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CONVENIENCE RETAIL ASIA LIMITED

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8052)

CONTINUING CONNECTED TRANSACTIONS

The Board announces that Circle K (HK), a wholly-owned subsidiary of the Company, has entered into the New Purchase Agreement dated 10 December 2004 with IDS (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 IDS (HK) for a revised term from 1 January 2005 to 31 December 2007.

LF (1937) is the controlling Shareholder (55.64%) of the Company and therefore its indirect subsidiary, IDS (HK), is considered as a connected person of the Company. Accordingly, the transactions between the Group and IDS (HK) under the New Purchase Agreement constitute non-exempt continuing connected transactions of the Company under the GEM Listing Rules.

The Directors (including the independent non-executive Directors) consider that the New Purchase Agreement was negotiated on an arm's length basis and was entered into on terms no less favourable to the Group than terms available from independent third parties and in the ordinary course of business of the Group, and its terms are fair and reasonable to Circle K (HK), the Company and the Shareholders taken as a whole.

The maximum amount of the annual purchase under the New Purchase Agreement is estimated at about HK\$17,000,000 and is less than 2.5 per cent of the applicable percentage ratios of the Company as specified in Rule 19.07 of the GEM Listing Rules. Accordingly, the Company is only required under Rule 20.34 of the GEM Listing Rules to disclose the New Purchase Agreement by way of this press announcement and the inclusion of the information in relation thereto in the next published annual report and accounts of the Company.

THE NEW PURCHASE AGREEMENT

The Board announces that Circle K (HK), a wholly-owned subsidiary of the Company has entered into the New Purchase Agreement dated 10 December 2004 with IDS (HK) on identical terms as those contained in the Existing Purchase Agreement for a revised term from 1 January 2005 to 31 December 2007.

PARTICULARS OF THE CONTINUING CONNECTED TRANSACTIONS

Transaction nature

Circle K (HK) will purchase various products (being both food and non-food products) from IDS (HK) on its standard term of business for a period from 1 January 2005 to 31 December 2007.


Pricing basis

Circle K (HK) will purchase products from IDS (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 31 December 2003, were HK\$7,914,000 and HK\$7,675,000 respectively. The amounts incurred up to 30 November 2004 was HK\$8,890,910.84. It is expected that the annual purchase for the year ended 31 December 2004 will be approximately HK\$10,000,000. It is expected that the aggregate consideration payable by Circle K (HK) will increase as its business expands, but will not exceed HK\$17,000,000 for each of the three years ending 31 December 2007 ("**Annual Cap**"). The purchase price for the products will be settled in cash on a monthly basis within 60 days after the issue of the month end statement.

The computation of Annual Cap is based on an estimated average annual growth rate of 15% over the amount incurred by the Group in 2004 of about HK\$10,000,000 and a buffer for additional lines of products which may be purchased by Circle K (HK) from IDS (HK) during the three years ending 31 December 2007. The estimated average annual growth rate of 15% is based on the expected increase in the volume of the Group's business as a result of the Group's intended adoption of a more aggressive store opening programme in Hong Kong. The Group expects to have about 210 stores in Hong Kong by the end of 2004 and it is expected that about 115 additional stores will be opened in the next three years.

REASONS FOR THE EXECUTION OF THE NEW PURCHASE AGREEMENT 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 . IDS (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, IDS (HK) is the exclusive distribution agent of several products. The Directors have confirmed that the purchases made by the Company from IDS (HK) will be 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 Purchase Agreement following the expiration of the term under the Existing Purchase Agreement on 31 December 2004.

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 New Purchase 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 terms no less favourable to the Group than terms available from independent third parties and is fair and reasonable to Circle K (HK), 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

The Group is principally engaged in the operation of one of the leading convenience store chains in Hong Kong and a convenience store chain on the Chinese Mainland under the trade name of . As at 30 September 2004, its Circle K store chain comprised 197 stores in Hong Kong and 15 stores in Guangzhou. About 40%, 40% and 20% of the Circle K stores in Hong Kong were located in the New Territories, Kowloon and Hong Kong Island respectively as at 30 September 2004. Circle K stores offer a broad selection of food and non-food merchandise as well as certain ancillary services designed to appeal to its customers through meeting their convenience needs.

LF (1937) is the controlling Shareholder (55.64%) of the Company and therefore its indirect subsidiary, IDS (HK), is considered a connected person of the Company. Accordingly, the transactions between the Group and IDS (HK) under the New Purchase Agreement constitute non-exempt continuing connected transactions of the Company under the GEM Listing Rules. Nevertheless, the maximum amount of the annual purchase under the New Purchase Agreement is estimated at about HK\$17,000,000, and is less than 2.5 per cent of the applicable percentage ratios of the Company as specified in Rule 19.07 of the GEM Listing Rules. Accordingly, the Company is only required under Rule 20.34 of the GEM Listing Rules to disclose the New Purchase Agreement by way of this press announcement and the inclusion of the information in relation thereto in the next published annual report and accounts of the Company.

DEFINITION

“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 purchase of products from IDS (HK) by Circle K (HK) under the New Purchase Agreement
“Directors”	directors of the Company

“Existing Purchase Agreement”	the purchase agreement dated 20 March 2002 between Circle K (HK) and IDS (HK) whereby Circle K (HK) agreed to purchase various products (being food and non-food products) from IDS (HK) on its standard term of business as may be amended from time to time for a period from 1 May 2002 to 31 December 2004
“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 GEM
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IDS (HK)”	IDS (Hong Kong) Limited (formerly known as JDH (Hong Kong) Limited), a company incorporated in Hong Kong, an indirect subsidiary of LF (1937) which has an effective interest of 57.75% in IDS (Hong Kong) Limited
“LF (1937)”	Li & Fung (1937) Limited, a company incorporated in Hong Kong
“New Purchase Agreement”	the purchase agreement dated 10 December 2004 entered into between Circle K (HK) and IDS (HK) whereby Circle K (HK) agreed to purchase various products (being food and non-food products) from IDS (HK) on its standard term of business as may be amended from time to time for a period from 1 January 2005 to 31 December 2007
“Shareholder(s)”	holder(s) 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

Hong Kong, 10 December 2004

Executive Directors:
Yeung Lap Bun, Richard
Li Kwok Ho, Bruno

Independent non-executive Directors:
Dr. Ch'ien Kuo Fung, Raymond
Au Man Chung, Malcolm
Godfrey Ernest Scotchbrook

Non-executive Directors:
Dr. Fung Kwok King, Victor (*Chairman*)
Dr. Fung Kwok Lun, William
Jeremy Paul Egerton Hobbins
Wong Yuk Nor, Louisa

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.