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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 9 November 2018, the Company entered into a Master Lease Agreement with FH 1937 to provide a framework of the terms for the properties leasing and / or licensing arrangements between FH 1937 Group and the Group for a term of three years commencing from 1 January 2019 and ending on 31 December 2021.

At the date of this announcement, FH 1937, via its wholly-owned subsidiary Fung Retailing Limited, is a controlling shareholder of the Company which is interested in 311,792,000 shares in the Company, representing approximately 40.89% of the existing issued share capital of the Company. As such, FH 1937 and members of FH 1937 Group are connected persons of the Company and the Transactions constitute continuing connected transactions for the Company under the Listing Rules. As the applicable percentage ratios calculated with reference to the annual caps of the Transactions exceed 0.1% but are less than 5%, the Transactions are only subject to the reporting, annual review and announcement requirements, but are exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **Background information**

Reference is made to the announcement of the Company dated 20 November 2015 in respect of, among others, the entering into of the Former Master Lease Agreement for the leasing of properties and / or granting of licence for the right to use properties (or any part thereof) by FH 1937 Group to the Group for a term of three years commenced on 1 January 2016 and ending on 31 December 2018.

The Directors consider that it is in the interest of the Group to continue such properties leasing and / or licensing arrangements and to enter into the Master Lease Agreement with FH 1937 to provide a framework of the terms for the properties leasing and / or licensing arrangements between the Group and FH 1937 Group.

## MASTER LEASE AGREEMENT

- Date : 9 November 2018
- Parties : (1) the Company  
(2) FH 1937
- Subject matter : The leasing of properties and / or granting of licence for the right to use properties (or any part thereof) by FH 1937 Group to the Group.
- Term : The period commencing on 1 January 2019 and expiring on 31 December 2021.
- Pricing basis : FH 1937 Group will lease properties and / or grant licence for the right to use properties (or any part thereof) to the Group on normal commercial terms and in the ordinary and usual course of their respective businesses.

The rentals and / or licence fees payable under the Master Lease Agreement shall be negotiated under arm's length basis and to be agreed between the parties with reference to (i) the prevailing market rates or at rates no less favourable to the Group than those available to any other independent third parties; and (ii) the open market rent of comparable properties.

The parties will also take into account a number of factors such as (i) the annual rental increases in the underlying lease agreements; and (ii) various conditions of the premises including the size and location as well as the facilities and management services associated with the premises; and also will benchmark the market rental rates of other comparable properties so as to ensure that the terms offered by FH 1937 Group to the Group are fair, reasonable and competitive.

The rental or licence fee payable under each sub-lease or licence is based on a proportion of the rent and other expenses (such as electricity, water, air-conditioning and real estate taxes) payable by the lessee to the third party landlord under the relevant lease that reflects the proportion of the leased floor space occupied by the relevant members of the Group on a strict pass-through at cost basis.

- Payment term : The rentals and / or licence fees will be paid in cash by the Group to FH 1937 Group pursuant to the terms of the individual agreement(s) in respect of the Transactions as may be agreed between the parties thereto.

## Historical figures

For the years ended 31 December 2016 and 2017 and for the nine months ended 30 September 2018, the amounts paid by the Group to FH 1937 Group in respect of the properties leasing and / or licensing arrangements are approximately HK\$13,229,000, HK\$13,080,000 and HK\$9,428,000 respectively, which are all within the annual caps of HK\$16,000,000, HK\$16,000,000 and HK\$18,000,000 respectively as set out in the Former Master Lease Agreement for the three years ending 31 December 2018.

## Annual caps

The 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 Lease Agreement for each of the three years ending 31 December 2021 are set out below:

<u>Year ending</u> <u>31 December 2019</u>	<u>Year ending</u> <u>31 December 2020</u>	<u>Year ending</u> <u>31 December 2021</u>
HK\$19,000,000	HK\$20,000,000	HK\$25,000,000

The annual caps 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 increases in related expenses, 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 FOR AND BENEFITS OF THE TRANSACTIONS

Given the affiliation between the Group and FH 1937 Group, the Group has been leasing and / or licensing properties from FH 1937 Group for use as office and retail stores and will continue to do so in view of business needs and administrative convenience.

The Directors (including the Independent Non-executive Directors) are of the view that the Transactions are and will be conducted in the ordinary and usual course of business of the Group, the terms of the Master Lease Agreement (together with the annual caps) are negotiated on arm's length basis and are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

Dr Victor Fung Kwok King and Dr William Fung Kwok Lun, both being directors of the Company and FH 1937, are considered to have a material interest in the Transactions by virtue of their deemed interests in FH 1937, and therefore abstained from voting on the relevant board resolutions in respect of the Master Lease Agreement. As Mr Benedict Chang Yew Teck, being a Director is also a director of FH 1937, he has also abstained from voting on the relevant board resolutions in respect of the approval of the Master Lease Agreement.

## LISTING RULES IMPLICATIONS

At the date of this announcement, FH 1937, via its wholly-owned subsidiary Fung Retailing Limited, is a controlling shareholder of the Company which is interested in 311,792,000 shares in the Company, representing approximately 40.89% of the existing issued share capital of the Company. As such, FH 1937 and members of FH 1937 Group are connected persons of the Company and the Transactions constitute continuing connected transactions for the Company under the Listing Rules.

As the applicable percentage ratios calculated with reference to the annual caps of the Transactions exceed 0.1% but are less than 5%, the Transactions are only subject to the reporting, annual review and announcement requirements, but are exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## GENERAL

The principal businesses of the Group are the operation of (i) a chain of convenience stores in Hong Kong under the brand name of Circle K; (ii) a chain of bakeries under the brand name of Saint Honore in Hong Kong, Macau and on the Chinese Mainland; and (iii) developing businesses including an e-commerce business through an online retailing platform FingerShopping.com and an eyewear business in Hong Kong under the brand name of Zoff.

FH 1937 is an investment holding company. FH 1937 Group focuses on four main businesses, namely, trading, logistics, distribution and retailing.

## DEFINITIONS

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

<b>“associate(s)”</b> , <b>“connected person(s)”</b> , <b>“controlling shareholder(s)”</b> and <b>“subsidiary(ies)”</b>	each 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 Main Board of the Stock Exchange
<b>“Directors”</b>	the directors of the Company
<b>“FH 1937”</b>	Fung Holdings (1937) Limited, a company incorporated under the laws of Hong Kong
<b>“FH 1937 Group”</b>	FH 1937 and its associates (excluding the Group), Li & Fung Limited and Global Brands Group Holding Limited and their respective subsidiaries

<b>“Former Master Lease Agreement”</b>	the master lease agreement entered into between the Company and FH 1937 on 20 November 2015 in relation to the leasing of properties and / or granting of licence for the right to use properties (or any part thereof) by FH 1937 Group to the Group
<b>“Group”</b>	the Company and its subsidiaries from time to time
<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>“Macau”</b>	the Macao Special Administrative Region of the People’s Republic of China
<b>“Master Lease Agreement”</b>	the master lease agreement entered into between the Company and FH 1937 on 9 November 2018 in relation to the leasing of properties and / or granting of licence for the right to use properties (or any part thereof) by FH 1937 Group to the Group
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Transactions”</b>	the transactions contemplated under the Master Lease Agreement
<b>“%”</b>	per cent

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

Hong Kong, 9 November 2018

*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 Godfrey Ernest Scotchbrook and Mr Benedict Chang Yew Teck; Independent Non-executive Directors are Mr Malcolm Au Man Chung, Mr Anthony Lo Kai Yiu, Mr Zhang Hongyi and Dr Sarah Mary Liao Sau Tung.*