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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 Circle K (HK) Lease dated 20 March 2003 with Bomaron and LF (Management) for a revised term from 1 May 2003 to 31 May 2004. Pursuant to the New Circle K (HK) Lease, Circle K (HK) and Bomaron have also agreed to early terminate the Existing Circle K (HK) Lease before the expiration of its original term on 31 July 2003. The termination will be effective when the New Circle K (HK) Lease becomes unconditional and effective on 1 May 2003.

The Board also announces that Web-Logistic (HK), a subsidiary of the Company has entered into the New Web-Logistic Lease dated 20 March 2003 with Bomaron and LF (Management) for a revised term from 1 May 2003 to 31 May 2004. Pursuant to the New Web-Logistic Lease, Web-Logistic (HK) and Bomaron have also agreed to early terminate the Existing Web-Logistic Lease before the expiration of its original term on 31 July 2003. The termination will be effective when the New Web-Logistic Lease becomes unconditional and effective on 1 May 2003.

The transactions between the Group, Bomaron and LF (Management) under the New Leases 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. The termination of the Existing Leases also constitute connected transactions of the Company under the GEM Listing Rules.

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

LFR, Mr. Lau Butt Farn and their respective associates will abstain from voting at the AGM in respect of the ordinary resolutions relating to the Existing Leases and New Leases.

A circular containing, among other matters, information on the New Leases, which includes the early termination of the Existing Leases and 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 shortly.

THE EXISTING LEASES

As disclosed in the Prospectus, Circle K (HK) and Web-Logistic (HK) had respectively entered into the Existing Circle K (HK) Lease and the Existing Web-Logistic Lease with Bomaron both on 29 June 2000. LFR is the substantial and a management Shareholder of the Company and both Bomaron and LF (Management) are indirect subsidiaries of LF (1937) which is the holding company of LFR. The transactions under the Existing Leases 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 Waiver from the Stock Exchange from strict compliance with the reporting, announcement 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 Waiver expired on 31 December 2002 but the Existing Leases will only expire on 31 July 2003.

The monthly rent (exclusive of management fee and government rates) payable under the Existing Circle K (HK) Lease and the Existing Web-Logistic Lease is HK\$82,892.00 and HK\$50,668.00 respectively. The total consideration payable by the Group under the Existing Leases for their remaining terms after the Waiver expired on 31 December 2002 will add up to exceed the de minimis threshold under Rule 20.25(3) of the GEM Listing Rules in or around mid June 2003. Accordingly, the residue lease term of the

Existing Leases will constitute non-exempt continuing connected transactions under Rule 20.26 of the GEM Listing Rules, and will again be subject to the reporting, announcement and shareholders' approval requirements under Rules 20.34 to 20.36 of the GEM Listing Rules in or around mid June 2003.

THE NEW LEASES AND TERMINATION OF THE EXISTING LEASES

Each of Bomaron and LF (Management) is a wholly-owned subsidiary of LF (Distribution). Pursuant to an internal re-arrangement of the property leasing and management activities of Bomaron, Bomaron has entered into two new head leases with LF (Management) whereby the Premises will be leased to LF (Management) when the New Leases take effect on 1 May 2003.

Incidental to such internal restructuring of property leasing and management activities, and to secure the continual use of the Premises, each of Circle K (HK) and Web-Logistic (HK), a subsidiary of the Company, has respectively entered into the New Circle K (HK) Lease and the New Web-Logistic Lease with Bomaron and LF (Management), both dated 20 March 2003 in respect of the Premises on the same rent under the Existing Leases for a revised term from 1 May 2003 to 31 May 2004. Pursuant to the New Leases, the parties have also agreed to early terminate the Existing Leases before the expiration of their original terms on 31 July 2003. The termination of the Existing Leases will be effective when the New Leases become unconditional and effective on 1 May 2003.

The total consideration payable under the New Leases will exceed the de minimis threshold under Rule 20.25(3) of the GEM Listing Rules. Accordingly, the New Leases will 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.

PARTICULARS OF THE CONTINUING CONNECTED TRANSACTIONS

A. The New Circle K (HK) Lease dated 20 March 2003

Landlord	:	Bomaron
Head Tenant	:	LF (Management)
Sub-tenant	:	Circle K (HK)

Subject premises : a portion of 5th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong

Gross floor area : approximately 20,723 sq.ft.

Term : thirteen (13) months commencing on 1 May 2003 and expiring on 31 May 2004

Rent : HK\$82,892.00 per month (exclusive of management fees and government rates) payable in advance on the first day of each month.

The management fee for the premises is currently at HK\$29,012.20 per month which amount is subject to review and payable in advance on the first day of each month to the Head Tenant. The government rates for the premises is currently at HK\$13,629.24 per quarter which amount is subject to review and payable quarterly in advance to the Head Tenant. It is expected that the aggregate consideration payable by Circle K (HK) for the four months up to 30 April 2003 under the Existing Circle K (HK) Lease and the first eight months of the lease ending 31 December 2003 under the New Circle K (HK) Lease, and for the following five months up to 31 May 2004 under the New Circle K (HK) Lease in the year ending 31 December 2004 will not exceed HK\$2,000,000 and HK\$840,000 respectively, and such amounts have accordingly been set as the annual caps of the New Circle K (HK) Lease for the relevant years.

B. The New Web-Logistic Lease dated 20 March 2003

Landlord : Bomaron

Head Tenant : LF (Management)

Sub-tenant : Web-Logistic (HK)

Subject premises : a portion of 5th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong

Gross Floor Area : approximately 12,667 sq.ft.

Term : thirteen (13) months commencing on 1 May 2003 and expiring on 31 May 2004

Rent : HK\$50,668.00 per month (exclusive of management fees and government rates) payable in advance on the first day of each month.

The management fee for the premises is currently at HK\$17,733.80 per month which amount is subject to review and payable in advance on the first day of each month to the Head Tenant. The government rates for the premises is currently at HK\$8,330.92 per quarter which amount is subject to review and payable quarterly in advance to the Head Tenant. It is expected that the aggregate consideration payable by Web-Logistic for the four months up to 30 April 2003 under the Existing Web-Logistic Lease and the first eight months of the lease ending 31 December 2003 under the New Web-Logistic Lease, and for the following five months up to 31 May 2004 under the New Web-Logistic Lease, in the year ending 31 December 2004 will not exceed HK\$1,200,000 and HK\$500,000 respectively and such amounts have accordingly been set as the annual caps of the New Web-Logistic Lease for the relevant years.

The total consideration payable under the New Leases will exceed the de minimis threshold under Rule 20.25(3) of the GEM Listing Rules. Accordingly, the New Leases will 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.

CONDITIONS PRECEDENT

The New Leases are conditional upon the passing by the Independent Shareholders of ordinary resolutions to approve the New Leases, which include the termination of the Existing Leases and the Continuing Connected Transactions under the respective terms of the New Leases and the New 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. The termination of the Existing Leases also constitute connected transactions of the Company under the GEM Listing Rules.

ANNUAL REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS

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

- (a) the aggregate consideration for each of the two years ending 31 December 2004 in respect of:-
 - (i) the New Circle K (HK) Lease shall not exceed HK\$2,000,000 and HK\$840,000 respectively; and
 - (ii) the New Web-Logistic Lease shall not exceed HK\$1,200,000 and HK\$500,000 respectively;(collectively the “**New Annual Caps**”);
- (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 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) 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 agreements 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 a 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 and LF (Management) 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) in addition to complying with Rules 20.26 to 20.28, where the cap for 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 Company, which should not occur based on the size of the New Annual Caps, the transactions and the caps 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 transactions continue. The independent non-executive Directors will be required to opine in the annual report whether or not the Company should continue with the agreements for the transactions.

REASONS FOR THE EXECUTION OF THE NEW LEASES 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 and a member of the Li & Fung Group. Bomaron is engaged in property ownership and management in one of the operating arms within the Li & Fung Group. The Group benefits from Bomaron's property portfolio and has been using the Premises as office-cum-workshop before the listing of the Company's shares on GEM in 2001. The Group intends to continue to use the Premises and to extend the respective terms under the Existing Leases when they expire on 31 July 2003.

As mentioned above, the total consideration payable by the Group under the Existing Leases for their remaining terms after the Waiver expired on 31 December 2002 will add up to exceed the de minimis threshold under Rule 20.25(3) of the GEM Listing Rules in or around mid June 2003. Accordingly,

the residue lease term of the Existing Leases will constitute non-exempt continuing connected transactions under Rule 20.26 of the GEM Listing Rules, and will again be subject to the reporting, announcement and shareholder's approval under the GEM Listing Rules in or around mid June 2003. In this respect, and on the basis that the rent under the New Leases will be the same as in the Existing Leases, the Directors (including the independent non-executive Directors) consider that the early termination of the Existing Leases before mid June 2003 and execution of the New Leases for submission to the Independent Shareholders for early approval at the AGM will be 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 total consideration payable by the Group under the Existing Leases for their remaining terms after the Waiver expired on 31 December 2002 will exceed the de minimis threshold under Rule 20.25(3) of the GEM Listing Rules in or around mid June 2003.

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 rentals payable under the New Leases are determined based on terms that are fair and reasonable by reference to the current rent payable under the Existing Leases for their remaining terms until 31 July 2003 and the prevailing market rent of similar units at LiFung Centre. The Directors, including the independent non-executive Directors, are of the view that the New Leases were entered into on normal commercial terms and are fair and reasonable to the Company and the Shareholders taken as a whole.

GENERAL

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

LFR is the substantial and a management Shareholder of the Company and each of Bomaron and LF (Management) 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 Leases and New Leases.

Mr. Lau Butt Farn, a Shareholder and a Director, holds options in respect of 65,000 voting shares in LF (Distribution). Mr. Lau is also a director of Bomaron. By virtue of these interests, Mr. Lau Butt Farn is also considered to have an interest in the Existing Leases and the New Leases.

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

Dr. Fung Kwok King, Victor, a Director, is interested in options in respect of 290,000 voting shares of LF (Distribution) and a trust established for his family interest is interested in 1,184,210 voting shares in Li & Fung (Gemini) Limited otherwise than by virtue of their interest in LF (1937). Li & Fung (Gemini) is also a subsidiary of LF (1937) and a holding company of Bomaron. Dr. Fung is not a Shareholder.

A circular containing, among other matters, information on the New Leases, which includes the early termination of the Existing Leases and 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 shortly.

DEFINITION

“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, Hong Kong on 28 April 2003 at 4:00 p.m.
“associates”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of directors of the Company or a duly authorised committee thereof

“Bomaron”	Bomaron Limited, a company incorporated in Hong Kong, an indirect subsidiary of LF (1937) which has an effective interest of 51.44% in Bomaron Limited
“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”	(i) the letter agreement made between Circle K (HK) and LF (Management) under the New Circle K (HK) Lease and (ii) the letter agreement made between Web-Logistic (HK) and LF (Management) under the New Web-Logistic Lease
“Directors”	Directors of the Company
“Existing Circle K (HK) Lease”	the letter agreement dated 29 June 2000 entered into between Circle K (HK) and Bomaron whereby Circle K (HK) agreed to lease from Bomaron a portion of 5th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong with a gross floor area of 20,723 sq.ft for a term of three years commencing on 1 August 2000 and expiring on 31 July 2003
“Existing Leases”	the Existing Circle K (HK) Lease and the Existing Web-Logistic Lease
“Existing Web-Logistic Lease”	the letter agreement dated 29 June 2000 entered into between Web-Logistic (HK) and Bomaron whereby Web-Logistic (HK) agreed to lease from Bomaron a portion of 5th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong with a gross floor area of 12,667 sq.ft for a term of three years commencing on 1 August 2000 and expiring on 31 July 2003
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

“GEM”	the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising Dr. Ch’ien Kuo-Fung, Raymond, Mr. Au Man Chung, Malcolm and Mr. Godfrey Ernest Scotchbrook who are the independent non-executive Directors
“Independent Shareholders”	Shareholders other than those who have an interest in the New Leases and the Continuing Connected Transactions thereunder (including, without limitation, LFR, Mr. Lau Butt Farn and their respective associates in relation to the Existing and New Leases)
“LF (1937)”	Li & Fung (1937) Limited, a company incorporated in Hong Kong
“LF (Distribution)”	Li & Fung (Distribution) Limited, a holding company of Bomaron and LF (Management), and a company incorporated in British Virgin Islands, an indirect subsidiary of LF (1937) which has an effective interest of 51.44% in LF (Distribution)
“LF (Management)”	Li & Fung Distribution (Management) Limited, a company incorporated in Hong Kong, an indirect subsidiary of LF (1937) which has an effective interest of 51.44% in LF (Management)
“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 Circle K (HK) Lease”	a letter agreement dated 20 March 2003 entered into between LF (Management) as head tenant, Circle K (HK) as sub-tenant and Bomaron whereby Circle K (HK) agreed to sub-lease from LF (Management) a portion of 5th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong with a gross floor area of 20,723 sq.ft. for a revised term from 1 May 2003 to 31 May 2004
“New Leases”	the New Circle K (HK) Lease and the New Web-Logistic Lease
“New Web-Logistic Lease”	a letter agreement dated 20 March 2003 entered into between LF (Management) as head tenant, Web-Logistic (HK) as sub-tenant and Bomaron whereby Web-Logistic (HK) agreed to sub-lease from LF (Management) a portion of 5th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong with a gross floor area of 12,667 sq.ft. for a revised term from 1 May 2003 to 31 May 2004
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, The Macau Special Administrative Region and Taiwan
“Premises”	the property subject to the Existing Leases
“Prospectus”	the prospectus of the Company dated 9 January 2001
“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

“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

“Web-Logistic (HK)”

Web-Logistic (HK) Limited, a company incorporated in Hong Kong and owned as to 82% by the Company

On behalf of the Board
Fung Kwok King, Victor
Chairman

Hong Kong, 20 March 2003

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.