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## Convenience Retail Asia Limited

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

### DISCLOSABLE TRANSACTION Entering into joint venture agreement in the PRC

The Directors announce that on 26th April, 2001, the Company entered into the JV Agreement through its wholly-owned subsidiary, Circle K PRC, with two independent third parties from the PRC, which are not connected with any of the directors, chief executives, substantial shareholders and management shareholders of the Company or any of their respective associates for the purpose of the GEM Listing Rules, Shanghai Shenhong and CFTDC, to establish a Sino-foreign equity joint venture company, Convenience Retail SC in Guangzhou, the PRC. Convenience Retail SC will be principally engaged in the development and operation of a convenience store chain in Guangdong Province under the tradename of Circle K.

Under the JV Agreement, Circle K PRC will have a 62.5% interest in the registered capital of Convenience Retail SC and Circle K PRC undertakes to contribute a total amount of RMB37.5 million (equivalent to about HK\$35 million) to Convenience Retail SC as its share of registered capital contribution. The total registered capital of Convenience Retail SC is RMB60 million (equivalents to about HK\$56 million), and total investment is RMB100 million (equivalents to about HK\$93.5 million). The Directors currently have not determined the method and timing for the financing of the remaining RMB40 million.

The Directors believe that the formation of Convenience Retail SC will enable the Group to establish a firm presence and to capture a significant share of the convenience store market in the PRC.

The JV Agreement constitutes a discloseable transaction for the Company under the GEM Listing Rules. A circular containing further information will be sent to the shareholders of the Company as soon as practicable.

#### JV Agreement dated 26th April, 2001

#### Parties:

	Equity interest (%)	Registered capital (RMB'million)	Equivalent to HK\$'million
Circle K PRC	62.5	37.5	35.0
Shanghai Shenhong	35.0	21.0	19.6
CFTDC	2.5	1.5	1.4
	<u>100.0</u>	<u>60.0</u>	<u>56.0</u>

**Particulars of the JV Agreement:**

The registered capital of Convenience Retail SC is RMB60 million (equivalent to about HK\$56 million) and its total investment is RMB100 million (equivalent to about HK\$93.5 million). The Directors currently have not determined the method and timing for the financing of the remaining RMB40 million. Circle K PRC will fully contribute its portion of capital of RMB37.5 million (equivalent to about HK\$35 million) by cash within 90 days from the date of obtaining the business license by Convenience Retail SC. Shanghai Shenhong and CFTDC will initially contribute 15% of their portion of capital contribution, being RMB3.15 million (equivalent to about HK\$2.94 million) and RMB225,000 (equivalent to about HK\$210,000) respectively, in cash within 30 days from the date of obtaining the business license by Convenience Retail SC. The remaining 85% of their portion of capital contribution will be made by Shanghai Shenhong and CFTDC within 3 years from the date of obtaining the business license.

Each of the companies, Circle K PRC, Shanghai Shenhong and CFTDC, is entitled to share in the distributable profit of Convenience Retail SC in proportion to their equity interests in Convenience Retail SC which is 62.5%, 35% and 2.5% respectively. The distributable profit is determined by deducting the relevant costs, expenses, taxes, statutory reserve fund appropriation, enterprise expansion fund appropriation, staff welfare fund appropriation and accumulated losses, if any, of Convenience Retail SC prior to distributing the profit to the respective joint venture parties in accordance to their equity interests.

The board of directors of Convenience Retail SC will comprise six members. The Company will appoint four members; Shanghai Shenhong and CFTDC will each appoint one member respectively.

**Principal activity:**

The Company is principally engaged in the operation of one of the leading convenience store chains in Hong Kong under the tradename of Circle K.

Convenience Retail SC will be principally engaged in the operation of a convenience store chains in Guangdong Province under the tradename of Circle K.

**Terms:**

The JV will expire after 30 years from the date of obtaining the business license (renewable upon unanimous resolution of the board of directors of Convenience Retail SC six months prior to the expiry of the JV Agreement and obtaining approval from the relevant authorities)

**Conditions:**

The JV Agreement is conditional upon the obtaining all the necessary approvals from the relevant PRC authorities including State Economic Trade Commission and Ministry of Foreign Trade and Economic Cooperation, in relation to the establishment of Convenience Retail SC in Guangzhou.

The Directors currently expect that approvals from the relevant PRC authorities will be obtained by the end of this year

## **Reasons for establishment of Convenience Retail SC:**

The Group's mission is to become the fastest-growing and preferred convenience store chain in the PRC market, by taking advantage of the anticipated de-regulation of relevant laws in the PRC following its expected entry into the WTO. The establishment of joint ventures with PRC partners is a pre-requisite requirement to obtain the necessary licenses for its Circle K store operation in the PRC and the local partners' experience in the PRC retail market will be advantageous to the start up of Circle K stores in the PRC. The operation of Convenience Retail SC will be principally run by the Company.

The Directors believe that in view of the huge geographical spread of the PRC, a practical and properly planned penetration approach is needed to ensure the Group's successful entry and subsequent expansion into the PRC market. As disclosed in the Company's prospectus dated 9 January 2001, the Group intends to adopt a phased expansion strategy in the PRC market. Phase 1 which spans from 2001 to 2003 will be to establish a solid base and store network coverage of up to 100 Circle K stores in Guangzhou and the Pearl River Delta Area. The establishment of the JV marks the initial step for the Group to achieve its goal in capturing a significant share of the convenience store market in the PRC.

The Group's capital contribution of RMB37.5 million (equivalent to about HK\$35 million) for the establishment of Convenience Retail SC, will be financed by its net proceeds raised from the initial public offering, which is within the scope of the use of proceeds as disclosed in the Company's prospectus dated 9 January 2001.

## **Background of JV Partners:**

Shanghai Shenhong is a sizable trading conglomerate in Shanghai and is a member of the state-owned Shanghai Friendship Group. Shanghai Friendship Group is also a majority shareholder of Shanghai's largest supermarket chain, Lian Hua and Shanghai Friendship Department Stores.

CFTDC is a state-owned enterprise based in Guangdong Province. CFTDC serves as a multi-function business entity to facilitate import and export, logistics and provides trade related services.

## **General:**

The Directors believe that the JV Agreement is entered into upon normal commercial and fair and reasonable terms and is in the interests of the Shareholders. The investment in the JV constitutes a discloseable transaction for the Company under the GEM Listing Rules. A circular containing further details of this transaction will be despatched to the shareholders of the Company as soon as possible.

## **Definitions:**

“CFTDC”	China Foreign Trade Development Companies, Inc, a state-owned enterprise based in Guangdong, primarily involved in the trading business
“Circle K PRC”	Circle K Convenience Stores PRC Limited, a wholly-owned subsidiary of the Company and an investment holding company for the Company's PRC joint ventures
“Company”	Convenience Retail Asia Limited

“Convenience Retail SC” or “JV”	Convenience Retail Southern China Limited, being the equity joint venture company to be established by Circle K PRC, Shanghai Shenhong and CFTDC, whose principal activity is the operation of convenience store chains in Guangdong, the PRC
“Directors”	Directors of the Company
“Group”	the Company and its subsidiaries
“GEM Listing Rules”	the Rules Governing the Listing of Securities on Growth Enterprise Market of the Stock Exchange
“JV Agreement”	joint venture agreement entered into by Circle K PRC, Shanghai Shenhong and CFTDC on 26th April, 2001
“Lian Hau”	Lian Hau Supermarket Co. Ltd.
“PRC”	the People’s Republic of China
“RMB”	Reminbi
“Shanghai Shenhong”	Shanghai Shenhong Corporation, an entity incorporated in the PRC whose principal activity is trading conglomerate
“WTO”	World Trade Organisation

For the purposes of this announcement, unless otherwise indicated, conversions of RMB to HK\$ herein are based on a mid price of HK\$1.00 = RMB1.07. The exchange rate is for the purpose of illustration only and do not constitute a representation that any amounts have been, could have been or may be exchanged, at this rate.

On behalf of the Board  
**Yeung Lap Bun, Richard**  
*Director*

Hong Kong, 26th April, 2001

*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 of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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 remain on the GEM website on the “Latest Company Announcements” page for 7 days from the day of its posting and will also be available from the Company’s website at [www.cr-asia.com](http://www.cr-asia.com).*