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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: 08052)**

### **CONTINUING CONNECTED TRANSACTION**

The Board is pleased to announce that on 18 December 2009, the Company entered into the Master Agreement with LF 1937 relating to the leasing and/or licensing of properties by the Group from the LF 1937 Group for a term commencing from 1 January 2010 and ending on 31 December 2012.

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 20 of the GEM Listing Rules.

### **BACKGROUND INFORMATION**

Reference is made to the announcement of the Company dated 30 March 2007 (the "Announcement") in respect of, among others, the leasing and/or licensing of properties from IDS (Hong Kong) Limited, an associate of LF 1937, for three years ending 25 March 2010. 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 with LF 1937 to provide a framework for the leasing and/or licensing of properties by the Group from the LF 1937 Group.

## **THE MASTER AGREEMENT**

The Company entered into the Master Agreement with LF 1937 on 18 December 2009 in relation to the leasing and/or licensing of properties by the Group from the LF 1937 Group. The Master Agreement is for a term of three years from 1 January 2010 to 31 December 2012.

Pursuant to the Master Agreement, the rentals 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 independent third parties and therefore, the Directors consider the level of rentals to be payable by the Group to be fair and reasonable to the Group.

The rental payment will be made in cash by the Group to the LF 1937 Group.

## **HISTORICAL FIGURES**

For each of the two years ended 25 March 2009 and for the eight months' period ended 25 November 2009, the amounts of rental paid by the Group to the LF 1937 Group in respect of the leasing and/or licensing of properties as set out in the Announcement are approximately HK\$3,396,000, HK\$3,425,000 and HK\$2,312,000 respectively, which are all within the annual caps of HK\$3,474,000, HK\$3,580,000 and HK\$3,702,000 as set for the three years ending 25 March 2010. As for each of the two financial years ended 31 December 2008 and for the eleven months period ended 30 November 2009, the amounts of rental paid by the Group to the LF 1937 Group in respect of the leasing and/or licensing of properties are approximately HK\$3,073,000, HK\$3,417,000 and HK\$3,092,000 respectively.

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

The projected annual caps of the aggregate rental payable by the Group to the LF 1937 Group for the Transactions as contemplated under the Master Agreement for the three financial years ending 31 December 2012 are HK\$8 million, HK\$11 million and HK\$13 million respectively, which have been determined based on the current rentals for the properties leased and/or licensed by the Group from the LF 1937 Group and after taking into account the future rental adjustment and an estimated demand for additional space for office, warehouse or store premises 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 the LF 1937 Group, the Group has been leasing and/or licensing office, warehouse and store premises from the LF 1937 Group and will continue to do so in view of administrative convenience.

The terms of the Master Agreement were agreed upon after arm's length negotiations between the Group and the LF 1937 Group. The Directors (including the independent non-executive Directors) consider that the Master Agreement was entered into on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties 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.

## **INFORMATION ON THE PARTIES**

The Group is principally engaged in the operations of convenience store chain and bakery store chain under the trade names of "Circle K" and "Saint Honore" in both Hong Kong and the Chinese Mainland.

The LF 1937 Group focuses on three main businesses - sourcing and export trading, distribution and logistics, and retailing.

## **GENERAL**

As LF 1937 is the controlling Shareholder of the Company, LF 1937 and its associates (other than the Group) are connected persons of the Company. The Transactions constitute continuing connected transactions for the Company under Chapter 20 of the GEM 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 2.5%, the Transactions are therefore subject to the reporting and announcement requirements, but are exempted from the independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules. Details of the Transactions will be included in the next published annual report and accounts of the Company in accordance with Rule 20.46 of the GEM Listing Rules and the Company will also comply with Rules 20.37 to 20.40 of the GEM Listing Rules.

## **DEFINITIONS**

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

<b>“associate(s)”, “connected person(s)”, “controlling shareholder”</b>	has the meaning ascribed to it in the GEM 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 Growth Enterprise Market of the Stock Exchange

“ <b>Directors</b> ”	directors of the Company
“ <b>GEM Listing Rules</b> ”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“ <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>LF 1937</b> ”	Li & Fung (1937) Limited, a company incorporated under the laws of Hong Kong, and a controlling Shareholder of the Company
“ <b>LF 1937 Group</b> ”	LF 1937 and its associates (including Li & Fung Limited and its subsidiaries but excluding the Group)
“ <b>Master Agreement</b> ”	the master agreement entered into between the Company and LF 1937 on 18 December 2009 in relation to the leasing and/or licensing of properties by the Group from the LF 1937 Group
“ <b>Shareholder(s)</b> ”	holder(s) of shares in the Company
“ <b>Stock Exchange</b> ”	The Stock Exchange of Hong Kong Limited
“ <b>Transactions</b> ”	the transactions contemplated under the Master Agreement

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

Hong Kong, 18 December 2009

As at the date of this announcement, executive Director of the Company is Mr. Yeung Lap Bun, Richard; non-executive Directors are Dr. Fung Kwok King, Victor, Dr. Fung Kwok Lun, William, Mr. Jeremy Paul Egerton Hobbins, Ms. Wong Yuk Nor, Louisa and Mr. Godfrey Ernest Scotchbrook; independent non-executive Directors are Dr. Ch’ien Kuo Fung, Raymond, Mr. Au Man Chung, Malcolm and Mr. Lo Kai Yiu, Anthony.

*This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will be available from the Company's website at [www.cr-asia.com](http://www.cr-asia.com) and will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for 7 days from the date of its posting.*