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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: 8052)**

### **CONTINUING CONNECTED TRANSACTIONS**

The Existing IDS Agreements expired on 25 March 2007 and the Existing HKCM Agreements will expire on 31 March 2007. The Directors consider that it is in the interest of the Company to continue the said transactions and therefore the Group entered into the New IDS Agreements and the New HKCM Agreements on 30 March 2007.

Pursuant to the New IDS Agreements, IDS (HK) agreed to: (i) lease the 5th Floor of LiFung Centre, No. 2 On Ping Street, Shatin, the New Territories, Hong Kong to the Group; and (ii) grant a license to the Group for the use of the loading bay and unloading bay, staging area and one car parking space on the Ground Floor of LiFung Centre, No. 2 On Ping Street, Shatin, the New Territories, Hong Kong. Pursuant to the Supply Agreement, SHHL agreed to sell (or to procure the relevant members of the Group to sell) to the HKCM Group, and HKCM agreed to purchase (or to procure the relevant members of the HKCM Group to purchase) from the Group, the Products.

LF (1937) is the controlling shareholder of the Company and therefore its indirect subsidiary, IDS (HK), is considered a connected person of the Company and the transactions contemplated under the New IDS Agreements constitute continuing connected transactions for the Company.

After the takeover of SHHL by the Company on 22 February 2007, SHHL became a wholly-owned subsidiary of the Company. Each of the Former SHHL Directors remains a connected person of the Company by virtue of Rules 19.04(6) and 20.11 of the GEM Listing Rules until 21 February 2008. As disclosed in the respective interim reports 2006/2007 of SHHL and HKCM, Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine are interested in the shares in HKCM held by Well-Positioned Corporation, a company beneficially owned by the Chan's Family Trust which holds more than 30% shareholding interest in HKCM, in their respective capacity as the founder of the Chan's Family Trust and the spouse of the founder, while Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond are deemed to be interested in such shares in HKCM in their capacity as eligible beneficiaries of the Chan's Family Trust. Therefore, HKCM is an associate of the Former SHHL Directors and a connected person of

the Company. Accordingly, the transactions contemplated under the New HKCM Agreements constitute continuing connected transactions for the Company under the GEM Listing Rules.

The Directors (including the independent non-executive Directors) consider that the New IDS Agreements and the New HKCM Agreements were negotiated on an arm's length basis and 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 their terms are fair and reasonable for the Group and the Shareholders as a whole.

Taking into account the proposed annual caps for the Proposed Continuing Connected Transactions, such transactions are subject to the reporting and announcement requirements set out in Rules 20.45 to 20.47 of the GEM Listing Rules.

## 1. The New IDS Agreements

The Existing IDS Agreements expired on 25 March 2007 and the Directors consider that it is in the interest of the Company to continue the said transactions and the Group has entered into the New IDS Agreements:

### (a) Circle K (HK) Lease

Date	:	30 March 2007
Parties	:	Landlord — IDS (HK), an indirect subsidiary of LF (1937) Tenant — Circle K (HK), a wholly-owned subsidiary of the Company
Premises	:	5th Floor of LiFung Centre, No. 2 On Ping Street, Shatin, the New Territories, Hong Kong
Gross floor area	:	about 33,390 square feet
Lease Term	:	26 March 2007 to 25 March 2010
Rent	:	(a) HK\$163,277.10 per calendar month, calculated on the basis of HK\$4.89 per square feet and payable in advance on the first day of each month (b) the rent is exclusive of rates, service charges and all other outgoings
Service Charges	:	HK\$50,418.90 per calendar month, calculated on the basis of HK\$1.51 per square feet and payable in advance on the first day of each month
Utility Expenses	:	The Group shall reimburse IDS (HK) for the actual amount to be paid by it in respect of the subject premises

## **(b) Circle K (HK) License Agreement**

Date	:	30 March 2007
Parties	:	Licensor — IDS (HK), an indirect subsidiary of LF (1937) Licensee — Circle K (HK), a wholly-owned subsidiary of the Company
Premises	:	The loading bay and unloading bay, staging area and one car parking space on the Ground Floor of LiFung Centre, No. 2 On Ping Street, Shatin, the New Territories, Hong Kong
Term	:	26 March 2007 to 25 March 2010
License Fee	:	HK\$16,794.60 per calendar month and payable in advance on the first day of each month

The Rent (including the Service Charges) and the license fee payable under the New IDS Agreements were determined by reference to open market rent of properties of similar size and location. Based on the amount payable under the New IDS Agreements, the Directors expected that the annual caps for the aggregate amount payable by the Group to IDS (HK) under the New IDS Agreements for each of the three years ending 25 March 2010 are approximately HK\$3,474,000, HK\$3,580,000 and HK\$3,702,000 respectively, which would not exceed 2.5% of each of the applicable percentage ratios (other than the profits ratio) on an annual basis.

## **2. The New HKCM Agreements**

As disclosed in the announcement jointly issued by the Company and SHHL dated 17 November 2006, the connected transactions between HKCM and SHHL as reported in the last published financial statements of SHHL shall continue after the takeover of SHHL by the Company pursuant to the subsisting terms of the governing agreements. The Directors consider that it is in the interest of the Company to continue the said transactions and the governing agreements will be renewed after the expiration of their respective terms. Save for the transactions contemplated under the Supply Agreement as set out below, all transactions contemplated under the New HKCM Agreements are exempt from the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules:

### **Supply Agreement**

Date	:	30 March 2007
Parties	:	(1) HKCM (2) SHHL

- Subject matter : SHHL agreed to sell (or to procure the relevant members of the Group to sell) to the HKCM Group, and HKCM agreed to purchase (or to procure the relevant members of the HKCM Group to purchase) from the Group, the Products, at the agreed prices as set out in the Supply Agreement (subject to quarterly review by the parties), being the wholesale prices of the Products principally based on the scale set from time to time by SHHL for its corporate customers, which shall be settled by the HKCM Group within 45 days from the end of each month
- Term : The Supply Agreement shall be for a term of three years commencing from 1 April 2007 provided that either party can terminate the Supply Agreement by serving to the other party a three (3) months' notice in writing after 31 December 2007

For each of the three years ended 31 March 2006, the value of the Products which the HKCM Group had purchased from the SHHL Group amount to approximately HK\$5,716,000, HK\$5,921,000 and HK\$8,270,000 respectively. By reference to the said previous transaction amount and the estimated increase in the sales of Products, the Directors expected that, the annual cap for the aggregate value of the sales of the Products by the Group to the HKCM Group under the Supply Agreement for the year ending 31 March 2008 to the extent the transactions contemplated thereunder remain as continuing connected transactions for the Company is approximately HK\$15,000,000 and would not exceed 2.5% of each of the applicable percentage ratios (other than the profits ratio) on an annual basis.

## **GENERAL**

The Group is principally engaged in the operation of a chain of convenience stores under the tradename of Circle K in Hong Kong and mainland China. After the takeover of SHHL, the Group is also engaged in the operation of bakery and property investment in Hong Kong, Macau and mainland China.

IDS (HK) is principally engaged in marketing and distribution of consumer and pharmaceutical products. The HKCM Group is principally engaged in the operation of restaurants and property investment.

Given the affiliation between the Company and IDS (HK), the Group has been leasing premises from IDS (HK) in the past and will continue to do so in view of administrative convenience.

The SHHL Group is supplying the HKCM Group quality products on competitive terms and the transactions contemplated under the Supply Agreement provides a stable income flow for the SHHL Group.

LF (1937) is the controlling shareholder (approximately 51.59%) of the Company and therefore its indirect subsidiary, IDS (HK), is considered a connected person of the Company. Accordingly, the transactions contemplated under the New IDS Agreements constitute continuing connected transactions for the Company under the GEM Listing Rules.

After the takeover of SHHL by the Company on 22 February 2007, SHHL became a wholly-owned subsidiary of the Company. Each of the Former SHHL Directors remains a connected person of the Company by virtue of Rules 19.04(6) and 20.11 of the GEM Listing Rules until 21 February 2008. As disclosed in the respective interim reports 2006/2007 of SHHL and HKCM, Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine are interested in the shares in HKCM held by Well-Positioned Corporation, a company beneficially owned by the Chan's Family Trust which holds more than 30% shareholding interest in HKCM, in their respective capacity as the founder of the Trust and the spouse of the founder, while Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond are deemed to be interested in such shares in HKCM in their capacity as eligible beneficiaries of the Chan's Family Trust. Therefore, HKCM is an associate of the Former SHHL Directors and a connected person of the Company. Accordingly, the transactions contemplated under the New HKCM Agreements constitute continuing connected transactions for the Company under the GEM Listing Rules.

The Directors (including the independent non-executive Directors) consider that the New IDS Agreements and the New HKCM Agreements were negotiated on an arm's length basis and 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 their terms are fair and reasonable for the Group and the Shareholders as a whole.

As each of the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the Proposed Continuing Connected Transactions is on an annual basis less than 2.5%, such transactions are subject to the reporting and announcement requirements set out in Rules 20.45 to 20.47 of the GEM Listing Rules.

## DEFINITIONS

“associates”, “connected person”, “percentage ratios” and “subsidiary(ies)”	each has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Chan's Family Trust”	a trust established by Mr. Chan Wai Cheung, Glenn for the benefit of the family members of Mr. Chan Wai Cheung and Mrs. Chan King Catherine
“Circle K (HK)”	Circle K Convenience Stores (HK) Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Circle K (HK) Lease”	a sub-tenancy agreement dated 30 March 2007 entered into between IDS (HK) as landlord and Circle K (HK) as tenant whereby IDS (HK) agreed to let and Circle K (HK) agreed to take 5th Floor, LiFung Centre, No. 2 On Ping Street, Shatin, the New Territories, Hong Kong with a gross floor area of about 33,390 square feet for a term from 26 March 2007 to 25 March 2010

“Circle K (HK) License Agreement”	a license agreement dated 30 March 2007 entered into between IDS (HK) as licensor and Circle K (HK) as licensee whereby IDS (HK) agreed to grant a license to Circle K (HK) to use the loading bay and unloading bay, staging area and one car parking space on the Ground Floor of LiFung Centre, No. 2 On Ping Street, Shatin, the New Territories, Hong Kong for a term from 26 March 2007 to 25 March 2010
“Company”	Convenience Retail Asia Limited, a company incorporated in the Cayman Islands and listed on the Growth Enterprise Market of the Stock Exchange
“Director(s)”	director(s) of the Company
“Existing IDS Agreements”	the two sub-tenancy agreements entered into between IDS (HK) as landlord and the Group as tenant on 12 May 2004 in respect of 5th Floor, LiFung Centre, No. 2 On Ping Street, Shatin, the New Territories, Hong Kong
“Existing HKCM Agreements”	the agreement for the sale and purchase of the Products entered into between HKCM and SHHL on 9 June 2004 and the agreements governing other continuing connected transactions between HKCM and SHHL before the takeover of SHHL by the Company
“Former SHHL Directors”	Mr. Chan Wai Cheung, Glenn, Ms. Chan King Catherine, Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond, who resigned as directors of SHHL on 22 February 2007
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise market of the Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKCM”	Hong Kong Catering Management Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange
“HKCM Group”	HKCM and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“IDS (HK)”	IDS (Hong Kong) Limited, a company incorporated in Hong Kong and an indirect subsidiary of LF (1937)
“LF (1937)”	Li & Fung (1937) Limited, a company incorporated in Hong Kong
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“New HKCM Agreements”	the Supply Agreement and the agreements governing other continuing connected transactions between the Company and HKCM
“New IDS Agreements”	the Circle K (HK) Lease and the Circle K (HK) License Agreement
“Products”	festive products, semi-finished products, bakery products, cakes and other food products
“Proposed Continuing Connected Transactions”	the continuing connected transactions contemplated under the New IDS Agreements and the Supply Agreement and “Transaction” means any one of them
“Service Charges”	the air-conditioning charges and management fees being the additional rental payable by Circle K (HK) under the Circle K (HK) Lease
“Shareholders”	holders of the shares in the Company
“SHHL”	Saint Honore Holdings Limited, a wholly-owned subsidiary of the Company
“SHHL Group”	SHHL and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Agreement”	the agreement dated 30 March 2007 entered into between HKCM and SHHL for the sale and purchase of the Products
“Utility Expenses”	government rent, rates, electricity, waste disposal and pest control charges

By order of the board of  
**CONVENIENCE RETAIL ASIA LIMITED**  
**Yeung Lap Bun, Richard**  
*Director and Chief Executive Officer*

Hong Kong, 30 March 2007

*As at the date of this announcement, the executive Directors are Mr. Yeung Lap Bun, Richard (Chief Executive Officer) and Mr. Li Kwok Ho, Bruno (Chief Financial Officer), the non-executive Directors are Dr. Fung Kwok King, Victor (Chairman), Dr. Fung Kwok Lun, William, Mr. Godfrey Ernest Scotchbrook, Mr. Jeremy Paul Egerton Hobbins and Ms. Wong Yuk Nor, Louisa; and the 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 collectively and individually accept full responsibility in respect of information, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. 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 remain on the GEM website on the "Latest Company Announcements" page for a minimum period of 7 days from the date of publication.*