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If you have sold or transferred all your shares in Convenience Retail Asia Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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: 00831)

**VERY SUBSTANTIAL DISPOSAL
IN RELATION TO
THE CONVENIENCE STORE BUSINESS
AND
SPECIAL CASH DIVIDEND
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Sole Financial Adviser to the Company



A notice convening the Extraordinary General Meeting of Convenience Retail Asia Limited (the "**Company**") to be held at Ground Floor, Hong Kong Spinners Industrial Building, Phases I & II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong on Monday, 7 December 2020 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event, not less than 48 hours before the time appointed for holding the Extraordinary General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting should you so wish.

20 November 2020

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“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)
“Announcement”	the announcement of the Company dated 5 November 2020 in relation to, among other things, the Disposal
“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 “Letter from the Board — The Sale and Purchase Agreement — Completion” in this circular
“Conditions”	the conditions to Completion, as more particularly described under the section headed “Letter from the Board — The Sale and Purchase Agreement — Conditions” in this circular
“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 “Letter from the Board — The Sale and Purchase Agreement — Consideration” in this circular

DEFINITIONS

“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 “Letter from the Board — The Sale and Purchase Agreement — Payment” in this circular
“Last Trading Date”	4 November 2020, being the last trading day immediately prior to the date of the Announcement

DEFINITIONS

“Latest Practicable Date”	17 November 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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 circular 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
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the Shares in issue

DEFINITIONS

“Special Cash Dividend”	the special cash dividend, as more particularly described under the section headed “Letter from the Board — Special Cash Dividend” in this circular
“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 Latest Practicable Date, being the holding company of the Convenience Store Business
“Target Group”	the Target Company and its subsidiaries
“%”	per cent.



CONVENIENCE RETAIL ASIA LIMITED

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00831)

Executive Directors:

Richard YEUNG Lap Bun (*Chief Executive Officer*)
PAK Chi Kin (*Chief Operating Officer*)

Non-executive Directors:

Victor FUNG Kwok King (*Chairman*)
William FUNG Kwok Lun
Godfrey Ernest SCOTCHBROOK
Benedict CHANG Yew Teck

Independent Non-executive Directors:

Anthony LO Kai Yiu
ZHANG Hongyi
Sarah Mary LIAO Sau Tung

Registered Office:

Second Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman KY1-1103
Cayman Islands

Principal Place of Business:

15th Floor
LiFung Centre
2 On Ping Street
Siu Lek Yuen, Shatin
New Territories, Hong Kong

20 November 2020

To Shareholders

Dear Sirs or Madams,

**VERY SUBSTANTIAL DISPOSAL
IN RELATION TO
THE CONVENIENCE STORE BUSINESS
AND
SPECIAL CASH DIVIDEND
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

We refer to the Announcement in relation to, among other things, the Disposal.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, further details of the Disposal, the Special Cash Dividend, notice of the EGM, and other information as required under the Listing Rules. 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\$3.62 per Share, based on the 771,722,974 Shares in issue as at the Latest Practicable Date and assuming no new Shares are issued and no Share repurchases are made between the Latest Practicable Date 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 and held approximately 34.38% of voting rights attached to the issued and outstanding shares of ACT as at the date of the Announcement.

LETTER FROM THE BOARD

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 Latest Practicable Date, 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, trading multiples of comparable public companies with operations in convenience retail business across Asia (which are trading on an average of approximately 5x 2019 enterprise value/EBITDA), 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 via realising potential synergies from leveraging its existing global operations and thereby maximising the value of the Target Group's business.

LETTER FROM THE BOARD

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 to be prepared and delivered in accordance with the terms of the Sale and Purchase Agreement) 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 to be prepared and delivered in accordance with the terms of the Sale and Purchase Agreement) 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.

LETTER FROM THE BOARD

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.

As at the Latest Practicable Date, none of the Conditions have been satisfied.

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**”). Completion is expected to take place on or around 21 December 2020.

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 accounting, 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 arrangement whereby the Company will procure a sub-lease or the use of a portion of its existing office space as used by the Convenience Store Business or equivalent spaces 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 (which is expected to be not more than HK\$5 million) and the monthly rent in respect of the sub-lease arrangement (which is expected to be not more than HK\$300,000) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The level of sales of Saint Honore bakery and cake products to Circle K stores is expected to be less than 10% of the Remaining Group’s sales. 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.

LETTER FROM THE BOARD

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) <i>HK\$ million</i> <i>(approximately)</i>	Year ended 31 December 2019 (Unaudited) <i>HK\$ million</i> <i>(approximately)</i>	Six months ended 30 June 2020 (Unaudited) <i>HK\$ million</i> <i>(approximately)</i>
Results			
Profit before income tax ¹	182	201	87
Profit after income tax	157	174	76
	As at 31 December 2018 (Unaudited) <i>HK\$ million</i> <i>(approximately)</i>	As at 31 December 2019 (Unaudited) <i>HK\$ million</i> <i>(approximately)</i>	As at 30 June 2020 (Unaudited) <i>HK\$ million</i> <i>(approximately)</i>
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 circular 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. Such corporate expenses mainly comprise the listing and corporate office expenses, which will be borne by the Remaining Group after Completion.

2. Total assets and net assets (i.e. total asset less total liabilities) of the Convenience Store Business disclosed in this circular 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.

LETTER FROM THE BOARD

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 Latest Practicable Date.

FINANCIAL EFFECT OF THE DISPOSAL

It is estimated that the Company will record a gain on the Disposal of approximately HK\$3,078 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 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 by the Company's auditors upon finalisation of the consolidated financial statements of the Company.

Pursuant to the audited consolidated financial statements of the Company as at 31 December 2019, prior to the Disposal, the profit after income tax of the Group for the year ended 31 December 2019 was HK\$207 million. Pursuant to the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this circular, assuming the Disposal had been completed on 1 January 2019, the unaudited pro forma consolidated profit after income tax for the Remaining Group for the year ended 31 December 2019 would be approximately HK\$3,118 million.

Pursuant to the unaudited consolidated financial statements of the Company as at 30 June 2020, prior to the Disposal, the Group had total assets and total liabilities of HK\$2,327 million and HK\$1,824 million, respectively. Pursuant to the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this circular, assuming the Disposal had been completed on 30 June 2020, the unaudited pro forma consolidated total assets and total liabilities of the Remaining Group as at 30 June 2020 would be approximately HK\$4,110 million and HK\$529 million, respectively.

The excess of the consideration over the aggregate of the adjusted net asset value of the Convenience Store Business as at 30 June 2020 and the distribution of dividend before Completion is approximately HK\$3,078 million.

LETTER FROM THE BOARD

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 in the section headed “Conditions of the payment of the Special Cash Dividend” below, a Special Cash Dividend of HK\$3.85 per Share will be paid to the Shareholders as soon as practicable after Completion. As at the Latest Practicable Date, there are 771,722,974 Shares in issue and 5,602,000 outstanding share options of the Company. For illustrative purposes,

- (a) assuming no new Shares are issued and no Share repurchases are made between the Latest Practicable Date and the record date for the Special Cash Dividend, the Special Cash Dividend will amount to an aggregate amount of approximately HK\$2,971 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 Latest Practicable Date 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 the share premium account of the Company pursuant to Articles 136 and 137 of the Company’s Articles of Association and in accordance with the laws of the Cayman Islands. The distributable reserves and the share premium account of the Company will be sufficient for the payment of the Special Cash Dividend. The Special Cash Dividend will allow the Shareholders to immediately realise substantial value from their shareholdings in the Company while continuing to be invested in the Company’s remaining businesses.

As at 30 June 2020, based on the unaudited consolidated financial information of the Group, the amount standing to the credit of the share premium account of the Company was approximately HK\$41 million. As it is the intention of the Company to first apply the credit of the share premium account of the Company for the Special Cash Dividend, it is expected that the credit of the share premium account of the Company will be reduced to nil after payment of the Special Cash Dividend.

LETTER FROM THE BOARD

Conditions of the payment of the Special Cash Dividend

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, it is expected that the Special Cash Dividend will be paid on 31 December 2020 to the Shareholders whose names appear on the register of members of the Company on 24 December 2020, being the tentative record date for determination of entitlements to the Special Cash Dividend assuming Completion takes place on 21 December 2020.

Reasons for and effect of the payment of Special Cash Dividend

The Directors consider that the payment of the Special Cash Dividend unlocks shareholder value and provides immediate liquidity to the Shareholders by allowing all Shareholders to monetise a material portion of their investment in the Group while continuing to be invested in the Company's remaining businesses.

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 and 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.

After taking into consideration the existing cash flow of the Group, the Board considers that the Company has sufficient cash resources to pay the Special Cash Dividend and such payment of Special Cash Dividend will not have any material adverse effect on the financial position of the Group.

The payment of Special Cash Dividend out of the share premium account of the Company does not involve any reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of the Shares or result in any change in the trading arrangements in respect of the Shares.

LETTER FROM THE BOARD

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. The controlling shareholder of the Company, Fung Retailing Limited, which holds in aggregate 311,792,000 Shares, representing approximately 40.40% of the issued share capital of the Company as at the Latest Practicable Date, intends to vote in favour of the payment of the Special Cash Dividend at the EGM.

Record dates and closure of register of members

Hong Kong Time
2020

In relation to the EGM:

Latest time to lodge transfer documents with
share registrar in order to be qualified for
attending and voting at the EGM ⁽ⁱ⁾ 4:30 p.m.,
Friday, 4 December

Record date for determining the entitlements
of the Shareholders to attend and vote
at the EGM ⁽ⁱⁱ⁾ Friday, 4 December

Announcement of poll results of the EGM
posted on the websites of the Company
and the Stock Exchange Monday, 7 December

In relation to the Special Cash Dividend ⁽ⁱⁱⁱ⁾:

Last day of dealings in the Shares cum-entitlement
to the Special Cash Dividend Tuesday, 22 December

First day of dealings in the Shares ex-entitlement
to the Special Cash Dividend Wednesday, 23 December

Latest time to lodge transfer documents with
share registrar in order to be qualified for
the Special Cash Dividend ⁽ⁱ⁾ 4:30 p.m.,
Thursday, 24 December

Record date for determining the entitlements
to the Special Cash Dividend ⁽ⁱⁱ⁾ Thursday, 24 December

Expected despatch date of the cash cheque(s)
for the Special Cash Dividend Thursday, 31 December

LETTER FROM THE BOARD

Remarks:

(i) To be eligible to attend and vote at the EGM, and to be entitled to the Special Cash Dividend, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than the respective latest time mentioned above.

(ii) Shareholders who are eligible to attend and vote at the EGM are those whose names appear on the register of members of the Company as at the close of business on Friday, 4 December 2020.

Shareholders who are entitled to the Special Cash Dividend are those whose names appear on the register of members of the Company as at the close of business on the record date for this purpose, tentatively, Thursday, 24 December 2020.

(iii) The dates for determining Shareholder's entitlement to the Special Cash Dividend will occur after Completion. The dates set out above regarding Shareholder's entitlement to the Special Cash Dividend are therefore tentative, assuming Completion takes place on 21 December 2020. The Company will confirm these dates in due course and make necessary announcement as and when appropriate in accordance with the Listing Rules.

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.

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.

LETTER FROM THE BOARD

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. For the six months ended 30 June 2020, the Remaining Group witnessed a decline in bakery sales which was mainly due to temporary effects arising from COVID-19, including lower foot traffic at stores level and limitations on group gathering. On the other hand, despite an increase in sales from the Convenience Store Business (which was mainly attributable to better sales of high-value but low-margin product categories), comparable sales for most product categories suffered meaningful decline, which accelerated the strategic review of the Convenience Store Business.

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 arrangement 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 with an existing worldwide network of self-owned convenience stores, the Board believes the Purchaser is well positioned to realise potential synergies and 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 operationally intensive model of the Convenience Store Business is less aligned with the Group's ongoing strategy of utilising internet and online platforms going forward. Taking into account the terms offered by the Purchaser on the Disposal, the Board considers that the Disposal is in the interests of the Company and its Shareholders, while delivering immediate and ongoing value and benefits to the Shareholders as follows:

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

The Disposal unlocks immediate value for the 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 85% of the closing price of HK\$4.54 per Share as quoted on the Stock Exchange on the Latest Practicable Date, and implies the value of the Remaining Group at HK\$0.69 per Share;

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- 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, representing approximately 40.40% 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\$2,971 million to approximately HK\$2,993 million. The Special Cash Dividend provides immediate liquidity to the 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 EBITDA¹ 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 EBITDA¹ and 16x 2019 profit after income tax based on the Company's market capitalisation of approximately HK\$3,291 million derived from the average closing price of HK\$4.26 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Latest Practicable Date and the 771,722,974 Shares in issue as at the Latest Practicable Date.

Based on the abovementioned market capitalisation of approximately HK\$3,291 million and the quantum of the Special Cash Dividend, the implied equity value of the Remaining Group would be approximately HK\$320 million. Based on the unaudited profit

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after income tax of approximately HK\$39 million in 2019 of the Remaining Group² 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 8x 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 and the distribution of the Special Cash Dividend 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 circular.

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 approximately HK\$39 million of the Remaining Group in 2019 is calculated by (i) deducting the unaudited profit after tax of approximately HK\$174 million of the Convenience Store Business from the audited consolidated profit after tax of the Group of approximately 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 approximately HK\$6 million which was eliminated in the consolidated profit after tax of the Group.

(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

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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. The Company's primary focus will be to continue to focus on expanding the existing brands of the Remaining Group through additional store presence, new products to attract a wider demographic of consumers, as well as the use of digital channels. If such opportunities arise in the future, the Company may also consider introducing new brands which complement its existing brands. The development strategy for each of the existing brands of the Remaining Group is as follows:

- 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" customer relationship management 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 via 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 licence 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 chains 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.

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The Company has no plans or intention to dispose of the businesses of the Remaining Group or to downsize the number of employees of the Remaining Group in the 12 months following Completion. 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.

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 Latest Practicable Date, 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 IMPLICATION

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.

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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, representing approximately 40.40% of the issued share capital of the Company as at the Latest Practicable Date.

Mr Richard Yeung Lap Bun, Executive Director and Chief Executive Officer of the Group, currently holds 22,396,000 Shares, representing approximately 2.90% of the issued share capital of the Company as at the Latest Practicable Date, and 2,000,000 share options (exercisable at HK\$4.19).

EGM

The EGM will be convened and held to consider and, if thought fit, approve the Disposal and the transactions contemplated under the Sale and Purchase Agreement and the Special Cash Dividend. A notice convening the EGM to be held at Ground Floor, Hong Kong Spinners Industrial Building, Phases I & II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong on Monday, 7 December 2020 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular.

Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Disposal. As such, no Shareholder is required to or has abstained from voting on the resolution approving the Disposal at the EGM save as disclosed above.

A form of proxy for use at the EGM is enclosed with this circular. A member entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote instead of him/her. Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM should you so wish.

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VOTING

Pursuant to Rule 13.39 of the Listing Rules, all votes of the Shareholders at general meetings must be taken by poll. Chairman of the EGM will therefore demand a poll for every resolution put to the vote of the EGM. Pursuant to Article 66 of the Company's Articles of Association, a poll can be demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- (d) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or
- (e) if required by the rules of the designated stock exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing 5% or more of the total voting rights at such meeting.

The results of the poll will be published on the websites of the Company at www.cr-asia.com and HKExnews at www.hkexnews.hk following the EGM.

RECOMMENDATION

The Board (including the non-executive Directors) considers that the terms of the Disposal are fair and reasonable and that the Disposal and the Special Cash Dividend are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Disposal and the transactions contemplated under the Sale and Purchase Agreement and the Special Cash Dividend.

LETTER FROM THE BOARD

WARNING

Completion is conditional upon the satisfaction or, if applicable, waiver of the conditions set out in the section headed “Letter from the Board — Conditions” in this circular, 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.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

1. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for each of the three financial years ended 31 December 2017, 2018 and 2019, and the unaudited consolidated interim financial information of the Group for the six months ended 30 June 2020 are disclosed in the following documents which have been published on the website of the Company at *www.cr-asia.com* and the website of the Stock Exchange at *www.hkexnews.hk*:

Annual report for the year ended 31 December 2017 (pages 65 to 123):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0326/ltn20180326409.pdf>

Annual report for the year ended 31 December 2018 (pages 68 to 127):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0402/ltn20190402969.pdf>

Annual report for the year ended 31 December 2019 (pages 65 to 127):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0324/2020032400403.pdf>

Interim report for the six months ended 30 June 2020 (pages 28 to 50):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0828/2020082800898.pdf>

2. REVIEW OF HISTORICAL FINANCIAL INFORMATION OF THE GROUP

The Company's reporting accountant PricewaterhouseCoopers was engaged to review the historical financial information of the Group ("**Historical Financial Information**") set out on pages I-3 to I-20 in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountant ("**HKICPA**") and with reference to Practice Note 750, *Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal* issued by HKICPA. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountant to obtain assurance that the reporting accountant would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountant does not express an audit opinion. The reporting accountant has issued an unmodified review report.

Consolidated Profit and Loss Account

	Year ended 31 December			(Unaudited) Six months ended	
	2017	2018	2019	30 June	
	HK\$'000	HK\$'000	HK\$'000	2019 HK\$'000	2020 HK\$'000
Revenue	5,094,032	5,320,077	5,632,340	2,703,757	2,858,813
Cost of sales	(3,320,189)	(3,409,248)	(3,613,216)	(1,753,050)	(1,933,488)
Gross profit	1,773,843	1,910,829	2,019,124	950,707	925,325
Other income	107,912	115,672	120,791	60,159	76,742
Store expenses	(1,342,132)	(1,428,956)	(1,493,026)	(719,540)	(709,063)
Distribution costs	(152,250)	(164,071)	(170,724)	(82,594)	(81,090)
Administrative expenses	(204,779)	(218,976)	(220,268)	(103,907)	(110,482)
Core operating profit	182,594	214,498	255,897	104,825	101,432
Interest income/(expenses), net	1,542	2,355	(12,728)	(6,645)	(6,624)
Profit before income tax	184,136	216,853	243,169	98,180	94,808
Income tax expenses	(33,825)	(33,650)	(35,595)	(15,754)	(12,757)
Profit attributable to Shareholders of the Company	<u>150,311</u>	<u>183,203</u>	<u>207,574</u>	<u>82,426</u>	<u>82,051</u>
Earnings per Share (<i>HK cents</i>)					
Basic	19.75	24.03	27.2	10.8	10.8
Diluted	19.75	24.03	27.2	10.8	10.8

Consolidated Statement of Comprehensive Income

	Year ended 31 December			(Unaudited) Six months ended	
	2017	2018	2019	30 June	
	HK\$'000	HK\$'000	HK\$'000	2019 HK\$'000	2020 HK\$'000
Profit attributable to Shareholders of the Company	150,311	183,203	207,574	82,426	82,051
Other comprehensive income/(loss):					
Item that will not be reclassified subsequently to profit or loss					
Actuarial losses on post employment benefit obligation, net of tax	(3,985)	–	–	–	–
Item that may be reclassified subsequently to profit or loss					
Exchange differences	<u>3,145</u>	<u>(1,566)</u>	<u>(601)</u>	<u>59</u>	<u>(693)</u>
Total comprehensive income attributable to Shareholders of the Company	<u>149,471</u>	<u>181,637</u>	<u>206,973</u>	<u>82,485</u>	<u>81,358</u>

Consolidated Balance Sheet

	As at 31 December			(Unaudited) As at 30 June	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets					
Non-current assets					
Fixed assets	357,173	349,965	246,181	345,679	233,856
Right-of-use assets	–	–	704,655	735,778	632,052
Investment properties	26,561	25,363	24,289	24,873	23,718
Lease premium for land	35,180	32,216	123,153	31,612	120,485
Intangible assets	357,465	357,465	357,465	357,465	357,465
Available-for-sale financial asset	1,895	–	–	–	–
Financial asset at fair value through other comprehensive income	–	1,895	1,895	1,895	1,895
Rental and other long-term deposits	96,993	97,216	88,713	84,616	92,472
Deferred tax assets	16,385	14,114	13,733	13,111	14,273
	<u>891,652</u>	<u>878,234</u>	<u>1,560,084</u>	<u>1,595,029</u>	<u>1,476,216</u>
Current assets					
Inventories	192,603	198,866	212,644	187,542	205,643
Rental deposits	47,705	58,289	68,945	69,988	64,016
Trade receivables	82,017	73,939	75,954	81,867	88,725
Other receivables, deposits and prepayments	91,075	91,329	87,030	94,429	78,812
Taxation recoverable	–	–	–	734	–
Restricted bank deposit	963	–	223	–	219
Cash and cash equivalents	450,776	507,694	642,639	522,276	412,993
	<u>865,139</u>	<u>930,117</u>	<u>1,087,435</u>	<u>956,836</u>	<u>850,408</u>
Total assets	<u>1,756,791</u>	<u>1,808,351</u>	<u>2,647,519</u>	<u>2,551,865</u>	<u>2,326,624</u>

Consolidated Balance Sheet (continued)

	As at 31 December			(Unaudited) As at 30 June	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity					
Share capital	76,246	76,253	76,256	76,256	76,260
Reserves	574,429	614,557	649,538	569,150	426,773
Total equity	650,675	690,810	725,794	645,406	503,033
Liabilities					
Non-current liabilities					
Lease liabilities	–	–	306,983	326,421	264,235
Long service payment liabilities	16,084	14,949	14,599	14,418	13,692
Deferred tax liabilities	10,067	10,160	10,519	10,148	10,683
	26,151	25,109	332,101	350,987	288,610
Current liabilities					
Trade payables	669,710	662,784	700,157	737,017	726,566
Other payables and accruals	219,927	247,207	272,560	215,487	242,111
Lease liabilities	–	–	406,064	411,065	378,195
Taxation payable	10,426	13,268	41,561	26,794	24,722
Cake coupons	179,902	169,173	169,282	165,109	163,387
	1,079,965	1,092,432	1,589,624	1,555,472	1,534,981
Total equity and liabilities	1,756,791	1,808,351	2,647,519	2,551,865	2,326,624

Consolidated Statement of Changes in Equity

	Attributable to Shareholders of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserves HK\$'000	Employee share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	
At 1 January 2017	75,530	379,697	177,087	19,316	17,173	(3,109)	144,028	809,722
Profit attributable to Shareholders of the Company	-	-	-	-	-	-	150,311	150,311
Exchange differences	-	-	-	-	-	3,145	-	3,145
Actuarial losses on post employment benefit obligation								
Gross	-	-	-	-	-	-	(4,990)	(4,990)
Tax	-	-	-	-	-	-	1,005	1,005
Total comprehensive income for the year	-	-	-	-	-	3,145	146,326	149,471
Issue of new Shares	716	22,360	-	-	-	-	-	23,076
Employee share option benefit	-	4,236	-	-	(1,728)	-	1,353	3,861
Transfer to capital reserves	-	-	-	686	-	-	(686)	-
Dividends paid	-	(205,848)	-	-	-	-	(129,607)	(335,455)
	<u>716</u>	<u>(179,252)</u>	<u>-</u>	<u>686</u>	<u>(1,728)</u>	<u>-</u>	<u>(128,940)</u>	<u>(308,518)</u>
At 31 December 2017	<u>76,246</u>	<u>200,445</u>	<u>177,087</u>	<u>20,002</u>	<u>15,445</u>	<u>36</u>	<u>161,414</u>	<u>650,675</u>

Consolidated Statement of Changes in Equity (continued)

	Attributable to Shareholders of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserves HK\$'000	Employee share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	
At 1 January 2018	76,246	200,445	177,087	20,002	15,445	36	161,414	650,675
Profit attributable to Shareholders of the Company	-	-	-	-	-	-	183,203	183,203
Exchange differences	-	-	-	-	-	(1,566)	-	(1,566)
Total comprehensive income for the year	-	-	-	-	-	(1,566)	183,203	181,637
Issue of new Shares	7	182	-	-	-	-	-	189
Employee share option benefit	-	23	-	-	2,658	-	509	3,190
Dividends paid	-	-	-	-	-	-	(144,881)	(144,881)
	<u>7</u>	<u>205</u>	<u>-</u>	<u>-</u>	<u>2,658</u>	<u>-</u>	<u>(144,372)</u>	<u>(141,502)</u>
At 31 December 2018	<u>76,253</u>	<u>200,650</u>	<u>177,087</u>	<u>20,002</u>	<u>18,103</u>	<u>(1,530)</u>	<u>200,245</u>	<u>690,810</u>
At 1 January 2019	76,253	200,650	177,087	20,002	18,103	(1,530)	200,245	690,810
Profit attributable to Shareholders of the Company	-	-	-	-	-	-	207,574	207,574
Exchange differences	-	-	-	-	-	(601)	-	(601)
Total comprehensive income for the year	-	-	-	-	-	(601)	207,574	206,973
Issue of new Shares	3	94	-	-	-	-	-	97
Employee share option benefit	-	12	-	-	2,070	-	1,222	3,304
Dividends paid	-	-	-	-	-	-	(175,390)	(175,390)
	<u>3</u>	<u>106</u>	<u>-</u>	<u>-</u>	<u>2,070</u>	<u>-</u>	<u>(174,168)</u>	<u>(171,989)</u>
At 31 December 2019	<u>76,256</u>	<u>200,756</u>	<u>177,087</u>	<u>20,002</u>	<u>20,173</u>	<u>(2,131)</u>	<u>233,651</u>	<u>725,794</u>

Consolidated Statement of Changes in Equity (continued)

	(Unaudited)							
	Attributable to Shareholders of the Company							
	Share capital	Share premium	Merger reserve	Capital reserves	Employee share-based compensation reserve	Exchange reserve	Retained earnings	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019	76,253	200,650	177,087	20,002	18,103	(1,530)	200,245	690,810
Profit attributable to Shareholders of the Company	-	-	-	-	-	-	82,426	82,426
Exchange differences	-	-	-	-	-	59	-	59
Total comprehensive income for the period	-	-	-	-	-	59	82,426	82,485
Issue of new Shares	3	94	-	-	-	-	-	97
Employee share option benefit	-	12	-	-	916	-	722	1,650
Dividend paid	-	-	-	-	-	-	(129,636)	(129,636)
	<u>3</u>	<u>106</u>	<u>-</u>	<u>-</u>	<u>916</u>	<u>-</u>	<u>(128,914)</u>	<u>(127,889)</u>
At 30 June 2019	<u>76,256</u>	<u>200,756</u>	<u>177,087</u>	<u>20,002</u>	<u>19,019</u>	<u>(1,471)</u>	<u>153,757</u>	<u>645,406</u>
At 1 January 2020	76,256	200,756	177,087	20,002	20,173	(2,131)	233,651	725,794
Profit attributable to Shareholders of the Company	-	-	-	-	-	-	82,051	82,051
Exchange differences	-	-	-	-	-	(693)	-	(693)
Total comprehensive income for the period	-	-	-	-	-	(693)	82,051	81,358
Issue of new Shares	4	94	-	-	-	-	-	98
Employee share option benefit	-	12	-	-	(11,360)	-	12,170	822
Transfer to retained earnings	-	-	(177,087)	-	-	-	177,087	-
Dividends paid	-	(160,145)	-	-	-	-	(144,894)	(305,039)
	<u>4</u>	<u>(160,039)</u>	<u>(177,087)</u>	<u>-</u>	<u>(11,360)</u>	<u>-</u>	<u>44,363</u>	<u>(304,119)</u>
At 30 June 2020	<u>76,260</u>	<u>40,717</u>	<u>-</u>	<u>20,002</u>	<u>8,813</u>	<u>(2,824)</u>	<u>360,065</u>	<u>503,033</u>

Consolidated Cash Flow Statement

	Year ended 31 December			(Unaudited) Six months ended	
	2017	2018	2019	30 June	
	HK\$'000	HK\$'000	HK\$'000	2019 HK\$'000	2020 HK\$'000
Cash flows from operating activities					
Cash generated from operations	341,331	293,332	812,766	377,378	381,471
Hong Kong profits tax paid	(27,170)	(22,712)	–	–	(28,758)
Overseas income tax paid	(5,324)	(6,049)	(6,629)	(1,981)	(1,232)
Net cash generated from operating activities	<u>308,837</u>	<u>264,571</u>	<u>806,137</u>	<u>375,397</u>	<u>351,481</u>
Cash flows from investing activities					
Purchase of fixed assets	(91,016)	(70,061)	(65,514)	(35,184)	(20,428)
Proceeds from disposal of fixed assets	819	583	666	232	22
Proceed from disposal of lease premium for land	–	3,859	–	–	–
Increase/(decrease) in restricted bank deposit	–	963	(223)	–	–
Interest received	1,531	2,181	4,729	1,365	1,334
Net cash used in investing activities	<u>(88,666)</u>	<u>(62,475)</u>	<u>(60,342)</u>	<u>(33,587)</u>	<u>(19,072)</u>
Cash flows from financing activities					
Proceeds from issuance of Shares	23,076	189	97	97	98
Payment of lease liabilities	–	–	(435,183)	(197,667)	(256,641)
Dividends paid	(335,455)	(144,881)	(175,390)	(129,636)	(305,039)
Net cash used in financing activities	<u>(312,379)</u>	<u>(144,692)</u>	<u>(610,476)</u>	<u>(327,206)</u>	<u>(561,582)</u>
Increase/(decrease) in cash and cash equivalents	(92,208)	57,404	135,319	14,604	(229,173)
Cash and cash equivalents at 1 January	541,942	450,776	507,694	507,694	642,639
Effect of foreign exchange rate changes	1,042	(486)	(374)	(22)	(473)
Cash and cash equivalents at end of year/period	<u>450,776</u>	<u>507,694</u>	<u>642,639</u>	<u>522,276</u>	<u>412,993</u>

Notes to the financial information

A. Basis of preparation

The Historical Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i)(B) of the Listing Rules, and solely for the purposes of inclusion in this circular. It does not contain sufficient information to constitute a complete set of financial statements as described in Hong Kong Accounting Standard 1 “Presentation of Financial Statements” or an interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and should be read in connection with the annual reports of the Company for the years ended 31 December 2017, 2018 and 2019 and the interim reports of the Company for the periods ended 30 June 2019 and 2020 (the “**Reporting Period**”).

The Historical Financial Information have been prepared in accordance with the relevant accounting policies adopted by the Group as set out in the respective annual reports of the Company for the years ended 31 December 2017, 2018 and 2019 and the interim reports of the Company for the periods ended 30 June 2019 and 2020. Except for the new accounting standards, amendments to standards and interpretations which have been applied to the Historical Financial Information as and when they became effective, all the relevant accounting policies have been consistently applied to all the periods presented.

(a) The Company has adopted the amended standards of Hong Kong Financial Reporting Standards (“**HKFRS**”) which are mandatory for the financial year beginning on 1 January 2017 and are applicable for the Group. The adoption of such amended standards does not have material impact on the consolidated financial statements and does not result in substantial changes to the Group’s accounting policies.

(b) The following amended standards are mandatory for the Company’s financial year beginning on 1 January 2018 and are applicable for the Group:

(i) HKFRS 9 Financial Instruments

The Group adopted the simplified approach permitted by HKFRS 9, where the cumulative impact of the adoption was recognised in the opening balance of retained earnings as at 1 January 2018 and that comparatives had not been restated.

(ii) HKFRS 15 Revenue from Contracts with Customers

The Group adopted HKFRS 15 using the modified retrospective approach for transition to HKFRS 15 where no retrospective adjustments were required and no impact on retained earnings at 1 January 2018 in respect of this change in accounting policy.

(c) The following amended standard is mandatory for the Company’s financial year beginning on 1 January 2019 and is applicable for the Group:

(i) HKFRS 16 Leases

The Group adopted HKFRS 16 using the modified retrospective approach where the cumulative impact of the adoption was recognised in the opening balance of retained earnings as at 1 January 2019 and that comparatives had not been restated.

(d) The following standard and amended standard are mandatory for the Company's financial year beginning on 1 January 2020 and are applicable for the Group:

(i) HKFRS 16 Amendment: COVID-19 Related Rent Concessions

The amendment allows the Company to recognise rent concessions occurring as a direct consequence of the COVID-19 pandemic in the consolidated profit and loss account over the period in which they cover.

(ii) Government grant

Grants from government are recognised at their fair values where there is reasonable assurance that the grants will be received, and the Group will comply with the conditions associated with the grants.

B. Disposal transaction and event after the Reporting Period

The following events took place subsequently to 30 June 2020:

(a) Disposal of the Convenience Store Business

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 affected by a sale of the entire issued share capital of the Target Company subject to the terms and conditions of the Sale and Purchase Agreement. Upon completion of the Disposal, the Group will cease to have any interest in the above entity and its subsidiaries and their financial results will no longer be consolidated into the Company's consolidated financial statements. As at the Latest Practicable Date, the transaction has yet to be completed.

(b) Special Cash Dividend

As disclosed in the Announcement, subject to the satisfaction of certain conditions, the Company intends to declare the 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. As at the Latest Practicable Date, the Special Cash Dividend has yet to be paid.

C. Financial information of the Convenience Store Business

Set out below are the unaudited combined balance sheets of the Convenience Store Business as at 31 December 2017, 2018 and 2019 and as at 30 June 2019 and 2020, and the unaudited combined profit and loss accounts, statements of comprehensive income, statements of changes in equity and cash flow statements of the Convenience Store Business for the years ended 31 December 2017, 2018 and 2019 and periods ended 30 June 2019 and 2020 ("**Relevant Periods**"). The Convenience Store Business has been controlled by the Company throughout the Relevant Periods. As such the financial information of the Convenience Store Business has been prepared on a combined basis and is presenting using the respective carrying value of the Convenience Store Business for all periods presented.

Unaudited Combined Profit and Loss Account

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	4,058,921	4,206,751	4,523,772	2,185,496	2,358,651
Cost of sales	<u>(2,840,388)</u>	<u>(2,910,589)</u>	<u>(3,136,540)</u>	<u>(1,528,089)</u>	<u>(1,714,588)</u>
Gross profit	1,218,533	1,296,162	1,387,232	657,407	644,063
Other income	101,643	110,626	114,113	58,131	63,712
Store expenses	(957,195)	(1,004,809)	(1,056,157)	(511,370)	(499,482)
Distribution costs	(87,676)	(98,580)	(111,166)	(53,654)	(51,344)
Administrative expenses	<u>(108,395)</u>	<u>(121,828)</u>	<u>(122,910)</u>	<u>(57,410)</u>	<u>(64,677)</u>
Core operating profit	166,910	181,571	211,112	93,104	92,272
Interest income/(expenses), net	<u>300</u>	<u>447</u>	<u>(9,852)</u>	<u>(4,945)</u>	<u>(5,068)</u>
Profit before income tax	167,210	182,018	201,260	88,159	87,204
Income tax expenses	<u>(25,144)</u>	<u>(25,340)</u>	<u>(26,899)</u>	<u>(12,983)</u>	<u>(11,597)</u>
Profit attributable to Shareholders of the Company	<u>142,066</u>	<u>156,678</u>	<u>174,361</u>	<u>75,176</u>	<u>75,607</u>

Unaudited Combined Statement of Comprehensive Income

	Year ended 31 December			Six months ended 30 June	
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2019 HK\$'000	2020 HK\$'000
Profit attributable to Shareholders of the Company	142,066	156,678	174,361	75,176	75,607
Other comprehensive loss:					
Item that will not be reclassified subsequently to profit or loss					
Actuarial losses on post employment benefit obligation, net of tax	(3,126)	—	—	—	—
Total comprehensive income attributable to Shareholders of the Company	<u>138,940</u>	<u>156,678</u>	<u>174,361</u>	<u>75,176</u>	<u>75,607</u>

Unaudited Combined Balance Sheet

	As at 31 December			As at 30 June	
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2019 HK\$'000	2020 HK\$'000
Assets					
Non-current assets					
Fixed assets	55,406	56,979	60,837	61,209	56,218
Right-of-use assets	–	–	485,474	519,901	443,958
Lease premium for land	41,338	39,725	38,112	38,919	37,306
Available-for-sale financial asset	1,895	–	–	–	–
Financial asset at fair value through other comprehensive income	–	1,895	1,895	1,895	1,895
Rental and other long-term deposits	69,265	65,957	59,078	53,516	62,096
Deferred tax assets	2,736	2,452	3,389	1,489	1,257
	<u>170,640</u>	<u>167,008</u>	<u>648,785</u>	<u>676,929</u>	<u>602,730</u>
Current assets					
Inventories	160,493	166,720	179,416	151,814	172,076
Amounts due from group companies	412,275	442,951	394,096	544,927	641,133
Rental deposits	35,318	46,832	52,689	57,261	46,814
Trade receivables	64,157	64,542	66,951	70,773	80,904
Other receivables, deposits and prepayments	58,940	64,571	59,395	58,909	49,125
Cash and cash equivalents	392,310	398,248	522,398	440,715	348,549
	<u>1,123,493</u>	<u>1,183,864</u>	<u>1,274,945</u>	<u>1,324,399</u>	<u>1,338,601</u>
Total assets	<u><u>1,294,133</u></u>	<u><u>1,350,872</u></u>	<u><u>1,923,730</u></u>	<u><u>2,001,328</u></u>	<u><u>1,941,331</u></u>

Unaudited Combined Balance Sheet (continued)

	As at 31 December			As at 30 June	
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2019 HK\$'000	2020 HK\$'000
Equity					
Share capital	156	156	156	156	156
Reserves	529,046	540,794	539,831	615,970	621,621
Total equity	529,202	540,950	539,987	616,126	621,777
Liabilities					
Non-current liabilities					
Lease liabilities	–	–	203,254	226,718	176,302
Long service payment liabilities	11,439	11,193	11,696	11,628	11,353
Deferred tax liabilities	626	759	893	832	966
	12,065	11,952	215,843	239,178	188,621
Current liabilities					
Amounts due to group companies	32,968	35,139	33,622	27,349	24,780
Trade payables	594,736	607,224	644,077	672,182	673,997
Other payables and accruals	121,487	146,893	167,335	130,562	140,598
Lease liabilities	–	–	287,726	295,270	274,775
Taxation payable	3,675	8,714	35,140	20,661	16,783
	752,866	797,970	1,167,900	1,146,024	1,130,933
Total equity and liabilities	1,294,133	1,350,872	1,923,730	2,001,328	1,941,331

Unaudited Combined Statements of Changes in Equity

	Attributable to Shareholders of the Company					Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	
At 1 January 2017	156	237,368	177,087	641	104,616	519,868
Profit attributable to Shareholders of the Company	-	-	-	-	142,066	142,066
Actuarial losses on post employment benefit obligation, net of tax	-	-	-	-	(3,126)	(3,126)
Total comprehensive income for the year	-	-	-	-	138,940	138,940
Employee share option benefit	-	-	-	-	14	14
Dividend paid	-	-	-	-	(129,620)	(129,620)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(129,606)</u>	<u>(129,606)</u>
At 31 December 2017	<u>156</u>	<u>237,368</u>	<u>177,087</u>	<u>641</u>	<u>113,950</u>	<u>529,202</u>

Unaudited Combined Statements of Changes in Equity (continued)

	Attributable to Shareholders of the Company					Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	
At 1 January 2018	156	237,368	177,087	641	113,950	529,202
Profit attributable to Shareholders of the Company	–	–	–	–	156,678	156,678
Total comprehensive income for the year	–	–	–	–	156,678	156,678
Employee share option benefit	–	–	–	–	110	110
Dividend paid	–	–	–	–	(145,040)	(145,040)
	–	–	–	–	(144,930)	(144,930)
At 31 December 2018	156	237,368	177,087	641	125,698	540,950
At 1 January 2019	156	237,368	177,087	641	125,698	540,950
Profit attributable to Shareholders of the Company	–	–	–	–	174,361	174,361
Total comprehensive income for the year	–	–	–	–	174,361	174,361
Employee share option benefit	–	–	–	–	176	176
Transfer to retained earnings	–	(237,368)	–	–	237,368	–
Dividend paid	–	–	–	–	(175,500)	(175,500)
	–	(237,368)	–	–	62,044	(175,324)
At 31 December 2019	156	–	177,087	641	362,103	539,987

Unaudited Combined Statements of Changes in Equity (continued)

	Attributable to Shareholders of the Company					Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	
At 1 January 2019	156	237,368	177,087	641	125,698	540,950
Profit attributable to Shareholders of the Company	–	–	–	–	75,176	75,176
Total comprehensive income for the period	–	–	–	–	75,176	75,176
At 30 June 2019	156	237,368	177,087	641	200,874	616,126
At 1 January 2020	156	–	177,087	641	362,103	539,987
Profit attributable to Shareholders of the Company	–	–	–	–	75,607	75,607
Total comprehensive income for the period	–	–	–	–	75,607	75,607
Employee share option benefit	–	–	–	–	6,183	6,183
Transfer to retained earnings	–	–	(177,087)	–	177,087	–
	–	–	(177,087)	–	183,270	6,183
At 30 June 2020	156	–	–	641	620,980	621,777

Unaudited Combined Cash Flow Statement

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities					
Cash generated from operations	92,115	48,540	463,844	200,052	42,571
Hong Kong profits tax paid	(27,928)	(18,575)	–	–	(27,748)
Net cash generated from operating activities	<u>64,187</u>	<u>29,965</u>	<u>463,844</u>	<u>200,052</u>	<u>14,823</u>
Cash flows from investing activities					
Purchase of fixed assets	(31,089)	(24,535)	(28,577)	(16,627)	(6,298)
Interest received	276	508	1,958	911	1,062
Net cash used in investing activities	<u>(30,813)</u>	<u>(24,027)</u>	<u>(26,619)</u>	<u>(15,716)</u>	<u>(5,236)</u>
Cash flows from financing activities					
Payment of lease liabilities	–	–	(313,075)	(141,869)	(183,436)
Net cash used in financing activities	<u>–</u>	<u>–</u>	<u>(313,075)</u>	<u>(141,869)</u>	<u>(183,436)</u>
Increase/(decrease) in cash and cash equivalents	33,374	5,938	124,150	42,467	(173,849)
Cash and cash equivalents at 1 January	<u>358,936</u>	<u>392,310</u>	<u>398,248</u>	<u>398,248</u>	<u>522,398</u>
Cash and cash equivalents at end of year/period	<u><u>392,310</u></u>	<u><u>398,248</u></u>	<u><u>522,398</u></u>	<u><u>440,715</u></u>	<u><u>348,549</u></u>

3. INDEBTEDNESS

Bank loans and other borrowings

As at the close of business on 30 September 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group has no borrowings from banks or any related parties.

Lease liabilities

As at 30 September 2020, the Group had current and non-current lease liabilities amounting to HK\$393 million and HK\$300 million respectively.

Save as disclosed above and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, the Group did not have any other loan capital issued and outstanding or agreed to be issued but unissued, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitment, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgage, charges, guarantees or other material contingent liabilities as at the close of business on 30 September 2020.

4. WORKING CAPITAL

Taking into account the financial resources available to the Group and the effect of the Disposal, the Directors are of the opinion that in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements (including the development of the businesses of the Remaining Group after completion of the Disposal and the distribution of the Special Cash Dividend) that is for at least next 12 months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

Save as disclosed below, the Directors were not aware of any material adverse change in the financial or trading position or prospect of the Company since 31 December 2019, the date to which the latest audited financial statements of the Company were made up, up to and including the Latest Practicable Date.

The first half of 2020 saw the world enter uncharted waters that roiled the global economy and ravaged its travel, tourism, catering and retail industries. As countries acted to stem the rapid spread of COVID-19, business ground almost to a halt. In the first half of the year, overall Hong Kong retail sales plunged 33.3% by value and 34.9% by volume compared to the first six months of 2019¹. During the first six months of 2020, the Group's business performance was impacted by the reduction in foot traffic in commercial and tourist districts. Despite an increase in turnover for the Convenience Store Business

(which was mainly attributable to better sales of high-value but low-margin product categories), most product categories under the Convenience Store Business as well as bakery business experienced temporary decline in sales.

In these challenging times, the Group has done its best to keep its various businesses moving forward. It has leveraged its effective online-to-offline (O2O) customer relationship management (CRM) programmes to stay in touch with loyal members, keeping them engaged and abreast of attractive offers and promotions. It has striven to ensure that its stores remain hygienic, safe, dependable places where people can shop with peace of mind.

The above disclosure was included and reported in the Company's interim report dated 13 August 2020 for the six months ended 30 June 2020.

Note:

1. Published by the Census and Statistics Department, the Government of Hong Kong on 30 July 2020

6. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Subject to Completion, the Remaining Group will take on a substantially new profile. The Remaining Group will be transformed into a high quality specialty retailer with a sharpened focus in Hong Kong and the Greater Bay Area. The Remaining Group will be principally engaged in (i) a chain of bakeries under the brand name of Saint Honore in Hong Kong, Macau and in Mainland China, and a bakery store under the brand name of Mon cher in Hong Kong; and (ii) a chain of fast-fashion eyewear stores under the brand name of Zoff in Hong Kong.

Despite the challenges seen in 2020, driven by macroeconomic uncertainties, and social unrest on the streets of Hong Kong and the global COVID-19 pandemic, the Remaining Group and its brands will continue to play an essential part in society by providing quality, affordable products and services that make life "Easy, Fast and Simple". In the current environment, it is more important than ever that the Remaining Group expands this role by championing health and safety across the community. The Remaining Group will continue to spare no effort to protect its customers and employees with comprehensive cleaning and sanitisation practices. Meanwhile, it remains cognisant that store traffic levels and consumer behaviour will not return to "normal" for a long time. Therefore, the Remaining Group will leverage its effective O2O CRM programme as well as its online shopping and delivery partnerships to boost online interactions, sales and basket size. As always, it will keep close track of demand to introduce the categories and products that people expect and need, at affordable prices and with impeccable customer service.

Looking ahead, the Remaining Group will continue to rely on its tried and tested O2O CRM business model, leveraging the trust and goodwill generated amongst its loyal customers, building on its strengths of strong retailing knowledge and operational excellence to serve its core customers and to achieve quality growth.

With respect to the bakery business, the Remaining Group will focus on strengthening Saint Honore's top household bakery brand positioning in Hong Kong through effective customer engagement via 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. The Remaining Group obtained the franchise licence to operate the Mon cher brand in Hong Kong and Macau, and commenced operation of its first store in Sogo Causeway Bay in Hong Kong in September 2020. The Remaining Group will continue to develop the Mon cher brand in Hong Kong and expand into Mainland China, with a particular focus on the Greater Bay Area.

With respect to the eyewear business, the Remaining Group will continue to identify suitable retail locations to open Zoff stores across Hong Kong and expand the brand into The Greater Bay Area. The disruptive business model and premium customer experience that Zoff brings to the market will continue to attract customers from traditional eyewear retailers.

In addition, the Remaining Group will continue to seek strategic growth opportunities that can enhance stakeholder value, remaining open to merger and acquisition prospects that offer synergy as well as licences for exciting, fast-growing brands.

7. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

The following discussion should be read in conjunction with the financial information of the Group and the Historical Financial Information and operating data included in this circular. Following the Disposal, the Remaining Group will continue to carry out its existing businesses. Set out below is the management discussion and analysis of the Remaining Group for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, respectively.

Business and financial overview

For the year ended 31 December 2017, the Remaining Group recorded turnover of HK\$1,110 million, which represented an increase in turnover of 1.5% compared to 2016. Turnover for the bakery business increased 1.9% to HK\$1,092 million, with comparable store sales in Hong Kong growing 5.2%. Turnover for the developing business mainly through an online retailing platform FingerShopping.com

was HK\$18 million. In addition, in 2017, the Remaining Group obtained the franchise licence of Japan's leading fast-fashion eyewear chain Zoff for Hong Kong, Macau and southern Mainland China. The grand opening of the first Zoff store in Hong Kong at Cityplaza in Taikoo Shing was held on 25 November 2017. The Remaining Group's gross margin and other income as a percentage of turnover increased 2.5% to 51.4%. Gross margin improvement was mainly driven by product category rationalisation, process streamlining, equipment upgrades and effective procurement across the bakery operation. Operating expenses as a percentage of turnover increased from 47.8% to 49.7% for the year against 2016 as a result of escalating rentals and labour costs. Overall, the Remaining Group's core operating profit increased 66.5% to HK\$19 million. Net profit increased 38.3% to HK\$11 million for the year ended 31 December 2017.

For the year ended 31 December 2018, the Remaining Group recorded turnover of HK\$1,197 million, which represented an increase in turnover of 7.9%. Turnover for the bakery business increased 2.6% to HK\$1,120 million, with stagnant growth in comparable store sales in Hong Kong. Turnover for the developing businesses mainly included a chain of fast-fashion eyewear stores in Hong Kong under the brand name of Zoff increased 334.6% to HK\$77 million, driven by the remarkable success enjoyed by Zoff since its launch in November 2017. Gross margin and other income as a percentage of turnover increased 1.5% to 52.9%. Gross margin improvement was mainly driven by enhancement projects including product category rationalisation, process streamlining, equipment upgrades, improved labour productivity and stronger procurement management. Operating expenses as a percentage of turnover remained flat at 49.7%. Overall, the Remaining Group's core operating profit increased by 104.9% to HK\$38 million. Net profit increased 183.5% to HK\$32 million.

For the year ended 31 December 2019, the Remaining Group recorded turnover of HK\$1,197 million. Turnover for the bakery business decreased 2.5% to HK\$1,092 million due to reduced sales of festive products. Turnover for the developing businesses mainly included eyewear chain store business increased 36.0% to HK\$105 million due to the expansion of the Zoff store network. The Remaining Group decided to be more focused on the existing core business operations and sold all rights, titles and interests attaching to FingerShopping.com to an independent third party on 1 March 2019, exiting the e-commerce business. Gross margin and other income as a percentage of turnover increased by 1.7% to 54.6%. Gross margin improved due to the depreciation of the Renminbi, which resulted in lower manufacturing costs for Saint Honore. Operating expenses as a percentage of turnover increased from 49.7% to 50.3% against 2018. Including interest expenses on lease liabilities arising from operating leases following the adoption of new accounting standard HKFRS 16 "Leases" effective 1 January 2019, operating expenses increased from 49.7% of turnover to 50.8% against the same period in 2018 as a result of escalating rentals and labour costs. Core operating profit before interest expenses on lease liabilities increased 33.2% to HK\$51 million.

Including interest expenses on lease liabilities, core operating profit increased 17.6% to HK\$45 million. The Remaining Group's net profit increased 23.7% to HK\$39 million for the year ended 31 December 2019.

For the six months ended 30 June 2020, the Remaining Group recorded turnover of HK\$539 million, which represented a decrease in turnover of 4.0% for the comparable period of 2019. Turnover for the bakery business decreased 5.5% to HK\$481 million as comparable store sales in Hong Kong saw a single-digit drop. Reduction in bakery business sales was mainly due to lower foot traffic at stores level under impact of COVID-19, and decline in birthday cake sales as a result of social distancing and limitations on group gathering during the period. These negative factors impacting on bakery sales are expected to be temporary effects arising from COVID-19. Turnover for the eyewear business increased 12.7% to HK\$58 million on the back of outlet expansion. Gross margin and other income as a percentage of turnover increased 1.8% to 55.9%. This was mainly due to the depreciation of the Renminbi, which resulted in lower manufacturing costs for Saint Honore, and the subsidies received from the Hong Kong Government's Anti-epidemic Fund. Operating expenses increased from 51.4% of turnover to 53.7% against the same period in 2019. Including interest expenses on lease liabilities, operating expenses increased from 51.9% of turnover to 54.2% against the same period in 2019, which was primarily due to the decrease in turnover base. Core operating profit before interest expenses on lease liabilities decreased 20.6% to HK\$12 million. Including interest expenses on lease liabilities, core operating profit decreased 24.5% to HK\$9 million. The Remaining Group's net profit decreased 12.6% to HK\$9 million for the six months ended 30 June 2020.

Liquidity and capital resources

As at 31 December 2017, 2018 and 2019 and as at 30 June 2020, the Remaining Group had a net cash balance of HK\$58 million, HK\$109 million, HK\$120 million and HK\$64 million, respectively, which was mainly generated from daily business operations.

As at 31 December 2017, 2018 and 2019 and as at 30 June 2020, the Remaining Group had no bank borrowings. Therefore, there was no gearing ratio for the Remaining Group. Most of the Remaining Group's cash and bank deposits were in its operating currencies and deposited with major banks in Hong Kong and on the Mainland China. The majority of the Remaining Group's assets, liabilities, revenues and payments were held either in Hong Kong dollars or Renminbi. The Remaining Group had certain foreign exchange exposure in Renminbi as a result of its business operations on the Mainland China. The Remaining Group is subject to interest rate risks on the interest income earned from bank deposits. The Remaining Group will continue its policy of placing surplus cash in bank deposits denominated in its operating currencies, with appropriate maturity periods to meet the funding requirements of any acquisition projects in the future.

Significant investments, acquisitions and disposals

During the three financial years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Remaining Group had no significant investments, material acquisitions or disposals of subsidiaries and associated companies.

As at 31 December 2017, 2018 and 2019 and as at 30 June 2020, the Remaining Group had no future plans for any material investments or its capital assets in the respective coming years.

Charge on assets

During the three financial years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, there were no charges on the assets of the Remaining Group.

Capital expenditures

During the three financial years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Remaining Group had no significant capital expenditure commitments or authorisations.

Contingent liabilities

As at 31 December 2017, 2018 and 2019 and as at 30 June 2020, the Remaining Group had no contingent liabilities.

Prospects

The Disposal will transform the Remaining Group into a high quality specialty retailer with a sharpened focus in Hong Kong and the Greater Bay Area. The Disposal will also allow the Remaining Group to have a more focused operation and improve operational efficiency and reduce working capital needs.

The Remaining Group will continue to offer its customers with “Easy, Fast, Simple” solutions with a portfolio of leading consumer brands across the bakery and eyewear businesses. The Remaining Group will leverage its core competencies in proven O2O business model, full supply chain execution excellence, and deep regional knowledge to strive for quality growth in the Hong Kong market and the surrounding Greater Bay Area region. In addition, the Remaining Group will continue to expand its retail footprint in Hong Kong and the Greater Bay Area, to attract new customers and strengthen customer loyalty, and to seek new business opportunities by venturing into new product categories, new routes to market, and new brand concepts.

Employees and remuneration policy

As at 31 December 2017, the Remaining Group had a total of 2,815 employees, with 1,242, or 44%, based in Hong Kong and 1,573, or 56%, based in Guangzhou, Shenzhen and Macau. Part-time staff accounted for 16% of total headcount. Total staff cost for the year was HK\$400 million.

As at 31 December 2018, the Remaining Group had a total of 2,816 employees, with 1,323, or 47%, based in Hong Kong and 1,493, or 53%, based in Macau, Guangzhou and Shenzhen. Part-time staff accounted for 16% of total headcount. Total staff cost for the year amounted to HK\$431 million.

As at 31 December 2019, the Remaining Group had a total of 2,804 employees, with 1,426, or 51%, based in Hong Kong and 1,378, or 49%, based in Guangzhou, Shenzhen and Macau. Part-time staff accounted for 19% of total headcount. Total staff cost for the year amounted to HK\$450 million.

As at 30 June 2020, the Remaining Group had a total of 2,832 employees, with 1,438, or 51%, based in Hong Kong and 1,394, or 49%, based in Guangzhou, Shenzhen and Macau. Part-time staff accounted for 19% of total headcount. Total staff cost for the six months ended 30 June 2020 was HK\$218 million compared to HK\$217 million for the same period last year.

The Remaining Group offers competitive remuneration schemes for eligible employees, including salary packages supplemented by discretionary bonuses and share options based on individual and company performance. It also provides attractive incentives such as career advancement opportunities, comprehensive, job-related skill enhancement training, and quality customer service training for frontline staff.

**A. UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE
REMAINING GROUP****General**

In connection with the Disposal, the unaudited pro forma consolidated financial information of the Group (the “**Unaudited Pro Forma Financial Information**”) presented below is prepared to illustrate (a) the financial position of the Remaining Group as at 30 June 2020 as if the Disposal had been completed on 30 June 2020; and (b) the results and cash flows of the Remaining Group as if the Disposal had been completed on 1 January 2019. The Unaudited Pro Forma Financial Information is prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below by the Directors.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results, cash flows and financial position of the Remaining Group had the Disposal been completed as of the specified dates or any other dates.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated balance sheet of the Group as at 30 June 2020 extracted from the unaudited consolidated financial information of the Group for the six months ended 30 June 2020 as set out in the 2020 interim report of the Company, the audited consolidated profit and loss account, the audited consolidated statement of comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 December 2019 extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2019 as set out in the 2019 annual report of the Company and the financial information of the Convenience Store Business, after giving effect to the pro forma adjustments described in the accompanying notes and was prepared in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules. Narrative descriptions of the Unaudited Pro Forma Financial Information that are directly attributable to the Disposal and factually supportable are summarised in the accompanying notes to the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information should be read in conjunction with the Historical Financial Information of the Group as set out in Appendix I to this circular and other financial information included elsewhere in the circular.

Unaudited pro forma consolidated balance sheet of the Remaining Group as at
30 June 2020

	Unaudited consolidated balance sheet of the Group as at 30 June 2020				Unaudited pro forma consolidated balance sheet of the Remaining Group as at 30 June 2020	
	HK\$'000	HK\$'000	Pro forma adjustments		HK\$'000	HK\$'000
	Note 1	Note 2(a)	HK\$'000 Note 2(b)	HK\$'000 Note 2(c)	Note 2(d)	
Assets						
Non-current assets						
Fixed assets	233,856	(56,218)	-	-	-	177,638
Right-of-use assets	632,052	(443,958)	-	-	-	188,094
Investment properties	23,718	-	-	-	-	23,718
Lease premium for land	120,485	(37,306)	-	-	-	83,179
Intangible assets	357,465	-	-	-	-	357,465
Financial asset at fair value through other comprehensive income	1,895	(1,895)	-	-	-	-
Rental and other long-term deposits	92,472	(62,096)	-	-	-	30,376
Deferred tax assets	14,273	(1,257)	-	-	-	13,016
	<u>1,476,216</u>	<u>(602,730)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>873,486</u>
Current assets						
Inventories	205,643	(172,076)	-	-	-	33,567
Amounts due from group companies	-	(641,133)	-	641,133	-	-
Rental deposits	64,016	(46,814)	-	-	-	17,202
Trade receivables	88,725	(80,904)	14,706	-	-	22,527
Other receivables, deposits and prepayments	78,812	(49,125)	10,074	-	-	39,761
Restricted bank deposit	219	-	-	-	-	219
Cash and cash equivalents	412,993	(348,549)	-	-	3,058,534	3,122,978
	<u>850,408</u>	<u>(1,338,601)</u>	<u>24,780</u>	<u>641,133</u>	<u>3,058,534</u>	<u>3,236,254</u>
Total assets	<u>2,326,624</u>	<u>(1,941,331)</u>	<u>24,780</u>	<u>641,133</u>	<u>3,058,534</u>	<u>4,109,740</u>

Unaudited pro forma consolidated balance sheet of the Remaining Group as at
30 June 2020 (continued)

	Unaudited consolidated balance sheet of the Group as at 30 June 2020				Unaudited pro forma consolidated balance sheet of the Remaining Group as at 30 June 2020	
	HK\$'000	HK\$'000	Pro forma adjustments		HK\$'000	HK\$'000
	Note 1	Note 2(a)	HK\$'000 Note 2(b)	HK\$'000 Note 2(c)	Note 2(d)	
Equity						
Share capital	76,260	-	-	-	-	76,260
Reserves	426,773	(621,777)	-	641,133	3,058,534	3,504,663
Total equity	503,033	(621,777)	-	641,133	3,058,534	3,580,923
Liabilities						
Non-current liabilities						
Lease liabilities	264,235	(176,302)	-	-	-	87,933
Long service payment liabilities	13,692	(11,353)	-	-	-	2,339
Deferred tax liabilities	10,683	(966)	-	-	-	9,717
	288,610	(188,621)	-	-	-	99,989
Current liabilities						
Amounts due to group companies	-	(24,780)	24,780	-	-	-
Trade payables	726,566	(673,997)	-	-	-	52,569
Other payables and accruals	242,111	(140,598)	-	-	-	101,513
Lease liabilities	378,195	(274,775)	-	-	-	103,420
Taxation payable	24,722	(16,783)	-	-	-	7,939
Cake coupons	163,387	-	-	-	-	163,387
	1,534,981	(1,130,933)	24,780	-	-	428,828
Total equity and liabilities	2,326,624	(1,941,331)	24,780	641,133	3,058,534	4,109,740

Unaudited pro forma consolidated profit and loss account and statement of comprehensive income of the Remaining Group for the year ended 31 December 2019

	Audited consolidated profit and loss account of the Group for the year ended 31 December 2019				Unaudited pro forma consolidated profit and loss account of the Remaining Group for the year ended 31 December 2019
	HK\$'000	Pro forma adjustments			HK\$'000
	Note 1	HK\$'000 Note 3(a)	HK\$'000 Note 3(b)	HK\$'000 Note 2(d)	HK\$'000
Revenue	5,632,340	(4,523,772)	88,885	–	1,197,453
Cost of sales	(3,613,216)	3,136,540	(82,072)	–	(558,748)
Gross profit	2,019,124	(1,387,232)	6,813	–	638,705
Other income	120,791	(114,113)	8,433	–	15,111
Store expenses	(1,493,026)	1,056,157	(5,979)	–	(442,848)
Distribution costs	(170,724)	111,166	(2,497)	–	(62,055)
Administrative expenses	(220,268)	122,910	–	–	(97,358)
Core operating profit	255,897	(211,112)	6,770	–	51,555
Non-operating gain	–	–	–	3,077,890	3,077,890
Interest expenses, net	(12,728)	9,852	–	–	(2,876)
Profit before income tax	243,169	(201,260)	6,770	3,077,890	3,126,569
Income tax expenses	(35,595)	26,899	–	–	(8,696)
Profit attributable to Shareholders of the Company	<u>207,574</u>	<u>(174,361)</u>	<u>6,770</u>	<u>3,077,890</u>	<u>3,117,873</u>
Other comprehensive loss:					
Item that may be reclassified subsequently to profit or loss					
Exchange differences	(601)	–	–	–	(601)
Total comprehensive income attributable to Shareholders of the Company	<u>206,973</u>	<u>(174,361)</u>	<u>6,770</u>	<u>3,077,890</u>	<u>3,117,272</u>

Unaudited pro forma consolidated statement of cash flows of the Remaining Group
for the year ended 31 December 2019

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2019	Pro forma adjustments		Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2019
	HK\$'000 Note 1	HK\$'000 Note 3(a)	HK\$'000 Note 2(d)	HK\$'000
Cash flows from operating activities				
Cash generated from operations	812,766	(463,844)	–	348,922
Overseas income tax paid	(6,629)	–	–	(6,629)
Net cash generated from operating activities	<u>806,137</u>	<u>(463,844)</u>	<u>–</u>	<u>342,293</u>
Cash flows from investing activities				
Purchase of fixed assets	(65,514)	28,577	–	(36,937)
Proceeds from the Disposal	–	–	3,058,534	3,058,534
Proceeds from disposal of fixed assets	666	–	–	666
Increase in restricted bank deposit	(223)	–	–	(223)
Interest received	4,729	(1,958)	–	2,771
Net cash (used in)/generated from investing activities	<u>(60,342)</u>	<u>26,619</u>	<u>3,058,534</u>	<u>3,024,811</u>
Cash flows from financing activities				
Proceeds from issuance of Shares	97	–	–	97
Payment of lease liabilities	(435,183)	313,075	–	(122,108)
Dividends paid	(175,390)	–	–	(175,390)
Net cash used in financing activities	<u>(610,476)</u>	<u>313,075</u>	<u>–</u>	<u>(297,401)</u>
Increase/(decrease) in cash and cash equivalents	135,319	(124,150)	3,058,534	3,069,703
Cash and cash equivalents at 1 January	507,694	(398,248)	–	109,446
Effect of foreign exchange rate changes	(374)	–	–	(374)
Cash and cash equivalents at 31 December	<u><u>642,639</u></u>	<u><u>(522,398)</u></u>	<u><u>3,058,534</u></u>	<u><u>3,178,775</u></u>

Notes to the Unaudited Pro Forma Financial Information of the Remaining Group

1. The amounts are extracted from the unaudited consolidated balance sheet of the Group as at 30 June 2020, the audited consolidated profit and loss account, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2019 as set out in Appendix I to this circular.
2. The following pro forma adjustments have been made to the unaudited pro forma consolidated balance sheet of the Remaining Group, assuming the Disposal had taken place on 30 June 2020:
 - (a) The adjustment represents the exclusion of assets and liabilities of the Convenience Store Business to be disposed of as at 30 June 2020. The amounts have been extracted from the unaudited financial information of the Convenience Store Business as at 30 June 2020 as set out in Appendix I to this circular.
 - (b) The adjustment represents the reclassification of intercompany balance between the Convenience Store Business and the Remaining Group to trade and other receivables upon the completion of the Disposal.
 - (c) The adjustment represents distribution of dividend from the Convenience Store Business before the completion of the Disposal, assuming HK\$641 million to be settled with intercompany balance due from the Group.

- (d) The adjustment represents the estimated net gain on the Disposal and the Consideration is satisfied in cash in the amount as shown below.

The estimated net gain is calculated as follows:

	<i>HK\$'000</i>
Consideration (<i>note i</i>)	2,790,000
Estimated consideration adjustment (<i>note ii</i>)	<u>301,815</u>
	3,091,815
Less: Estimated costs and expenses of the Disposal (<i>note iii</i>)	<u>(33,281)</u>
Estimated net proceeds received from the Disposal	3,058,534
Less:	
Net assets of the Convenience Store Business as at 30 June 2020 (<i>note iv</i>)	(621,777)
Distribution of dividend from the Convenience Store Business before the completion of the Disposal (<i>note 2(c)</i>)	<u>641,133</u>
Estimated net gain on the Disposal	<u><u>3,077,890</u></u>

- (i) 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.
- (ii) According to the Sale and Purchase Agreement, the consideration is subject to customary closing adjustments by:
- adding the amount of cash of the Convenience Store Business as at the Completion Date amounting to HK\$349 million;
 - deducting the amount of outstanding payables related to Saint Honore store sales takings receipts and expenses reimbursement received on its behalf amounting to HK\$5 million; and
 - adjusting for the difference between the amounts of the actual working capital and the target working capital of approximately negative HK\$510 million of the Convenience Store Business as at the Completion Date amounting to approximately HK\$42 million.

- (iii) The amount includes the estimated professional expenses directly incurred for the Disposal amounting to approximately HK\$33 million which will be borne by the Remaining Group and are assumed to be settled in cash.
 - (iv) The amount represents the carrying amount of net assets of the Convenience Store Business as at 30 June 2020, which is extracted from the unaudited combined balance sheet of the Convenience Store Business as at 30 June 2020.
 - (v) There is no tax expenses in relation to the gain arising from the Disposal.
3. The following pro forma adjustments have been made to the unaudited pro forma consolidated profit and loss account and statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Group, assuming the Disposal had taken place on 1 January 2019:
- (a) The adjustment represents the exclusion of income and expenses and cash flows of the Convenience Store Business to be disposed as at 1 January 2019. The amounts have been extracted from the unaudited financial information of the Convenience Store Business as at 31 December 2019 as set out in Appendix I to this circular.
 - (b) The adjustment represents the add back of intra-group elimination, including the sales transactions between the Remaining Group and the Convenience Store Business with corresponding profit margin, store and distribution income and expenses between the Convenience Store Business and the Remaining Group.
4. The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated profit and loss account and the unaudited pro forma consolidated statement of cash flows of the Remaining Group.

5. Apart from the above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to (i) 30 June 2020 for the purpose of preparation of the unaudited pro forma consolidated balance sheet; and (ii) 31 December 2019 for the purpose of preparation of the unaudited pro forma consolidated profit and loss account and statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group. In particular, no adjustments have been made in respect of the intended payment of the Special Cash Dividend of approximately HK\$2,971 million, which is subject to shareholders' approval.

**B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE
REMAINING GROUP**

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Convenience Retail Asia Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Convenience Retail Asia Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) excluding Convenience Retail Asia (BVI) Limited and its subsidiaries (the “**Disposal Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated balance sheet as at 30 June 2020, the unaudited pro forma consolidated profit and loss account and statement of comprehensive income for the year ended 31 December 2019 and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2019, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages II-1 to II-9 of the Company’s circular dated 20 November 2020 (the “**Circular**”), in connection with the proposed disposal of the Disposal Group (the “**Disposal**”) by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-9 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Disposal on the Group’s financial position as at 30 June 2020 and the Group’s financial performance and cash flows for the year ended 31 December 2019 as if the Disposal had taken place at 30 June 2020 and 1 January 2019 respectively. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s unaudited consolidated financial information

for the period ended 30 June 2020, on which no review report has been published, while information about the Group's financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2019, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of *Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal at 30 June 2020 for the Group's financial position and 1 January 2019 for the Group's financial performance and cash flows would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20 November 2020

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

(a) Interests and short positions of Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives of the Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO); or (ii) entered in the register required to be kept under Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "**Model Code**") and/or the Code for Securities Transactions by Directors and Relevant Employees adopted by the Company, were as follows:

Long positions in the Shares

Name of Directors	Number of Shares			Total interests	Approximate percentage of interests
	Personal interests	Corporate/ Trust interests	Equity derivatives (share options)		
Victor Fung Kwok King	-	311,792,000 (Note 1)	-	311,792,000	40.40%
William Fung Kwok Lun	-	311,792,000 (Note 1)	-	311,792,000	40.40%
Richard Yeung Lap Bun	22,396,000	-	2,000,000 (Note 2)	24,396,000	3.16%
Pak Chi Kin	1,912,000	-	1,222,000 (Note 2)	3,134,000	0.41%

Notes:

1. King Lun Holdings Limited (“**King Lun**”) through its indirect wholly-owned subsidiary, Fung Retailing Limited (a wholly-owned subsidiary of Fung Holdings (1937) Limited) held 311,792,000 Shares. 50% of the issued share capital of King Lun is owned by HSBC Trustee (C.I.) Limited, the trustee of a trust established for the benefit of the family members of Dr Victor Fung Kwok King, the remaining 50% is owned by Dr William Fung Kwok Lun. Therefore, Dr Victor Fung Kwok King and Dr William Fung Kwok Lun, by virtue of their interests in King Lun, are deemed to have interests in 311,792,000 Shares.
2. These interests represented the interests in the share options (being regarded as unlisted physically settled equity derivatives) granted by the Company to these Directors as beneficial owners.

Save as disclosed above, none of the Directors and chief executives of the Company had, as at the Latest Practicable Date, any other interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives of the Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO), or which were entered in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save for Mr Richard Yeung Lap Bun, who is a director of Fung Retailing Limited, and Dr Victor Fung Kwok King and Dr William Fung Kwok Lun, who are directors of both Fung Retailing Limited, Fung Holdings (1937) Limited and King Lun, each of which is a substantial shareholder of the Company, none of the Directors was, as at the Latest Practicable Date, a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS’ INTERESTS IN COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or his or her respective close associates was considered to have an interest in a business which competes or was likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors or his or her close associates were appointed to represent the interests of the Company and/or the Group.

4. DIRECTORS’ INTEREST IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date,

- (a) none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group; and

- (b) save as disclosed below, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

King Lun and a company owned by Dr William Fung Kwok Lun are the holding companies of landlords of two Circle K store locations (out of more than 340), which were leased to the Target Group in its ordinary and usual course of business and on normal commercial terms (including market rentals). King Lun is a substantial shareholder of the Company and 50% of the issued share capital of King Lun is owned by HSBC Trustee (C.I.) Limited, the trustee of a trust established for the benefit of the family members of Dr Victor Fung Kwok King, the remaining 50% is owned by Dr William Fung Kwok Lun.

Transactions under the above leases were included and reported in the relevant “Related Party Transactions” sections in the “Notes to the Consolidated Financial Statements” and “Notes to the Condensed Consolidated Interim Financial Information” contained in the Company’s annual report dated 10 March 2020 for the year ended 31 December 2019 and interim report dated 13 August 2020 for the six months ended 30 June 2020, respectively.

5. MATERIAL CONTRACTS

Save for the Sale and Purchase Agreement, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular and which are or may be material.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. DIRECTORS’ SERVICE CONTRACTS

Mr Richard Yeung Lap Bun has entered into a service contract with the Company for an initial term of three years commencing on 1 January 2001 and will continue in office thereafter subject at all times (including the initial three years period) to termination by not less than three months’ prior notice in writing by either party to the other.

Mr Pak Chi Kin was appointed as Executive Director with effect from 10 March 2011. According to his terms of employment, he will continue in office subject at all times to termination by not less than three months' prior notice in writing by either party to the other.

Save as disclosed, as at the Latest Practicable Date, none of the Directors has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

8. QUALIFICATION AND CONSENT OF EXPERT

The qualification of the expert who has been named in this circular or has given opinion or advice which are contained herein are set out below:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)

- (a) As at the Latest Practicable Date, PricewaterhouseCoopers had no interest, direct or indirect, in any member of the Group or any right (whether legally enforceable or not), to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (b) As at the Latest Practicable Date, PricewaterhouseCoopers had no interest, direct or indirect, in any assets which have been since 31 December 2019, the date up to which the latest published audited financial statements of Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this circular with its report included in the form and context in which it is included.

9. MISCELLANEOUS

- (a) The company secretary of the Company is Ms Maria LI Sau Ping, fellow member of both The Chartered Governance Institute of the United Kingdom and The Hong Kong Institute of Chartered Secretaries.
- (b) The branch share registrar of the Company is Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The registered office of the Company is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.
- (d) The head office and principal place of business of the Company in Hong Kong is 15th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong.
- (e) The English text of this circular and the related proxy form shall prevail over the Chinese text in the case of any inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong during normal business hours on any business day from the date of this circular up to and including 4 December 2020:

- (a) the Memorandum of Association and Articles of Association of the Company;
- (b) the annual reports of the Company for the three years ended 31 December 2017, 2018 and 2019 and the interim report of the Company for the six months ended 30 June 2020;
- (c) the report on the unaudited pro forma financial information of the Remaining Group from PricewaterhouseCoopers as set out in Appendix II to this circular;
- (d) the written consent referred to in the paragraph headed "Qualification and Consent of Expert" in this appendix;
- (e) the Sale and Purchase Agreement;
- (f) the service contracts referred to in the section headed "Directors' Service Contracts" in this appendix; and
- (g) this circular.



CONVENIENCE RETAIL ASIA LIMITED

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00831)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Extraordinary General Meeting**”) of Convenience Retail Asia Limited (the “**Company**”) will be held at Ground Floor, Hong Kong Spinners Industrial Building, Phases I & II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong on Monday, 7 December 2020 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the sale and purchase agreement dated 5 November 2020 entered into between the Company as vendor, Couche-Tard HK Limited as purchaser and Alimentation Couche-Tard Inc. as guarantor in relation to the sale and purchase of the entire issued share capital of Convenience Retail Asia (BVI) Limited (the “**Sale and Purchase Agreement**”) (a copy of which has been tabled at this meeting and marked “A” and initialled by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company (“**Director**”), or if affixation of the common seal is necessary, any two Directors, be and is/are hereby authorised for and on behalf of the Company to execute all such documents and agreements and do all such acts and things, including but without limitation to the execution of all such documents under common seal where applicable, as he/she may in his/her discretion consider necessary, expedient or desirable for the purpose of or in connection with the implementation of or giving effect to the Sale and Purchase Agreement or any of the transactions contemplated thereunder and all matters incidental thereto or in connection therewith.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. **“THAT:**

- (a) subject to the satisfaction of the conditions to the payment of the proposed special cash dividend of HK\$3.85 per ordinary share of the Company (the **“Special Cash Dividend”**), the payment of the Special Cash Dividend to be payable by the Company to all the shareholders of the Company whose names appear on the register of members of the Company on a record date as announced by the Company for this purpose (the **“Record Date”**) in proportion to their existing shareholding in the Company on the Record Date out of distributable reserves (taking into account the expected gain from the Disposal (as defined in the circular of the Company dated 20 November 2020 of which this notice forms part (a copy of which is tabled at the meeting and marked “B” and initialled by the chairman of the meeting for identification purpose))) and the share premium account of the Company, be and is hereby approved; and
- (b) any Director, or if affixation of the common seal is necessary, any two Directors, be and is/are hereby authorised for and on behalf of the Company to execute all such documents and agreements and do all such acts and things, including but without limitation to the execution of all such documents under common seal where applicable, as he/she may in his/her discretion consider necessary, expedient or desirable for the purpose of or in connection with the payment of the Special Cash Dividend.”

By order of the Board
Convenience Retail Asia Limited
Maria LI Sau Ping
Company Secretary

Hong Kong, 20 November 2020

Notes:

1. A shareholder of the Company (**“Shareholder”**) entitled to attend and vote at the Extraordinary General Meeting may appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a Shareholder.
2. To be valid, a form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority shall be deposited with share registrar⁽ⁱ⁾ not less than 48 hours before the time appointed for holding the Extraordinary General Meeting or any adjourned meeting. The form of proxy is published on the websites of the Company at www.cr-asia.com and HKExnews at www.hkexnews.hk.

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. Record dates and closure of register of members

Hong Kong Time
2020

In relation to the Extraordinary General Meeting:

Latest time to lodge transfer documents with share registrar
in order to be qualified for attending and voting
at the Extraordinary General Meeting ⁽ⁱ⁾ 4:30 p.m.,
Friday, 4 December

Record date for determining the entitlements of the Shareholders
to attend and vote at the Extraordinary General Meeting ⁽ⁱⁱ⁾ Friday, 4 December

Announcement of poll results of the Extraordinary General Meeting posted
on the websites of the Company and the Stock Exchange Monday, 7 December

In relation to the Special Cash Dividend ⁽ⁱⁱⁱ⁾:

Last day of dealings in the shares of the Company cum-entitlement
to the Special Cash Dividend Tuesday, 22 December

First day of dealings in the shares of the Company ex-entitlement to
the Special Cash Dividend Wednesday, 23 December

Latest time to lodge transfer documents with share registrar in order
to be qualified for the Special Cash Dividend ⁽ⁱ⁾ 4:30 p.m.,
Thursday, 24 December

Record date for determining the entitlements to the Special
Cash Dividend ⁽ⁱⁱ⁾ Thursday, 24 December

Expected despatch date of the cash cheque(s)
for the Special Cash Dividend Thursday, 31 December

Remarks:

(i) *To be eligible to attend and vote at the Extraordinary General Meeting, and to be entitled to the Special Cash Dividend, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than the respective latest time mentioned above.*

(ii) *Shareholders who are eligible to attend and vote at the Extraordinary General Meeting are those whose names appear on the register of members of the Company as at the close of business on Friday, 4 December 2020.*

Shareholders who are entitled to the Special Cash Dividend are those whose names appear on the register of members of the Company as at the close of business on the record date for this purpose, tentatively, Thursday, 24 December 2020.

(iii) *The dates for determining Shareholder's entitlement to the Special Cash Dividend will occur after completion of the Sale and Purchase Agreement. The dates set out above regarding Shareholder's entitlement to the Special Cash Dividend are therefore tentative, assuming such completion takes place on 21 December 2020. The Company will confirm these dates in due course and make necessary announcement as and when appropriate in accordance with The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.*

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. Arrangements for coronavirus disease:

Taking into account of the recent development of the epidemic caused by the coronavirus disease COVID-19, the Company will implement the following prevention and control measures at the Extraordinary General Meeting against the epidemic to protect the Shareholders from the risk of infection:

- (i) Compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the venue.
- (ii) Every Shareholder or proxy is required to wear surgical face mask throughout the meeting.
- (iii) No refreshment will be served.

Furthermore, the Company wishes to advise the Shareholders, particularly Shareholders who are subject to quarantine in relation to the coronavirus disease COVID-19, that they may appoint any person or the chairman of the Extraordinary General Meeting as a proxy to vote on the resolutions, instead of attending the Extraordinary General Meeting in person.

5. Bad weather arrangements:

The Extraordinary General Meeting will be held on Monday, 7 December 2020 as scheduled regardless of whether or not an amber or red rainstorm warning signal is in force in Hong Kong at any time on that day. However, if a black rainstorm warning signal or a tropical cyclone warning signal no. 8 or above or post-super typhoon extreme conditions is in force in Hong Kong at 9:00 a.m. on Monday, 7 December 2020, the chairman of the Extraordinary General Meeting will propose that the Extraordinary General Meeting be adjourned to be held at the same place on Tuesday, 8 December 2020 at 11:00 a.m. instead.