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CONVENIENCE RETAIL ASIA LIMITED

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

CONTINUING CONNECTED TRANSACTIONS

The Board announces that Circle K (HK), a subsidiary of the Company has entered into the New Services Agreement dated 20th March, 2002 with LFR on identical terms as those contained in the Existing Services Agreement for the provision of the Services by LFR to Circle K (HK) for a revised term from 1st May, 2002 to 31st December, 2004. Pursuant to the New Services Agreement, Circle K (HK) and LFR have also agreed to early terminate the Existing Services Agreement before the expiration of its original term on 31st December, 2002. The termination will be effective when the New Services Agreement becomes effective on 1st May, 2002.

The Board also announces that Circle K (HK) has entered into the New Purchase Agreement dated 20th March, 2002 with JDH (HK) on identical terms as those contained in the Existing Purchase Agreement for the purchase of various products (being both food and non-food products) by Circle K (HK) from JDH (HK) for a revised term from 1st May, 2002 to 31st December, 2004. Pursuant to the New Purchase Agreement, Circle K (HK) and JDH (HK) have also agreed to early terminate the Existing Purchase Agreement before the expiration of its original term. The termination will be effective when the New Purchase Agreement becomes effective on 1st May, 2002.

The transactions between the Group and LFR and JDH (HK) under the New Agreements constitute non-exempt continuing connected transactions of the Company under the GEM Listing Rules and are subject to the approval of the Independent Shareholders and other reporting requirements under Rules 20.34 to 20.36 of the GEM Listing Rules. In addition, the early termination of the Existing Agreements constitute connected transactions of the Company under the GEM Listing Rules.

In contemplation of the early termination of the Existing Agreements following the approval of the Continuing Connected Transactions under the New Agreements by the Independent Shareholders at the AGM, the Existing Waiver to the extent relating to the transactions under the Existing Agreements will no longer be applicable when the New Agreements become unconditional.

Ordinary resolutions will be proposed to approve the New Agreements, which includes the early termination of the Existing Agreements and the Continuing Connected Transactions under the respective terms of the New Agreements and the respective Annual Caps at the AGM.

LFR and its associates will abstain from voting at the AGM in respect of the ordinary resolutions relating to the Existing and New Agreements and Mr. Lau Butt Farn and its associates will abstain from voting at the AGM in respect of the ordinary resolutions relating to the Existing and New Purchase Agreements.

A circular containing, among other matters, information on the Continuing Connected Transactions, the letter of advice from an independent financial adviser, the recommendation of the Independent Board Committee and a notice of the AGM together with the proxy form will be despatched to the Shareholders within 21 days from the date of this announcement.

THE EXISTING AGREEMENTS

As disclosed in the Prospectus, Circle K (HK) had entered into the Existing Services Agreement and the Existing Purchase Agreement with LFR and JDH (HK) on 6th January, 2001 and 14th December, 2000 respectively. LFR is the substantial and a management Shareholder of the Company and JDH (HK) is an indirect subsidiary of LF (1937) which is the holding company of LFR. Accordingly, the transactions under the Existing Agreements constituted non-exempt connected transactions under Rule 20.26 of the GEM Listing Rules, and were subject to the reporting, announcement and Shareholders' approval requirements set out in Rules 20.34 to 20.36 of the GEM Listing Rules. The Company had applied for and obtained the Existing Waiver from the Stock Exchange from strict compliance with the reporting and Shareholders' approval requirements under the GEM Listing Rules in January 2001 in respect of those transactions on the conditions as described in the Prospectus.

The Existing Services Agreement will expire on 31st December, 2002 and the Existing Waiver that relate, inter alia, to both the Existing Services Agreement and the Existing Purchase Agreement will cease to apply on 31st December, 2002.

THE NEW AGREEMENTS

The Board announces that Circle K (HK), a subsidiary of the Company has entered into the New Services Agreement and the New Purchase Agreement both dated 20th March, 2002 with LFR and JDH (HK) respectively on identical terms as those contained in the Existing Services Agreement and the Existing Purchase Agreement respectively for a revised term from 1st May, 2002 to 31st December, 2004. Pursuant to the New Agreements, the parties have also agreed to early terminate the Existing Agreements before the expiration of their original terms.

Pursuant to the GEM Listing Rules, the Continuing Connected Transactions will continue to constitute non-exempt connected transactions of the Company under Rule 20.26 of the GEM Listing Rules, and are subject to the approval of the Independent Shareholders as required under the GEM Listing Rules.

In contemplation of the early termination of the Existing Agreements following the approval of the New Agreements, which includes the early termination of the Existing Agreements, by the Independent Shareholders at the AGM, the Existing Waiver to the extent relating to the non-exempt connected transactions contemplated under the Existing Agreements will no longer be applicable when the New Agreements become unconditional.

PARTICULARS OF THE CONTINUING CONNECTED TRANSACTIONS

A. The New Services Agreement - provision of administrative services by connected person

Transaction nature

LFR will provide the Services to Circle K (HK) for a period from 1st May, 2002 to 31st December, 2004.

Circle K (HK) and LFR have also agreed to early terminate the Existing Services Agreement before the expiration of its original term on 31st December, 2002. The termination will be effective when the New Services Agreement becomes effective on 1st May, 2002.

Pricing basis

The fees payable to LFR by Circle K (HK) will be computed as the actual cost to LFR of providing the Services. However, an amount equal to 0.80% (subject to adjustment) of the monthly turnover of Circle K (HK) will be paid monthly to LFR as a provision, subject to adjustment following the end of each financial year for any under or over provision by reference to the actual costs incurred by LFR in providing such services.

In addition, Circle K (HK) will also reimburse LFR for utility expenses, insurance premiums and other office or administrative expenses which will be paid by LFR on behalf of Circle K (HK).

The amounts paid to LFR in the two years ended 31st December, 2001 were HK\$10,898,082 and HK\$7,479,986 respectively. The annual cap approved under the Existing Waiver in respect of transactions under the Existing Services Agreement is HK\$ 13,700,000. It is expected that the aggregate consideration payable by Circle (HK) under the New Services Agreement will increase as its business expands, but will not exceed HK\$15,500,000 for each of the three years ending 31st December, 2004. (**“Annual Cap”**)

The computation of Annual Cap is based on an annual growth rate of 15% over the amount incurred by the Group in 2001 of about HK\$10.0 million, after adding back HK\$2.5 million which has been waived by LFR for the year ended 31st December, 2001 and was reflected in the annual results of the Company for the year ended 31st December, 2001.

B. The New Purchase Agreement - purchase of products from connected person

Transaction nature

Circle K (HK) will purchase various products (being both food and non-food products) from JDH (HK) on its standard term of business for a period from 1st May, 2002 to 31st December, 2004.

Circle K (HK) and JDH (HK) have also agreed to early terminate the Existing Purchase Agreement before the expiration of its original term. The termination will be effective when the New Purchase Agreement becomes effective on 1st May, 2002

Pricing basis

Circle K (HK) will purchase products from JDH (HK) in the ordinary course of business and on terms no less favorable than from independent third parties.

The amounts incurred in the two years ended 31st December, 2001, were HK\$8,850,190 and HK\$8,223,335 respectively. The annual cap approved under the Existing Waiver in respect of transactions under the Existing Purchase Agreement is HK\$ 15,000,000. It is expected that the aggregate consideration payable by Circle (HK) will increase as its business expands, but will not exceed HK\$17,000,000 for each of the three years ending 31st December, 2004. (**“Annual Cap”**)

The computation of Annual Cap is based on an annual growth rate of 15% over the amount incurred by the Group in 2001 of about HK\$8.2 million and a buffer for additional line of products which may be purchased by Circle K (HK) from JDH (HK) during the three years ending 31st December, 2004.

CONDITIONS PRECEDENT

The New Agreements are conditional upon the passing by the Independent Shareholders of ordinary resolutions to approve the Continuing Connected Transactions and the respective Annual Caps. Approval of the Independent Shareholders will be sought on the basis that the Company will comply with the annual review and reporting requirements set out under rules 20.27 to 20.30 and rule 20.34 of the GEM Listing Rules.

ANNUAL REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS

Independent Shareholders' approval for the Continuing Connected Transactions under the New Agreements will be sought on the basis that:

- (a) the aggregate consideration in any financial year for the three years ending 31st December, 2004 in respect of:-
 - (i) the New Services Agreement shall not exceed HK\$15,500,000; and
 - (ii) the New Purchase Agreement shall not exceed HK\$17,000,000;
- (b) details of the Continuing Connected Transactions will be disclosed in the Company's annual report as described in Rules 20.34(1) to (5) of the GEM Listing Rules;
- (c) the independent non-executive Directors shall review the Continuing Connected Transactions annually and confirm in the Company's next annual report and accounts that the relevant Continuing Connected Transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) save for the New Services Agreement, either on normal commercial terms or, if there are no sufficient comparable

transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

- (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (d) each year the auditors of the Company shall provide a letter to the board of Directors (with copy to the Stock Exchange) confirming that each of the Continuing Connected Transactions in the manner required under rule 20.28 of the GEM Listing Rules. In addition, the Company, LFR and JDH (HK) have undertaken to the Stock Exchange to allow the auditors sufficient access to their records for the purpose of reporting on the transactions as set out in rule 20.28 of the GEM Listing Rules;
- (e) the Company shall notify the Stock Exchange if it knows or has reason to believe that the independent non-executive Directors and/or the auditors will not be able to confirm the matters set out in Rules 20.27 and/or 20.28 of the GEM Listing Rules respectively, whereupon the Company may have to re-comply with Rules 20.26(3) and (4) of the GEM Listing Rules and any other conditions the Stock Exchange considers appropriate; and
- (f) where the cap under any of the Continuing Connected Transactions in any year is to be greater than the higher of HK\$10,000,000 or 3% of the net tangible assets of the Group, the relevant transaction and the aggregate consideration are subject to review and re-approval by Independent Shareholders at the annual general meeting following the initial approval and at each subsequent annual general meeting so long as the transaction continues. The independent non-executive Directors will also require to opine in the annual report whether or not the Company should continue with the agreement/arrangement for the transactions;

REASONS FOR THE EXECUTION OF THE NEW AGREEMENTS AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Company is engaged in the operation of one of the leading convenience store chains in Hong Kong under the tradename of Circle K. LFR is the investment holding company of the retailing arm within the Li & Fung Group. As part of its role as an investment holding company, LFR provides the Services and other administrative supports to its member companies at actual cost. The arrangement between LFR and the Company under the New Services Agreement gives the Company the benefit from LFR's resources and expertise as well as enhancing the Company's operational efficiency.

JDH (HK) is principally engaged in the distribution of products (being both food and non-food products) to customers including certain well known supermarkets and convenience chain stores in Hong Kong. In addition, JDH (HK) is the exclusive distribution agent of several products. The Directors have confirmed that the purchases made by the Company from JDH (HK) will on terms no less favourable than from independent third parties.

The Directors, including the independent non-executive Directors, consider that it is in the interests of the Company to continue the transactions contemplated under the New Agreements following the expiration of the term under the Existing Agreements and the Existing Waiver.

The Directors, including the independent non-executive Directors, consider that the early termination of the Existing Agreements and execution of the New Agreements for submission to the Independent Shareholders for early approval at the AGM are in the interests of the Group and its Shareholders, including the Independent Shareholders. The Directors consider that the administration costs to be incurred for complying with the announcement and Shareholders' approval requirements in respect of the Continuing Connected Transactions under Rules 20.35 and 20.36 of the GEM Listing Rules will be reduced if the Independent Shareholders' approval is sought earlier instead of at a later stage at a separately convened general meeting when the Existing Agreements and/or the Existing Waiver expire in December 2002.

CONFIRMATION FROM THE DIRECTORS

The Continuing Connected Transactions will be conducted in the normal course of business of the Group and in accordance with the terms of the relevant agreements, which were negotiated on an arm's length basis. The Directors, including the independent non-executive Directors, are of the view that the New Purchase Agreement was entered into on normal commercial terms (if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties) and the New Services Agreement was entered into on arm's length terms, the New Agreements are fair and reasonable to the Company and the Shareholders taken as a whole and the Continuing Connected Transactions will be conducted in the ordinary course of business of the Group.

GENERAL

Ordinary resolutions will be proposed to approve the New Agreements, which includes the early termination of the Existing Agreements, and the Continuing Connected Transactions under the respective terms of the New Agreements and the respective Annual Caps.

LFR is the substantial and a management Shareholder of the Company and JDH (HK) is an indirect subsidiary of LF (1937) which is the holding company of LFR. By virtue of these interests, LFR is considered to have an interest in the Existing and New Agreements.

As more particularly disclosed in the Prospectus, Mr. Lau Butt Farn (being a Shareholder and a Director) holds options in respect of 32,500 full voting ordinary shares of US\$0.01 each in Li & Fung (Distribution) Limited. JDH (HK) is a wholly-owned subsidiary of Li & Fung (Distribution) Limited. By virtue of his interest in Li & Fung (Distribution) Limited, Mr. Lau Butt Farn is considered to have an interest in the Existing and New Purchase Agreements.

In view of the interests as mentioned above, LFR and its associates will abstain from voting at the AGM in respect of the ordinary resolutions relating to the Existing and New Agreements and Mr. Lau Butt Farn and its associates will abstain from voting at the AGM in respect of the ordinary resolutions relating to the Existing and New Purchase Agreements.

In the event the Independent Shareholders do not approve the New Agreements and the Continuing Connected Transactions thereunder, the

Existing Agreements and the Existing Waiver will continue to apply and the Directors will put forward to the Shareholders for consideration ordinary resolutions for approving the annual cap under the Existing Agreements and the Existing Waiver for its remaining term for the year ending 31st December, 2002 at the AGM in accordance with the requirement of the Existing Waiver and the GEM Listing Rules.

A circular containing, among other matters, information on the Continuing Connected Transactions, the letter of advice from an independent financial adviser, the recommendation of the Independent Board Committee and a notice of the AGM together with the proxy form will be despatched to the Shareholders within 21 days from the date of this announcement.

DEFINITION

“associates”	has the meaning ascribed to it in the GEM Listing Rules
“AGM”	the annual general meeting of the Company to be held at the Auditorium, 12th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories on 24th April, 2002 at 4:00 p.m.
“Board”	the board of directors of the Company or a duly authorised committee thereof
“Circle K (HK)”	Circle K Convenience Stores (HK) Limited, a company incorporated in Hong Kong and wholly-owned by the Company
“Company”	Convenience Retail Asia Limited
“Continuing Connected Transactions”	the provision of the Services by LFR to Circle K (HK) under the New Services Agreement and the purchase of products from JDH (HK) Limited by Circle K (HK) under the New Purchase Agreement
“Directors”	directors of the Company
“Existing Agreements”	the Existing Purchase Agreement and the Existing Services Agreement

“Existing Purchase Agreement”	the purchase agreement dated 14th December, 2000 between Circle K (HK) and JDH (HK) for the purpose of putting on records the intention of Circle K (HK) to purchase various products (being both food and non-food products) from JDH (HK) on its standard term of business
“Existing Services Agreement”	the services agreement dated 6th January, 2001 by Circle K (HK) and LFR for the provision of the Services by LFR to Circle K (HK)
“Existing Waiver”	the waiver granted by the Stock Exchange to the Company in January 2001 of the announcement and Shareholders’ approval requirements, under rules 20.34 and 20.36 of the GEM Listing Rules in relation to the non-exempt connected transactions as disclosed in the Prospectus
“Group”	the Company and its subsidiaries
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on Growth Enterprise Market of the Stock Exchange
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board comprising Dr. Ch’ien Kuo Fung, Raymond and Mr. Au Man Cheung, Malcolm who are the independent non-executive Directors

“Independent Shareholders”	Shareholders other than those who have an interest in the New Agreements and the Continuing Connected Transactions thereunder (including, without limitation, LFR and its associates in relation to the Existing and New Agreements and Mr. Lau Butt Farn (a Director) and its associates in relation to the Existing and New Purchase Agreements)
“JDH (HK)”	JDH (Hong Kong) Limited, a company incorporated in Hong Kong, an indirect subsidiary of LF (1937) which has an effective interest of 51.44% in JDH (Hong Kong) Limited
“Latest Practicable Date”	19th March, 2002, being the latest practicable date prior to the date of this announcement
“LF (1937)”	Li & Fung (1937) Limited, a company incorporated in Hong Kong
“LFR”	Li & Fung (Retailing) Limited, a company incorporated in Hong Kong and wholly owned by LF(1937)
“Li & Fung Group”	LF (1937) and its subsidiaries together with Li & Fung Limited and its subsidiaries. Li & Fung Limited is an associated company of LF (1937) and is listed on the main board of the Stock Exchange
“New Agreements”	the New Purchase Agreement and the New Services Agreement
“New Purchase Agreement”	the purchase agreement dated 20th March, 2002 entered into between Circle K (HK) and JDH (HK) for the purpose of putting on records the intention of Circle K (HK) to purchase various products (being both food and non-food products) from JDH (HK) on its standard term of business
“New Services Agreement”	the services agreement dated 20th March, 2002 entered into between Circle K (HK) and LFR for the provision of the Services by LFR to Circle K (HK)

“Prospectus”	the prospectus of the Company dated 9th January, 2001
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, The Macau Special Administrative region and Taiwan
“Services”	services relating to finance and accounting, management information systems, human resources, real estate and other administrative support
“Shareholders”	holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

On behalf of the Board
Yeung Lap Bun, Richard
Executive Director and Chief Executive Officer

Hong Kong, 20th March, 2002

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

This announcement will remain on the GEM website on the “Latest Company Announcements” page for 7 days from the day of its posting and will also be available from the Company’s website at www.cr-asia.com.