

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 20 November 2015, the Company entered into 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; (2) the properties leasing and / or licensing arrangements between FH 1937 Group and the Group; and (3) the sales of various products (being both food and non-food products) by the Group to FH 1937 Group, all for a term of three years commencing from 1 January 2016 and ending on 31 December 2018.

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 41.32% 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 respective proposed annual caps for each of the Transactions exceed 0.1% but less than 5%, the Transactions are only subject to the reporting, annual review and announcement requirements, but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. MASTER PURCHASE OF GOODS AGREEMENT

Background information

Reference is made to the 2012 Announcement in respect of, among others, the entering into of the Former Master Agreement I for the purchases of various products (being both food and non-food products) by the Group from FH 1937 Group for a term of three years commenced on 1 January 2013 and ending on 31 December 2015.

Reference is also made to the 2015 Announcement in respect of, among others, the Disposal and consequential continuing connected transactions following the Disposal. Following completion of the Disposal on 25 August 2015, members of the Target Group have ceased to be subsidiaries of the Company and became members of FH 1937 Group and connected persons of the Company. As set out in the 2015 Announcement, to ensure smooth transition of the Circle K convenience store business operated by the Target Group following completion of the Disposal, the parties have agreed that all existing operational arrangements and related terms and conditions among the Target Group and the Group will mostly remain unchanged. Among those arrangements, the Group continues to purchase various products (being both food and non-food products) from the Target Group and such transactions are subject to the annual cap amounts provided under the Former Master Agreement I.

The Directors consider that it is in the interest of the Group to continue such purchases and to enter into the Master Purchase of Goods Agreement 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.

Date	:	20 November 2015
Parties	:	(1) the Company (2) FH 1937
Subject matter	:	The purchases of various products (being both food and non-food products) on a non-exclusive basis by the Group from FH 1937 Group.
Term	:	The period commencing on 1 January 2016 and expiring on 31 December 2018.

Pricing basis : The Group will purchase various products (being both food and non-food products) on its standard terms of business from FH 1937 Group at market rates or at rates no less favourable to the Group than those available to any other independent third parties.

The purchase price under the Master Purchase of Goods Agreement shall be calculated by the unit cost of the relevant product plus a reasonable mark-up with reference to the market rates. For the purpose of obtaining market rates, the Group will make reference to the terms and price quotations obtained from other independent third parties for products of comparable quantities, quality and specifications.

It is the Group's practice to review the terms of the transactions periodically with reference to prices charged by independent third parties and prevailing market conditions.

Payment terms : 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 years ended 31 December 2013 and 2014 and for the nine months ended 30 September 2015, the amounts paid by the Group to FH 1937 Group (including the Target Group following completion of the Disposal) in respect of the purchases of various products (being both food and non-food products) are approximately HK\$9,978,000, HK\$11,721,000 and HK\$11,244,000 respectively, which are all within the annual caps of HK\$20,000,000, HK\$25,000,000 and HK\$30,000,000 respectively as set out in the Former Master Agreement I for the three years ending 31 December 2015.

Proposed annual caps

The projected annual caps of the aggregate purchases payable by the Group to FH 1937 Group for the transactions contemplated under the Master Purchase of Goods Agreement for each of the three years ending 31 December 2018 are HK\$29,000,000, HK\$35,000,000 and HK\$42,000,000 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 Purchase of Goods Agreement 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. MASTER LEASE AGREEMENT

Background information

Reference is made to the 2012 Announcement in respect of, among others, the entering into of the Former Master Agreement II 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 2013 and ending on 31 December 2015.

As set out in the 2015 Announcement, following completion of the Disposal, the Target Group (which has become members of FH 1937 Group following completion of the Disposal) continues to sub-lease the retail store to the Group and such transactions are subject to the annual cap amounts under the Former Master Agreement II.

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 Lease Agreement with FH 1937 to provide a framework for the leasing and / or licensing arrangements between the Group and FH 1937 Group.

- Date : 20 November 2015
- 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 2016 and expiring on 31 December 2018.
- 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 at market rates or at rates no less favourable to the Group than those available to any other independent third parties.
- The rentals and / or licence fees payable under the Master Lease Agreement shall be negotiated between the parties with reference to the then prevailing market rates and shall be determined with reference to open market rent of properties of similar size and location.
- Payment terms : The rental and / or licence fee payment will be made in cash by the Group to FH 1937 Group.

Historical figures

For the years ended 31 December 2013 and 2014 and for the nine months ended 30 September 2015, the amounts paid by the Group to FH 1937 Group (including the Target Group following completion of the Disposal) in respect of the properties leasing and / or licensing arrangements are approximately HK\$8,749,000, HK\$10,138,000 and HK\$8,597,000 respectively, which are all within the annual caps of HK\$12,000,000, HK\$14,000,000 and HK\$15,000,000 respectively as set out in the Former Master Agreement II for the three years ending 31 December 2015.

Proposed annual caps

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 Lease Agreement for each of the three years ending 31 December 2018 are HK\$16,000,000, HK\$16,000,000 and HK\$18,000,000 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.

3. MASTER SALE OF GOODS AGREEMENT

Background information

Reference is made to the 2015 Announcement in respect of, among others, the entering into of the Former Master Agreement III for the sales of food products to FH 1937 Group by the Group for the period commenced on 25 August 2015 and ending on 31 December 2015.

As set out in the 2015 Announcement, the Target Group purchased food products from members of the Group. Following completion of the Disposal, the Group continues to sell such food products to the Target Group (which has become members of FH 1937 Group following completion of the Disposal). Taking into consideration of the future business development of the Group and in order to provide the Group with greater flexibility, the Group and FH 1937 Group further agrees to expand the scope of products to include non-food products for the sales to FH 1937 Group.

The Directors consider that it is in the interest of the Group to continue such sales and to enter into the Master Sale of Goods Agreement with FH 1937 to provide a framework for the sales of various products (being both food and non-food products) by the Group to FH 1937 Group.

Date : 20 November 2015

Parties : (1) the Company
(2) FH 1937

- Subject matter : The sales of various products (being both food and non-food products) on a non-exclusive basis by the Group to FH 1937 Group.
- Term : The period commencing on 1 January 2016 and expiring on 31 December 2018.
- Pricing basis : The Group will sell various products (being both food and non-food products) to FH 1937 Group on its standard terms of business at market rates or at rates no less favourable than those available to any other independent third parties.

The selling price under the Master Sale of Goods Agreement shall be calculated by the unit cost of the relevant product plus a reasonable mark-up with reference to, among others, market conditions, inflation rate, the Company's pricing guidelines and market rates for products of comparable quantities, quality and specifications.

It is the Group's practice to review its standard terms of business and pricing guidelines periodically with reference to price charged by competitors and prevailing market conditions to maintain its overall competitiveness and profitability.

- Payment terms : The payment for the sales of products will be made in cash by FH 1937 Group to the Group on a monthly basis within a maximum of 30 days after the issue of the month end statement.

Historical figures

For the years ended 31 December 2013 and 2014 and for the period from 1 January 2015 to 24 August 2015, the amounts paid by the Target Group for food products sourced from the Group are approximately HK\$18,100,000, HK\$18,700,000 and HK\$12,302,000 respectively. The amounts paid by FH 1937 Group to the Group in respect of the sales of food products for the period from 25 August 2015 to 30 September 2015 are approximately HK\$1,735,000, which is within the purchase cap of HK\$12,000,000 as set out in the Former Master Agreement III. There is no historical figures in respect of the sales of non-food products from the Group to FH 1937 Group.

Proposed annual caps

The projected annual caps of the aggregate consideration payable by FH 1937 Group to the Group for the transactions contemplated under the Master Sale of Goods Agreement for each of the three years ending 31 December 2018 are HK\$25,000,000, HK\$30,000,000 and HK\$39,000,000 respectively, which have been determined based on the Company's estimate of the demand for the products to be purchased by FH 1937 Group with reference to the projected amount of sale of such products by FH 1937 Group.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Given the affiliation between the Group and FH 1937 Group, the Group has transactions with FH 1937 Group, namely, (1) purchasing various products (being both food and non-food products) from; (2) properties leasing and / or licensing arrangements with; and (3) selling food products to FH 1937 Group 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 Agreements (together with the respective 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 Agreements. As Mr. Jeremy Paul Egerton Hobbins and Mr. Benedict Chang Yew Teck, both being Directors are also directors of FH 1937, they have also abstained from voting on the relevant board resolutions in respect of the approval of the Master Agreements.

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 41.32% 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 respective proposed annual caps for each of the Transactions exceed 0.1% but 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 convenience stores and bakeries under the brand name of "Circle K" (in Hong Kong and Macau) and "Saint Honore" (in Hong Kong, Macau and the Chinese Mainland).

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:

“2012 Announcement”	the announcement of the Company dated 22 November 2012
“2015 Announcement”	the announcement of the Company dated 25 August 2015 in respect of, among others, the Disposal and consequential continuing connected transactions between the Group and FH 1937 Group
“associate(s)”, “connected person(s)”, “controlling shareholder(s)” and “subsidiary(ies)”	each has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“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
“Disposal”	the disposal of interests in the Target Group by the Group to FH 1937 Group as more particularised in the 2015 Announcement
“FH 1937”	Fung Holdings (1937) Limited, a company incorporated under the laws of Hong Kong
“FH 1937 Group”	FH 1937 and its associates (excluding the Group), Li & Fung Limited and Global Brands Group Holding Limited and their respective subsidiaries
“Former Master Agreement I”	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

“Former Master Agreement II”	the master agreement entered into between the Company and FH 1937 on 22 November 2012 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
“Former Master Agreement III”	the master agreement entered into between the Company and FH 1937 on 25 August 2015 in relation to the sales of food products by the Group to FH 1937 Group
“Master Lease Agreement”	the master 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
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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
“Master Agreements”	Master Lease Agreement, Master Purchase of Goods Agreement and Master Sale of Goods Agreement collectively
“Master Purchase of Goods Agreement”	the master agreement entered into between the Company and FH 1937 on 20 November 2015 in relation to the purchases of various products (being both food and non-food products) on a non-exclusive basis by the Group from FH 1937 Group
“Master Sale of Goods Agreement”	the master agreement entered into between the Company and FH 1937 on 20 November 2015 in relation to the sales of various products (being both food and non-food products) on a non-exclusive basis by the Group to FH 1937 Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Group”

Circle K Convenience Stores PRC Limited and its subsidiary, Circle K PRC Properties Limited, New Success Ventures Limited and Convenience Consultancy Services Limited, each of which has become members of FH 1937 Group following completion of the Disposal

“Transactions”

the transactions contemplated under the Master Agreements

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

Hong Kong, 20 November 2015

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, Mr. Jeremy Paul Egerton Hobbins 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.