CONVENIENCE RETAIL ASIA LIMITED
利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00831)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE CONVENIENCE STORE BUSINESS AND SPECIAL CASH DIVIDEND

Sole Financial Adviser to the Company

HSBC

THE DISPOSAL

The Board is pleased to announce that on 5 November 2020 (Hong Kong time), the Company entered into the Sale and Purchase Agreement with the Purchaser and ACT (as the Purchaser's guarantor) to dispose of the Convenience Store Business of the Group for a cash consideration of HK$2,790 million (on a cash-free and debt-free basis and subject to closing adjustments). The Disposal will be effected by a sale of the Sale Shares (representing the entire issued share capital of the Target Company) subject to the terms and conditions of the Sale and Purchase Agreement. Such valuation translates to approximately HK$3.63 per Share, based on the 768,154,974 Shares in issue as at the date of the announcement and assuming no new Shares are issued and no Share repurchases are made between the date of this announcement and Completion.

SPECIAL CASH DIVIDEND

Subject to the satisfaction of certain conditions, the Company intends to declare a Special Cash Dividend (of HK$3.85 per Share) which will be paid to the Shareholders whose names appear on the register of members of the Company at a record date which will be set for a date after that of the EGM and announced in due course in accordance with the Listing Rules. It is expected that the Special Cash Dividend will be paid to the Shareholders on or around 31 December 2020.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other matters, further details of the Disposal and the notice of the EGM to consider and, if thought fit, to approve the resolutions relating to the Disposal will be despatched to the Shareholders as soon as practicable. The circular is expected to be despatched to the Shareholders on or around 23 November 2020.

VOTING UNDERTAKINGS OBTAINED

Each of Fung Retailing Limited (together with its immediate holding company, Fung Holdings (1937) Limited), a controlling shareholder of the Company, and Mr Richard Yeung Lap Bun, Executive Director and Chief Executive Officer of the Group, has irrevocably undertaken to the Purchaser, in the event the EGM is held, to vote in favour of and to approve the resolution relating to the Disposal, provided that it/he is not prohibited from voting or approving such resolution pursuant to any judgement, order or decree or any competent court or the rules and regulations of any governmental, regulatory and other authority having applicable jurisdiction over the Company or the Shareholders or otherwise by the Stock Exchange or the Securities and Futures Commission of Hong Kong.

WARNING

The Disposal and payment of Special Cash Dividend are subject to the satisfaction of certain conditions, which may or may not be satisfied. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

The Board is pleased to announce that on 5 November 2020 (Hong Kong time), the Company entered into the Sale and Purchase Agreement with the Purchaser and ACT (as the Purchaser's guarantor) to dispose of the Convenience Store Business of the Group for a cash consideration of HK$2,790 million (on a cash-free and debt-free basis and subject to closing adjustments). The Disposal will be effected by a sale of the Sale Shares (representing the entire issued share capital of the Target Company) subject to the terms and conditions of the Sale and Purchase Agreement. Such valuation translates to approximately HK$3.63 per Share, based on the 768,154,974 Shares in issue as at the date of the announcement and assuming no new Shares are issued and no Share repurchases are made between the date of this announcement and Completion.

THE SALE AND PURCHASE AGREEMENT

Date

5 November 2020 (Hong Kong time)

Parties

(1) the Company (as vendor);

(2) the Purchaser (as purchaser); and

(3) ACT (as the Purchaser's guarantor).

The Purchaser is a company incorporated under the laws of Hong Kong with limited liability and is a wholly-owned subsidiary of ACT, a company listed on the Toronto Stock Exchange (stock code: ATD.A and ATD.B), which is in turn principally engaged in business in the convenience store and road transportation fuel retail sector with close to 14,350 global sites, primarily under the Couche-Tard and Circle K brands. ACT is the leader in the Canadian convenience store industry. In the United States of America, it is the largest independent convenience store operator in terms of the number of company-operated stores. In Europe, ACT is a leader in the convenience store and road transportation fuel retail sector in the Scandinavian countries (Norway, Sweden and Denmark), in the Baltic countries (Estonia, Latvia and Lithuania), as well as in Ireland, and has an important presence in Poland. In addition, under licensing agreements, close to 2,350 stores are operated under the Circle K banner in 15 other countries and territories across Asia Pacific (including Hong Kong), Central America and the Middle East. Mr Alain Bouchard is the founder and chairman of ACT, who is currently the controlling shareholder holding 34.38% of voting rights attached to the issued and outstanding shares of ACT.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Purchaser, ACT and their respective ultimate beneficial owners (including Mr Alain Bouchard) is a third party independent of the Company and its connected persons.

ACT has agreed to guarantee to the Company the payment obligations of the Purchaser under the Sale and Purchase Agreement.

Subject matter

The Sale Shares represent the entire issued share capital of the Target Company.

The Target Group is principally engaged in the operation of a chain of convenience stores in Hong Kong under the brand name of Circle K (i.e. the Convenience Store Business). As at the date of this announcement, the Target Group operates about 340 Circle K stores in Hong Kong.

Consideration

The Consideration under the Sale and Purchase Agreement payable by the Purchaser to the Company in respect of the Disposal is HK$2,790 million, subject to customary closing adjustments by:

(a) adding the amount of cash of the Target Group as at the Completion Date;

(b) deducting the amount of debt of the Target Group as at the Completion Date; and

(c) adjusting for the difference between the amounts of the actual working capital and the target working capital of the Target Group as at the Completion Date. The target working capital is approximately negative HK$510 million, which represents the normalised level of working capital of the Target Group being the average month-end working capital of the Target Group for the immediate 12-month period preceding 30 June 2020.

According to the Target Group's unaudited financial information as at 30 June 2020, the Target Group had total cash (net of debt) of approximately HK$344 million.

The Consideration was determined after arm's length negotiations between the Company and the Purchaser with reference to the Target Group's historical financial performance, comparable public companies' trading multiples, and the ability of the Purchaser, with its strong financial resources and proven track record as a convenience retail operator, to unlock value from the Target Group.

The Directors (other than Mr Pak Chi Kin) consider that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Mr Pak Chi Kin, an Executive Director, is a key management member whose main role is to oversee the Convenience Store Business, and is expected to dedicate his time to the Convenience Store Business on a full-time basis and to resign from the Board and join the Target Group subject to and upon Completion taking place. Mr Pak supports the Disposal, but to avoid any appearance of conflict of interest, has abstained from deliberating and voting on the board resolution approving the Disposal.

Payment

The Consideration shall be payable in cash as follows:

(a) *initial payment*: at Completion, the Purchaser shall pay to the Company an amount equal to the sum of (i) HK$2,790 million and (ii) an amount representing the cash-free, debt-free and working capital adjustments estimated in accordance with provisions of the Sale and Purchase Agreement as mentioned above (the "**Initial Payment**"); and

(b) *adjustment payment*: within 10 business days after agreement or determination of the completion accounts of the Target Group, the Purchaser shall pay to the Company any amount by which the Consideration (as determined according to the completion accounts) exceeds the Initial Payment, or the Company shall pay to the Purchaser any amount by which the Consideration (as determined according to the completion accounts) is less than the Initial Payment.

Conditions

Completion is subject to the following Conditions being satisfied (or waived) on or before the Longstop Date:

(a) **Compliance with Listing Rules**: the Shareholders having passed a resolution at a general meeting of the Company to approve the Disposal in accordance with the relevant requirements of the Listing Rules;

(b) **No material adverse change**: there being no material adverse changes to the Target Group prior to Completion;

(c) **No vendor's breach**: there having been no breach of obligations of the Company (including warranties given by the Company) under the Sale and Purchase Agreement, which has the cumulative result of a material adverse change to the Target Group; and

(d) **No purchaser's breach**: all warranties given by each of the Purchaser and ACT under the Sale and Purchase Agreement remaining true and accurate and not misleading in all material respects.

Conditions (b) and (c) may be waived by the Purchaser and Condition (d) may be waived by the Company, respectively, by notice in writing to the other party. If any of the Conditions are not satisfied or waived (as the case may be) on or before the Longstop Date, the Sale and Purchase Agreement shall automatically terminate and all obligations of the parties under the Sale and Purchase Agreement shall end except for those expressly stated to continue without limit in time but (for the avoidance of doubt) all rights and liabilities of the parties which have accrued before termination shall continue to exist.

Completion

Completion shall take place on the tenth business day after all the Conditions have been satisfied or waived (as the case may be) or on such other date as agreed in writing by the parties thereto (the "**Completion Date**").

To ensure smooth transition and continuation of the Convenience Store Business after Completion, the relevant parties shall at Completion enter into (i) transitional and services agreements in respect of certain operational services, which involve sharing of administrative and general services (e.g. finance and accounts, human resources and information technology functions) between the Company and a member of the Target Group for the next 18 months after Completion subject to both parties' mutual rights to terminate thereafter, so as to facilitate the integration of the Convenience Store Business with the Purchaser, on a cost basis; (ii) a master supply agreement which formalises the existing intra-group sales arrangement for Saint Honore bakery and cake products to Circle K stores, at market price; (iii) an agreement in respect of the transfer of intellectual properties owned by the Group and used by the Convenience Store Business to the Purchaser (e.g. the Circle K stores related registered trademarks and in-house developed softwares exclusively used for the Convenience Store Business). As such transfer is part and parcel to the Disposal, no further consideration is involved beyond the Consideration; and (iv) a sub-lease whereby the Company will grant a sub-lease of a portion of its existing office space as used by the Convenience Store Business based on existing terms of the lease (which are on market terms).

The estimated scale of the above ongoing sharing of administrative and general services, and the sub-lease are relatively insignificant to the Remaining Group but represent the incidental and necessary cost and arrangement required in order to facilitate the smooth transition of the Convenience Store Business. These on-going costs and arrangements were agreed on an arm's length basis as part of the Disposal, and the Board considers that the monthly services fees in respect of the transitional and services agreements and the monthly rent in respect of the sub-lease are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The intellectual properties subject to the agreement in respect of the transfer of intellectual properties owned by the Group and used by the Convenience Store Business has nil book value.

Immediately after Completion, the Group will not hold any equity interest in the Target Company, and each member of the Target Group will no longer be a subsidiary of the Company.

INFORMATION ON THE CONVENIENCE STORE BUSINESS

The relevant financial information of the Convenience Store Business prepared under the Hong Kong Financial Reporting Standards for the two financial years ended 31 December 2018 and 31 December 2019, and the six months ended 30 June 2020 are as follows:

	Year ended 31 December 2018 (Unaudited) *HK$ million (approximately)*	**Year ended 31 December 2019 (Unaudited)** *HK$ million (approximately)*	**Six months ended 30 June 2020 (Unaudited)** *HK$ million (approximately)*
Results			
Profit before income tax [1]	182	201	87
Profit after income tax	157	174	76

	As at 31 December 2018 (Unaudited) *HK$ million (approximately)*	As at 31 December 2019 (Unaudited) *HK$ million (approximately)*	As at 30 June 2020 (Unaudited) *HK$ million (approximately)*
Assets			
Total assets [2]	1,351	1,924	1,941
Net assets [2]	541	540	622

Notes:

1. Profit before income tax of the Convenience Store Business disclosed in this announcement is higher than the core operating profit of the convenience store segment reported in each of the Group's annual report for the financial years ended 31 December 2018 and 2019 and the Group's interim report for the six months ended 30 June 2020 as the profit before income tax of the Convenience Store Business disclosed in the financial reports are after deduction of certain corporate expenses of the Company in the corresponding periods.

2. Total assets and net assets (i.e. total asset less total liabilities) of the Convenience Store Business disclosed in this announcement is higher than the segment assets and liabilities disclosed in each of the Group's annual report for the financial years ended 31 December 2018 and 2019 and the Group's interim report for the six months ended 30 June 2020 as the segment assets and liabilities disclosed in the financial reports have excluded the unallocated items such as taxation payables, deferred tax assets and liabilities, corporate bank deposits and the intercompany balances.

There has not been any material changes in the financial information of the Convenience Store Business since 30 June 2020 up to and including the date of this announcement.

FINANCIAL EFFECT OF THE DISPOSAL

It is estimated that the Company will record a gain on the Disposal of approximately HK$2,900 million, which is calculated with reference to the Consideration for the Disposal (on a cash-free, debt-free and normalised working capital basis) less the adjusted net asset value of the Convenience Store Business as at 30 June 2020, taking into account the expenses directly attributable to the Disposal and adjustments in relation to settling the intercompany balance (approximately HK$641 million) of the Convenience Store Business due from the Group. The Target Company will make pre-Completion dividend(s) to the Company to settle the said intercompany balance. As the the said intercompany balance will be settled by the Group before Completion as part of the Disposal, there will no longer be any intercompany balance owing by the Remaining Group to the Convenience Store Business after Completion. It is not expected that the Remaining Group would record net losses and net liabilities upon Completion.

As at 30 June 2020, the net asset value of the Convenience Store Business was approximately HK$622 million.

The actual gain from the Disposal will be determined based on the financial position of the Convenience Store Business up to the Completion Date and the review of the Company's auditors upon finalisation of the consolidated financial statements of the Company.

USE OF PROCEEDS

The Board intends to apply all of the net proceeds from the Disposal to the payment of the Special Cash Dividend. In the event the net proceeds from the Disposal is insufficient to cover the Special Cash Dividend, the Company has sufficient internal resources to settle the Special Cash Dividend.

SPECIAL CASH DIVIDEND

The Company intends that, subject to the satisfaction of the conditions set out below in this section, a Special Cash Dividend of HK$3.85 per Share will be paid to Shareholders as soon as practicable after Completion. As at the date of this announcement, there are 768,154,974 Shares in issue and 9,170,000 outstanding share options of the Company. For illustrative purposes,

(a) assuming no new Shares are issued and no Share repurchases are made between the date of this announcement and the record date for the Special Cash Dividend, the Special Cash Dividend will amount to an aggregate amount of approximately HK$2,957 million; and

(b) if all outstanding share options are exercised and new Shares are issued in respect of such exercise, but no other new Shares are issued and no Share repurchases are made between the date of this announcement and the record date for the Special Cash Dividend, the Special Cash Dividend will amount to an aggregate amount of approximately HK$2,993 million.

The Special Cash Dividend was determined with reference to the estimated gain on the Disposal (taking into account the estimated proceeds to be received at Completion from the Disposal) and the unaudited estimated net profit of the Group for the 10 months ended 31 October 2020. The Special Cash Dividend will be paid out of the distributable reserves (taking into account the estimated gain on the Disposal) and/or the share premium account of the Company. The Special Cash Dividend will allow Shareholders to immediately realise substantial value from their shareholdings in the Company while continuing to be invested in the Company's remaining businesses.

As the Special Cash Dividend provides the opportunity for a substantial and immediate cash realisation to the Shareholders primarily from the outcome of the Disposal, the Board considers that the proposed payment of the Special Cash Dividend would, if it materialises, be in the interests of the Company and the Shareholders as a whole. If the conditions to the payment of the Special Cash Dividend are not satisfied, then the Special Cash Dividend will not be paid.

The payment of the Special Cash Dividend is conditional upon the satisfaction of the following:

(a) Completion having taken place;

(b) the passing of an ordinary resolution by the Shareholders declaring and approving the payment of Special Cash Dividend; and

(c) the Directors being satisfied that there are no reasonable grounds for believing that the Company is, immediately following the date on which the Special Cash Dividend is paid, unable to pay its debts as they fall due in the ordinary course of business.

The conditions set out above cannot be waived. If the conditions to the payment of the Special Cash Dividend are not satisfied, then the Special Cash Dividend will not be paid.

Subject to the satisfaction of the above conditions, the Special Cash Dividend will be paid to the Shareholders whose names appear on the register of members of the Company at a record date which will be set for a date after the date of the EGM and fixed in accordance with the Listing Rules. It is expected that the Special Cash Dividend will be paid to the Shareholders on or around 31 December 2020. Further details of the Special Cash Dividend will be set out in the circular.

INFORMATION ON THE GROUP

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 pursuant to a licensing arrangement granted by ACT, which is due to expire in 2025; (ii) a chain of bakeries under the brand name of Saint Honore in Hong Kong, Macau and Mainland China, and a bakery store 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.

REASONS AND BENEFITS OF THE DISPOSAL

The Group commenced its Convenience Store Business in Hong Kong in 1985 under the brand name of Circle K pursuant to a licensing arrangement granted by ACT. As the licensing agreement granted by ACT approaches its expiry date, the management team has considered various strategic alternatives in respect of the Convenience Store Business including but not limited to possibly renewing the licensing arrangement with ACT or disposing the Convenience Store Business.

The management team also reviews the outlook of the various businesses within the Group (i.e. the Convenience Store Business, Saint Honore (together with Mon cher) and Zoff) from time to time. Amongst these businesses, the Convenience Store Business principally serves the Hong Kong market with an operationally intensive model involving a heavy logistical set up and supply chain infrastructure, given the wide range of products it carries. Recent social and economic development (including the COVID-19 pandemic) in Hong Kong has spurred the management team of the Company to examine the long-term strategic options of the Convenience Store Business in Hong Kong taking into account its target customer-base (e.g. tourists, students and office workers), and future investment required of the Convenience Store Business in and beyond Hong Kong.

On the other hand, the management team of the Company considers that the brands of the Remaining Group (Saint Honore, Mon cher and Zoff) are perceived to be more suited to leveraging on the use of internet and online platform, to be more appealing to middle-income customer base (as opposed to tourists, students and office workers) and to be relying less on logistical set up and supply chain infrastructure.

In the meantime, the Board has received a favourable proposal from ACT to dispose of the Convenience Store Business to ACT. While definitive discussion on the renewal of licensing is not yet due but in view of the ongoing review of the Group's businesses, the Board considers that the Disposal presents a good opportunity for the Group to re-strategise around businesses of the Remaining Group.

Taking into account that ACT is the existing licensor of the Convenience Store Business, the Board believes the Purchaser is well positioned to drive additional value in the business leveraging ACT's existing global operational experience. Notwithstanding that the Convenience Store Business is the major revenue and profit contributor of the Group, the Board considers that the Disposal on the terms offered by the Purchaser delivers immediate and ongoing value and benefits to the Shareholders as follows:

(a) *Unlocking shareholder value and allowing Shareholders to immediately benefit from the Special Cash Dividend*

The Disposal unlocks immediate value for Shareholders. Upon Completion, the Group intends to pay out the proposed Special Cash Dividend of HK$3.85 per Share.

The Special Cash Dividend of HK$3.85 per Share represents:

- approximately 94% of the closing price of HK$4.09 per Share as quoted on the Stock Exchange on the Last Trading Date, and implies the value of the Remaining Group at HK$0.24 per Share;

- approximately 95% of the average closing price of HK$4.07 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date, and implies the value of the Remaining Group at HK$0.22 per Share;

- approximately 99% of the average closing price of HK$3.90 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date, and implies the value of the Remaining Group at HK$0.05 per Share; and

- approximately 102% of the average closing price of HK$3.77 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date.

The Shareholders include Fung Retailing Limited (whose immediate holding company is Fung Holdings (1937) Limited), which holds in aggregate 311,792,000 shares in the Company, representing approximately 40.59% of the issued share capital of the Company, and a list of long term institutional investors who have invested in the Company for a number of years. As at the Last Trading Date, the Shares had a three-month average daily trading value of approximately HK$2.45 million, which is much lower than the quantum of the proposed Special Cash Dividend in the aggregate amount ranging from approximately HK$2,957 million to approximately HK$2,993 million. The Special Cash Dividend provides immediate liquidity to Shareholders allowing all Shareholders to monetise a material portion of their investment in the Group.

(b) *Allowing the Shareholders to benefit from a potential re-rating of the Remaining Group*

The Disposal values the Target Group at HK$2,790 million (on a cash-free and debt-free basis), implying a valuation of 12x 2019 unaudited adjusted EBITDA[1] and 18x 2019 profit after income tax. The implied valuation of the Consideration is at a premium to the Company's own valuation multiples, which are at 9x 2019 unaudited adjusted EBITDA[1] and 15x 2019 profit after income tax based on the Company's market capitalisation of approximately HK$3,127 million derived from the average closing price of HK$4.07 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date and the 768,154,974 Shares in issue as at the date of the announcement.

Based on the abovementioned market capitalisation of approximately HK$3,127 million and the quantum of the Special Cash Dividend, the implied equity value of the Remaining Group would be approximately HK$170 million. Based on the unaudited profit after income tax of approximately HK$39 million in 2019 of the Remaining Group[2] as per the unaudited management account of the Remaining Group for the year ended 31 December 2019, and the abovementioned implied equity value of the Remaining Group, the Remaining Group would have a 4x 2019 price-to-earning ratio. Such implied valuation multiples of the Remaining Group are at a significant discount to the valuation multiples of listed specialty retailers and bakery chains in Asia, and the Remaining Group could benefit from a potential re-rating.

The above unaudited financial information has been prepared for illustrative purposes only and does not purport to represent the true picture of the financial results or the financial position of the Remaining Group had the Disposal been completed on 31 December 2019 or at any future date. The above unaudited financial information should be read in conjunction with other financial information included elsewhere in this announcement.

Notes:

1. Adjusted EBITDA excludes depreciation on right-of-use assets and interest expenses on lease liabilities upon adoption of HKFRS 16 "Leases". According to the unaudited financial information of the Convenience Store Business, the Convenience Store Business recorded an unaudited adjusted EBITDA of approximately HK$225 million for the financial year ended 31 December 2019.

2. The unaudited profit after income tax of HK$39 million of the Remaining Group in 2019 is calculated by (i) deducting the unaudited profit after tax of HK$174 million of the Convenience Store Business from the audited consolidated profit after tax of the Group of HK$207 million in 2019, and (ii) adding back the profit margin arising from the sales transactions between the Remaining Group and the Convenience Store Business of HK$6 million which was eliminated in the consolidated profit after tax of the Group. The Company will comply with the requirements under Rule 4.29 of the Listing Rules for the pro forma financial information of the Remaining Group in the circular in relation to the Disposal.

(c) Opportunity to transform the Remaining Group into a leading specialty retailer in Hong Kong that is well positioned for next stage of quality growth

After Completion, the Remaining Group envisages a strategic transformation into a leading high quality specialty retailer with continued focus in Hong Kong and the Greater Bay Area. The Disposal will also allow the Remaining Group to improve operational efficiency.

The Board believes that the Remaining Group will be able to build on its strengths of strong retailing knowledge, operation excellence, and proven online-to-offline business models to continue serving its core customers and to achieve quality growth in its businesses.

The Remaining Group, which has a network of 130 stores as at 31 October 2020, under its portfolio brands of Saint Honore, Mon cher and Zoff, is well positioned to capitalise on the robust industry fundamentals. Leveraging its core competencies, including its operational excellence and established track record of mass market retailing in Hong Kong, the Remaining Group will continue to focus on offering its customers with “Easy, Fast, Simple” solutions across different retail concepts. The Remaining Group has identified strategic initiatives to leverage its strengths to expand organically in its home market in Hong Kong and in the surrounding Greater Bay Area, including attracting new customers and strengthening customer loyalty, and seeking new business opportunities by venturing into new product categories, new routes to market, and new brand concepts.

- Saint Honore is a highly recognised and trusted bakery chain in the Pearl River Delta with close to 50 years of history. It has an established supply chain system and advance technology driven operation to support a network of 118 stores in Hong Kong, Macau and Guangzhou. Saint Honore operates an industry leading online-to-offline business model. Its “Cake Easy” programme has a membership of 765,000 and acts as an effective online platform for generating online orders and connecting with customers while they nest at home. The Remaining Group will focus on strengthening Saint Honore’s top household bakery brand positioning in Hong Kong through effective customer engagement through both online and offline channels, further expanding consumer touchpoints by opening new stores. In addition, the Remaining Group plans to take advantage of the ample growth opportunities in the bakery market by tapping into packaged bakery products and business-to-business (B2B) market demand. In the Greater Bay Area, the Remaining Group will strive for continued profitability improvement while seeking opportunities to expand its store network in a cost-effective way through franchising and/or partnership.

- Mon cher is an aspirational cake brand in Japan since 2003. The Remaining Group obtained the franchise license to operate this brand in Hong Kong and Macau, and commenced operation of its store in Sogo Causeway Bay in Hong Kong in September 2020. Mon cher is a well-developed brand and can expand in different business models including premium cake shop, café and online channels.

- Zoff is one of the leading fast-fashion eyewear chain from Japan. It offers customers with high quality and affordable eyewear with trendy design. It follows a fast service model where customers can pick up their eyewear within 30 minutes of purchase. Since the opening of first store in Hong Kong in November 2017, the brand has achieved great success and expanded to 11 stores by 31 October 2020. The Remaining Group plans to continue expanding the brand in Hong Kong and into Mainland China, with a particular focus on the Greater Bay Area, on the back of high consumer demand. This disruptive business model and premium customer experience that Zoff brings to the market is expected to continue to attract customers from traditional eyewear retailers.

The Remaining Group will continue to maintain a significant workforce and presence with over 2,800 employees in Hong Kong and the Greater Bay Area.

After payment of the Special Cash Dividend, the total dividend (including the interim dividend for the six months ended 30 June 2020) declared and attributable to the financial year ending 31 December 2020 will be HK$3.91 per Share. The Company does not intend to further declare and/or make any dividend payments in respect of the financial year ending 31 December 2020. Going forward, the Remaining Group will remain committed to creating long-term shareholder value and plans to adopt a dividend policy that is consistent with the past. In spite of a transformed business profile and new strategic focus, the Remaining Group plans to maintain a stable dividend payout ratio and to return a meaningful portion of the Remaining Group's profit after income tax to the Shareholders via ongoing dividend starting from the financial year ending 31 December 2021.

The Directors (other than Mr Pak Chi Kin) are of the view that the terms of the Disposal were negotiated on arm's length basis and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Mr Pak Chi Kin, an Executive Director, is a key management member whose main role is to oversee the Convenience Store Business. Mr Pak holds 1,912,000 Shares, representing approximately 0.25% of the issued share capital of the Company as at the date of this announcement, and 1,222,000 share options (exercisable at HK$4.19). Mr Pak is expected to dedicate his time to the Convenience Store Business on a full-time basis and to resign from the Board and join the Target Group subject to and upon Completion taking place. The arrangement was made in the normal and ordinary course of Mr Pak's employment and with the view to facilitating the smooth transition and continuation of the Convenience Store Business in its normal and ordinary course. Mr Pak supports the Disposal, but to avoid any appearance of conflict of interest, has abstained from deliberating and voting on the board resolution approving the Disposal and, together with his associates, will abstain from voting on the resolution approving the Disposal at the EGM.

Mr Pak's primary responsibility within the Group is managing the Convenience Store Business, reporting to Mr Richard Yeung Lap Bun. Mr Yeung will remain as an Executive Director and the Chief Executive Officer of the Group to focus on developing and expediting the growth of the Remaining Group upon Completion taking place. Saint Honore (together with Mon cher) and Zoff, being two business segments under the Remaining Group, are separately managed and operated by a dedicated managing director and general business manager respectively, both directly reporting to Mr Yeung. The Company does not consider that Mr Pak's proposed resignation would have a significant impact on the operation of the Remaining Group. There is no immediate plan to designate a new operating officer for the Remaining Group, and it is expected that the Remaining Group will continue to operate as it currently is under the Chief Executive Officer.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other matters, further details of the Disposal and the notice of the EGM to consider and, if thought fit, to approve the resolutions relating to the Disposal will be despatched to the Shareholders as soon as practicable. The circular is expected to be despatched to the Shareholders on or around 23 November 2020.

VOTING UNDERTAKINGS OBTAINED

Each of Fung Retailing Limited (together with its immediate holding company, Fung Holdings (1937) Limited) and Mr Richard Yeung Lap Bun has irrevocably undertaken to the Purchaser, in the event the EGM is held, to vote in favour of and to approve the resolution relating to the Disposal, provided that it/he is not prohibited from voting or approving such resolution pursuant to any judgement, order or decree or any competent court or the rules and regulations of any governmental, regulatory and other authority having applicable jurisdiction over the Company or the Shareholders or otherwise by the Stock Exchange or the Securities and Futures Commission of Hong Kong.

Fung Retailing Limited is a controlling shareholder of the Company and holds in aggregate 311,792,000 shares in the Company, representing approximately 40.59% of the issued share capital of the Company as at the date of this announcement.

Mr Richard Yeung Lap Bun, Executive Director and Chief Executive Officer of the Group, currently holds 22,396,000 Shares, representing approximately 2.92% of the issued share capital of the Company as at the date of this announcement, and 2,000,000 share options (exercisable at HK$4.19).

WARNING

Completion is conditional upon the satisfaction or, if applicable, waiver of the conditions set out in the section headed "Conditions" in this announcement, including the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder by the Shareholders at the EGM. Accordingly, the Disposal may or may not proceed. Payment of the Special Cash Dividend is conditional upon, amongst other things, Completion taking place. Accordingly, payment of the Special Cash Dividend may or may not be made. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

"ACT"	Alimentation Couche-Tard Inc., a company incorporated in the Province of Quebec, Canada, whose shares are listed on the Toronto Stock Exchange (stock code: ATD.A and ATD.B)
"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
"Completion"	completion of the Disposal in accordance with the terms of the Sale and Purchase Agreement
"Completion Date"	the date of Completion, as more particularly described under the section headed "The Sale and Purchase Agreement - Completion" in this announcement

"Conditions"	the conditions to Completion, as more particularly described under the section headed "The Sale and Purchase Agreement - Conditions" in this announcement
"connected person", "controlling shareholder", "percentage ratio" and "subsidiary(ies)"	each has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration payable by the Purchaser to the Company pursuant to the Sale and Purchase Agreement, as more particularly described under the section headed "The Sale and Purchase Agreement - Consideration" in this announcement
"Convenience Store Business"	the convenience store business carried on by the Target Group, being the operation of a chain of convenience stores in Hong Kong under the brand name of Circle K
"Directors"	the directors of the Company
"Disposal"	the disposal by the Company of the Sale Shares and the transactions contemplated under the Sale and Purchase Agreement
"EBITDA"	earnings before interests, tax, depreciation and amortisation
"EGM"	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving, among other things, the Disposal and the Special Cash Dividend (and any adjournment thereof)
"Greater Bay Area"	the Guangdong-Hong Kong-Macau Greater Bay Area;
"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 PRC
"Initial Payment"	the initial payment of the Consideration payable by the Purchaser to the Company pursuant to the Sale and Purchase Agreement, as more particularly described under the section headed "The Sale and Purchase Agreement - Payment" in this announcement
"Last Trading Date"	means 4 November 2020, being the last trading day immediately prior to the date of this announcement
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Longstop Date"	31 March 2021 or such later time or date as may be agreed in writing by the Purchaser and the Company

"Macau"	the Macau Special Administrative Region of the PRC
"Mainland China" or "PRC"	the People's Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau and Taiwan
"Purchaser"	Couche-Tard HK Limited, a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of ACT
"Remaining Group"	the Company and its subsidiaries immediately after Completion
"Sale and Purchase Agreement"	the sale and purchase agreement dated 5 November 2020 entered into between the Purchaser, ACT (as the Purchaser's guarantor) and the Company in respect of the Sale Shares
"Sale Shares"	the entire issued share capital of the Target Company
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholders"	holders of the Shares in issue
"Special Cash Dividend"	the special cash dividend, as more particularly described under the section headed "Special Cash Dividend" in this announcement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Convenience Retail Asia (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement, being the holding company of the Convenience Store Business
"Target Group"	the Target Company and its subsidiaries
"%"	per cent.

By order of the Board
Convenience Retail Asia Limited
Victor FUNG Kwok King
Chairman

Hong Kong, 5 November 2020

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 Anthony Lo Kai Yiu, Mr Zhang Hongyi and Dr Sarah Mary Liao Sau Tung.