PRODUCTS)**

##### **BACKGROUND INFORMATION**

Reference is made to the announcement of the Company dated 5 November 2010 (the "2010 Announcement") in respect of the entering into a master agreement for the purchases of various products (being both food and non-food products) from companies of FH 1937 Group for a term of two years commenced on 1 January 2011 and ending on 31 December 2012. The Directors consider that it is in the interest of the Group to continue such purchases and to enter into the Master Agreement I with FH 1937 to provide a framework for the purchases of various products (being both food and non-food products) by the Group from FH 1937 Group.

## **THE MASTER AGREEMENT I**

The Company entered into the Master Agreement I with FH 1937 on 22 November 2012 in relation to the purchases of various products (being both food and non-food products) by the Group from FH 1937 Group. The Master Agreement I is for a term of three years from 1 January 2013 to 31 December 2015.

Pursuant to the Master Agreement I, the Group will purchase various products (being both food and non-food products) from FH 1937 Group on its standard terms of business or on terms no less favourable to the Group than terms available to independent third parties and therefore, the Directors consider that the level of the purchase prices payable by the Group to be fair and reasonable to the Group.

The payment for the purchases of products will be made in cash by the Group to FH 1937 Group on a monthly basis within a maximum of 60 days after the issue of the month end statement.

## **HISTORICAL FIGURES**

For the year ended 31 December 2011 and for the nine months ended 30 September 2012, the amounts paid by the Group to FH 1937 Group in respect of the purchases of various products (being both food and non-food products) are approximately HK\$13,868,000 and HK\$7,064,000 respectively, which are all within the annual caps of HK\$25,000,000 and HK\$30,000,000 respectively as set out in the 2010 Announcement for the two years ending 31 December 2012.

## **PROPOSED ANNUAL CAPS FOR THE TRANSACTIONS**

The projected annual caps of the aggregate purchases payable by the Group to FH 1937 Group for the transactions contemplated under the Master Agreement I for each of the three years ending 31 December 2015 are HK\$20,000,000, HK\$25,000,000 and HK\$30,000,000 respectively, which have been determined based on the Company's estimate of the demand for the products to be purchased from FH 1937 Group with reference to the projected amount of sale of such products by the Group. The increase in the annual caps as contemplated under the Master Agreement I is mainly attributed to the projected expansion in the number of stores in Hong Kong, Macau and the Chinese Mainland, a series of promotional activities to be carried out, launch of new items and considerable rise in prices of the products in the coming three years.

## **2. PROPERTIES LEASING AND / OR LICENSING ARRANGEMENTS**

### **BACKGROUND INFORMATION**

Reference is made to the announcement of the Company dated 18 December 2009 (the “2009 Announcement”) in respect of the entering into a master agreement for the leasing of properties and / or licensing of the right to use properties (or any part thereof) by companies of FH 1937 Group to the Group for a term of three years commenced on 1 January 2010 and ending on 31 December 2012. The Directors consider that it is in the interest of the Group to continue such leasing and / or licensing arrangements and to enter into the Master Agreement II with FH 1937 to provide a framework for the leasing and / or licensing arrangements between the Group and FH 1937 Group.

### **THE MASTER AGREEMENT II**

The Company entered into the Master Agreement II with FH 1937 on 22 November 2012 in relation to the leasing of properties and / or licensing of the right to use properties (or any part thereof) by FH 1937 Group to the Group. The Master Agreement II is for a term of three years from 1 January 2013 to 31 December 2015.

Pursuant to the Master Agreement II, the rentals and / or licence fees for the properties shall be negotiated between the parties with reference to the then prevailing market rates or on terms no less favourable to the Group than terms available to or from independent third parties and therefore, the Directors consider that the level of rentals to be payable by the Group to be fair and reasonable to the Group.

The rental and / or licence fee payment will be made in cash by the Group to FH 1937 Group.

### **HISTORICAL FIGURES**

For each of the two years ended 31 December 2011 and for the nine months ended 30 September 2012, the amounts paid by the Group to FH 1937 Group in respect of the properties leasing and / or licensing arrangements are approximately HK\$6,712,000, HK\$8,307,000 and HK\$6,330,000 respectively, which are all within the annual caps of HK\$8,000,000, HK\$11,000,000 and HK\$13,000,000 respectively as set out in the 2009 Announcement for the three years ending 31 December 2012.

## **PROPOSED ANNUAL CAPS FOR THE TRANSACTIONS**

The projected annual caps of the aggregate rentals and / or licence fees payable by the Group to FH 1937 Group for the transactions contemplated under the Master Agreement II for each of the three years ending 31 December 2015 are HK\$12,000,000, HK\$14,000,000 and HK\$15,000,000 respectively, which have been determined based on the current rentals for the properties leased and / or licensed by FH 1937 Group to the Group and after taking into account the future rental adjustment and an estimated demand for additional space for office, store premises or carparks to cope with the business needs of the Group for the following three years.

## **REASONS AND BENEFITS OF ENTERING INTO THE TRANSACTIONS**

Given the affiliation between the Group and FH 1937 Group, the Group has been purchasing various products (being both food and non-food products) from and having properties leasing and / or licensing arrangements with FH 1937 Group and will continue to do so in view of business needs and administrative convenience.

The terms of the Master Agreements I and II were agreed upon after arm's length negotiations between the Group and FH 1937 Group. The Directors (including the Independent Non-executive Directors) consider that the Master Agreements I and II were entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms and the annual caps are fair and reasonable for the Group and the Shareholders as a whole.

Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun, both directors of FH 1937, who are considered to have a material interest in the Transactions by virtue of their deemed interests in FH 1937, had abstained from voting on the relevant board resolutions for approving the Transactions contemplated under Master Agreements I and II as required by the Company's Articles of Association or the Listing Rules.

## **INFORMATION ON THE PARTIES**

The Group is principally engaged in the operation of chains of convenience stores and bakeries under the trade names of "Circle K" and "Saint Honore" respectively in Hong Kong, Macau and the Chinese Mainland.

FH 1937 Group focuses on four main businesses - trading, logistics, distribution and retailing.

## GENERAL

As FH 1937 is the controlling Shareholder of the Company, members of FH 1937 Group (other than the Group) are connected persons of the Company. The Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Given that the applicable percentage ratios calculated with reference to the proposed annual caps for the Transactions are more than 0.1% but less than 5%, the Transactions are therefore subject to the reporting and announcement requirements, but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Details of the Transactions will be included in the next published annual report and accounts of the Company in accordance with Rule 14A.45 of the Listing Rules and the Company will also comply with Rules 14A.37 to 14A.41 of the Listing Rules.

## DEFINITIONS

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

<b>“associate(s)”</b>	has the meaning ascribed to it in the Listing Rules
<b>“Board”</b>	the board of Directors
<b>“Company”</b>	Convenience Retail Asia Limited, a company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange
<b>“connected person(s)”</b>	has the meaning ascribed to it in the Listing Rules
<b>“controlling shareholder”</b>	has the meaning ascribed to it in the Listing Rules
<b>“Directors”</b>	the directors of the Company
<b>“FH 1937”</b>	Fung Holdings (1937) Limited (formerly known as Li & Fung (1937) Limited), a company incorporated under the laws of Hong Kong, and a controlling Shareholder of the Company
<b>“FH 1937 Group”</b>	FH 1937 and its associates (but excluding the Group), and Li & Fung Limited and its subsidiaries
<b>“Group”</b>	the Company and its subsidiaries
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong

<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Master Agreement I”</b>	the master agreement entered into between the Company and FH 1937 on 22 November 2012 in relation to the purchases of various products (being both food and non-food products) by the Group from FH 1937 Group
<b>“Master Agreement II”</b>	the master agreement entered into between the Company and FH 1937 on 22 November 2012 in relation to the leasing of properties and / or licensing of the right to use properties (or any part thereof) by FH 1937 Group to the Group
<b>“Shareholder(s)”</b>	holder(s) of shares in the Company
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“subsidiary”</b>	has the meaning ascribed to it in the Listing Rules
<b>“Transactions”</b>	the transactions contemplated under the Master Agreement I and Master Agreement II respectively

On behalf of the Board  
**Convenience Retail Asia Limited**  
**Richard YEUNG Lap Bun**  
*Executive Director*

Hong Kong, 22 November 2012

As at the date of this announcement, Executive Directors of the Company are Mr. Richard Yeung Lap Bun and Mr. Pak Chi Kin; Non-executive Directors are Dr. Victor Fung Kwok King, Dr. William Fung Kwok Lun, Mr. Jeremy Paul Egerton Hobbins, Mr. Godfrey Ernest Scotchbrook and Mr. Benedict Chang Yew Teck; Independent Non-executive Directors are Dr. Raymond Ch’ien Kuo Fung, Mr. Malcolm Au Man Chung, Mr. Anthony Lo Kai Yiu and Mr. Zhang Hongyi.