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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)

CONNECTED TRANSACTION

TENANCY AGREEMENT

The Board is pleased to announce that on 23 September 2022, GZSH (an indirect wholly-owned subsidiary of the Company) entered into a Tenancy Agreement with CKPRC (an indirect wholly-owned subsidiary of FH 1937) in respect of the leasing of the Premises for a term of three years commencing from 1 October 2022 to 30 September 2025 (both days inclusive).

LISTING RULES IMPLICATIONS

Pursuant to HKFRS 16 "Leases", the Group is required to recognise the Premises as a right-of-use asset, in which a value of RMB3,169,000 (approximately HK\$3,528,000) will be recognised by the Group in its consolidated statement of financial position and depreciated over the term of the Tenancy Agreement.

At the date of this announcement, FH 1937, via its wholly-owned subsidiary Fung Retailing Limited, is a controlling Shareholder which is interested in 311,792,000 Shares, representing approximately 40.17% of the existing issued share capital of the Company. As CKPRC is a subsidiary of FH 1937 which in turn is a substantial Shareholder, CKPRC is a connected person of the Company. Accordingly, the transaction contemplated under the Tenancy Agreement constitutes a one-off connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transaction contemplated under the Tenancy Agreement calculated in accordance with the Listing Rules, with reference to the value of the right-of-use asset to be recognised by the Group in connection with the Tenancy Agreement exceeds 0.1% but is less than 5%, the transaction contemplated under the Tenancy Agreement is subject to the reporting and announcement requirements but exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 23 September 2022, GZSH (an indirect wholly-owned subsidiary of the Company) entered into a Tenancy Agreement with CKPRC (an indirect wholly-owned subsidiary of FH 1937) in respect of the leasing of the Premises for a term of three years commencing from 1 October 2022 to 30 September 2025 (both days inclusive).

PRINCIPAL TERMS OF THE TENANCY AGREEMENT

- Date : 23 September 2022
- Landlord : CKPRC, an indirect wholly-owned subsidiary of FH 1937 which in turn is a substantial Shareholder
- Tenant : GZSH, an indirect wholly-owned subsidiary of the Company
- Premises : Unit 102-1, 1/F Fortune Plaza, No. 118 Tiyu East Road, Tianhe District, Guangzhou, PRC
- Term : Three years from 1 October 2022 to 30 September 2025 (both days inclusive)
- Usage : Retail
- Rent :
 1. RMB100,000 per month for the first year
 2. RMB105,000 per month for the second year
 3. RMB110,250 per month for the third year
including value added tax but excluding management fee and other outgoings
- Rent free period : Two months, from 1 October 2022 to 30 November 2022
- Pricing basis : The terms of the Tenancy Agreement are determined under arm's length basis, on normal commercial terms and in the ordinary and usual course of business. The rental agreed between GZSH and CKPRC is benchmarked 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 have also taken into account a number of factors such as (i) the annual rental increase; and (ii) various conditions of the Premises including the size and location, as well as the facilities and management services associated with the Premises so as to ensure that the terms offered by CKPRC to GZSH are fair, reasonable and competitive.
- Payment term : The rental will be paid in cash by GZSH to CKPRC pursuant to the terms of the Tenancy Agreement

VALUE OF THE RIGHT-OF-USE ASSETS

In accordance with the requirement of HKFRS 16 “Leases”, the total value of the right-of-use asset to be recognised by the Group in respect of the leasing of the Premises under the Tenancy Agreement is RMB3,169,000.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Premises is located in high-traffic area in the city centre of Guangzhou, which is a prime location for bakery store. By entering into the Tenancy Agreement, it will enable the Group to continue developing its bakery business in Guangzhou.

Dr William Fung Kwok Lun, being director of the Company and FH 1937, and Ms Sabrina Fung Wing Yee, Director of the Company, are considered to have a material interest in the transaction by virtue of their deemed interests in FH 1937, and had therefore abstained from voting on the relevant Board resolutions approving the Tenancy Agreement. Mr Terence Fung Yue Ming, Director of the Company, being son of Dr William Fung Kwok Lun, had also abstained from voting on the relevant Board resolutions in respect of the Tenancy Agreement. Save and except for the aforesaid, none of the then Directors has any material interest in the Tenancy Agreement and was required to abstain from voting on the Board resolutions in relation to the Tenancy Agreement.

The Directors (including the Independent Non-executive Directors but excluding Dr William Fung Kwok Lun, Ms Sabrina Fung Wing Yee and Mr Terence Fung Yue Ming who had abstained from voting on the relevant Board resolutions) are of the view that the Tenancy Agreement was entered into in the ordinary and usual course of business of the Group, and that the terms of the Tenancy Agreement are negotiated on arm’s length basis and are on normal commercial terms, and the terms of the Tenancy Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Company is a company incorporated in the Cayman Islands with limited liability and is an investment holding company operating its business through its subsidiaries. The principal businesses of the Group are the operation of (i) a chain of bakeries under the brand name of Saint Honore in Hong Kong, Macau and on the Chinese Mainland; (ii) a chain of premium patisserie under the brand name of Mon cher in Hong Kong; and (iii) a chain of fast-fashion eyewear stores under the brand name of Zoff in Hong Kong.

FH 1937 is an investment holding company and FH 1937 Group focuses on four main businesses, namely, trading, logistics, distribution and retail. CKPRC is principally engaged in property holding in PRC.

LISTING RULES IMPLICATIONS

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At the date of this announcement, FH 1937, via its wholly-owned subsidiary Fung Retailing Limited, is a controlling Shareholder which is interested in 311,792,000 Shares, representing approximately 40.17% of the existing issued share capital of the Company. As CKPRC is a subsidiary of FH 1937 which in turn is a substantial Shareholder, CKPRC is a connected person of the Company. Accordingly, the transaction contemplated under the Tenancy Agreement constitutes a one-off connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transaction contemplated under the Tenancy Agreement calculated in accordance with the Listing Rules, with reference to the value of the right-of-use asset to be recognised by the Group in connection with the Tenancy Agreement exceeds 0.1% but is less than 5%, the transaction contemplated under the Tenancy Agreement is subject to the reporting and announcement requirements but exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“associates”, “connected person(s)”, “controlling Shareholder(s)”, “percentage ratio(s)” and “subsidiary(ies)”	each has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“CKPRC”	Circle K PRC Properties Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of FH 1937
“Company”	Convenience Retail Asia Limited, a company incorporated in the Cayman Islands whose Shares are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“FH 1937”	Fung Holdings (1937) Limited, a company incorporated in Hong Kong with limited liability
“FH 1937 Group”	FH 1937 and its associates (excluding the Group)
“Group”	the Company and its subsidiaries from time to time
“GZSH”	廣州市聖安娜餅屋有限公司 (Saint Honore Cake Shop Guangzhou Limited), a company incorporated in PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“HKFRS 16 “Leases””	Hong Kong Financial Reporting Standard 16 “Leases” issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Premises”	the premises set out in the section headed “Principal Terms of the Tenancy Agreement” in this announcement
“RMB”	Renminbi, the lawful currency of PRC
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the tenancy agreement entered into by GZSH with CKPRC on 23 September 2022 in relation to the lease of the Premises
“%”	per cent

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

Hong Kong, 26 September 2022

As at the date of this announcement, Executive Director of the Company is Mr Richard Yeung Lap Bun; Non-executive Directors are Dr William Fung Kwok Lun, Mr Godfrey Ernest Scotchbrook, Mr Benedict Chang Yew Teck, Ms Sabrina Fung Wing Yee and Mr Terence Fung Yue Ming; Independent Non-executive Directors are Mr Anthony Lo Kai Yiu, Dr Sarah Mary Liao Sau Tung and Mr Terrence Tsang Diao-Long.